

# National Credit Union Administration

## REGULATORY MODERNIZATION INITIATIVE

### Results from 2011 through 2016

NCUA ACTIONS	BENEFITS
<b>IMPROVED RULES</b>	
<p><b>Expanded Regulatory Relief Eligibility for Small and Non-Complex Credit Unions</b></p>	<ul style="list-style-type: none"> <li>✓ Expanded NCUA’s regulatory exemptions for credit unions with assets of less than \$100 million (<i>up from \$10 million in 2012</i>)</li> <li>✓ Eased compliance requirements for small credit unions to access emergency liquidity</li> <li>✓ More than doubled the number of small credit unions eligible for regulatory relief in future NCUA rulemakings (<i>4,500 out of 6,000 CUs</i>)</li> <li>✓ Exempted non-complex credit unions (<i>75 percent of all CUs</i>) from risk-based capital requirements</li> </ul>
<p><b>Eliminated Fixed Assets Cap</b></p>	<ul style="list-style-type: none"> <li>✓ Eliminated federal credit unions’ 5 percent cap on fixed assets</li> <li>✓ Removed the need to apply for regulatory waivers</li> <li>✓ Empowering federal credit unions to make their own business decisions on purchases of land, buildings, office equipment, and technology</li> </ul>
<p><b>Pre-Approved Associational Common Bonds</b></p>	<ul style="list-style-type: none"> <li>✓ Pre-approved 12 categories of associations that federal credit unions may automatically add to their fields of membership:               <ul style="list-style-type: none"> <li>➤ alumni associations</li> <li>➤ athletic booster clubs</li> <li>➤ Chamber of Commerce groups</li> <li>➤ electric cooperatives</li> <li>➤ ethnic organizations</li> <li>➤ fraternal organizations</li> <li>➤ homeowners’ associations</li> <li>➤ labor unions</li> <li>➤ occupational organizations</li> <li>➤ parent-teacher associations</li> <li>➤ religious organizations</li> <li>➤ scouting groups</li> </ul> </li> </ul>
<p><b>Expanding Fields of Membership</b></p>	<ul style="list-style-type: none"> <li>✓ Proposed a modernized field of membership rule to:               <ul style="list-style-type: none"> <li>➤ Designate each Congressional District as a well-defined local community</li> <li>➤ Serve Combined Statistical Areas with populations up to 2.5 million</li> <li>➤ Raise potential membership to 1 million for federal credit unions in rural areas</li> <li>➤ Extend membership eligibility to honorary discharged veterans, contractors, and businesses in industrial parks</li> <li>➤ Recognize full-service websites and electronic applications as service facilities for select employee groups</li> <li>➤ Modernize the definition of “underserved area”</li> </ul> </li> </ul>

NCUA ACTIONS	BENEFITS
<b>IMPROVED RULES</b> <i>(continued)</i>	
<b>Modernized Member Business Lending</b>	<ul style="list-style-type: none"> <li>✓ Finalized a principles-based rule on member business lending to: <ul style="list-style-type: none"> <li>➤ Remove non-statutory limits on member business loans</li> <li>➤ Empower each credit union to write their own business loan policy and set their own limits under the law</li> <li>➤ Eliminate the requirement for all business owners to pledge personal guarantees</li> <li>➤ Remove unnecessary barriers on business loan participations which help credit unions diversify risks</li> </ul> </li> </ul>
<b>Eased Troubled Debt Restructuring</b>	<ul style="list-style-type: none"> <li>✓ Facilitated credit union loan modifications</li> <li>✓ Ended manual reporting of modified loans</li> <li>✓ Prevented unnecessary foreclosures</li> <li>✓ Kept more credit union members in their homes throughout the housing crisis</li> </ul>
<b>Authorized “Plain Vanilla” Derivatives</b>	<ul style="list-style-type: none"> <li>✓ Permits qualified federal credit unions to use “plain vanilla” derivatives to reduce interest rate risks</li> <li>✓ Protects the credit union system from interest rate risks at large credit unions by providing an additional interest rate risk mitigation tool</li> <li>✓ Allows approved federal credit unions to maintain appropriate levels of mortgage loans in portfolios</li> </ul>
<b>Approved Treasury Inflation-Protected Securities</b>	<ul style="list-style-type: none"> <li>✓ Offers federal credit unions an additional investment backed by the Federal Government with zero credit risk</li> </ul>
<b>Established Charitable Donation Accounts</b>	<ul style="list-style-type: none"> <li>✓ Empowers federal credit unions to safely pool investments designed to primarily benefit national, state, or local charities</li> </ul>
<b>Eliminating Full Occupancy Requirement</b>	<ul style="list-style-type: none"> <li>✓ Proposed eliminating a requirement that federal credit unions must plan for and eventually reach full occupancy of acquired premises</li> </ul>
<b>STREAMLINED PROCESSES</b>	
<b>“Opt-In” Low-Income Credit Union Designation</b>	<ul style="list-style-type: none"> <li>✓ Implemented an “Opt-In” notification process whereby eligible credit unions can simply reply “Yes” to receive their Low-Income Designation</li> <li>✓ Doubled the number of Low-Income Designations in three years, reaching 2,300 credit unions serving 30 million members</li> <li>✓ Low-Income Credit Unions are authorized by statute to: <ul style="list-style-type: none"> <li>➤ Expand member business lending beyond the statutory cap</li> <li>➤ Count supplemental capital toward the net worth leverage ratio</li> <li>➤ Raise non-member deposits</li> <li>➤ Apply for Community Development Revolving Loan Fund grants and loans</li> </ul> </li> </ul>

NCUA ACTIONS	BENEFITS
<b>STREAMLINED PROCESSES</b> <i>(continued)</i>	
<b>Enhanced Attractiveness of Secondary Capital</b>	<ul style="list-style-type: none"> <li>✓ Provided policy flexibility for Low-Income Credit Unions to redeem secondary capital when investors request</li> </ul>
<b>Expedited Examinations for Smallest Credit Unions</b>	<ul style="list-style-type: none"> <li>✓ Created an expedited exam process for well-managed credit unions with CAMEL ratings of 1, 2 or 3 and assets up to \$50 million</li> <li>✓ Focused expedited exams on issues most likely to pose risks to the smallest credit unions</li> </ul>
<b>Referring Member Complaints</b>	<ul style="list-style-type: none"> <li>✓ Referring member complaints directly to federal credit unions</li> <li>✓ Providing supervisory committees with 60 days to resolve each complaint before NCUA intervenes</li> </ul>
<b>Approving Fields of Membership</b>	<ul style="list-style-type: none"> <li>✓ Provided a 5-page template for community charter applications rather than requiring hundreds of pages of community documentation</li> <li>✓ Upgraded NCUA’s technology platform to allow credit unions applying to expand their fields of membership to track the status of their applications on-line throughout the approval process</li> </ul>
<b>Certifying Credit Unions as Community Development Financial Institutions</b>	<ul style="list-style-type: none"> <li>✓ Signed agreement with US Treasury to double the number of credit unions certified as Community Development Financial Institutions by January 2017</li> <li>✓ Automating existing NCUA data to pre-qualify Low-Income Credit Unions as certified CDFIs eligible for multi-million-dollar grants from Treasury’s CDFI Fund</li> </ul>
<b>Cutting Reporting Burdens</b>	<ul style="list-style-type: none"> <li>✓ Beginning with the September, 30, 2016, Call Report, credit unions will only be required to submit aggregate loan and investment information about credit union service organizations</li> </ul>
<b>CLARIFIED LEGAL OPINIONS</b>	
<b>Authorized “Network Credit Union” Model</b>	<ul style="list-style-type: none"> <li>✓ Creates a cooperative structure where small credit unions can merge without losing their identity or member services flexibility</li> </ul>
<b>Extended Loan Maturities</b>	<ul style="list-style-type: none"> <li>✓ Permits loan maturities up to 40 years after loan modifications</li> <li>✓ Significantly reduces monthly payments for borrowers in need</li> </ul>
<b>Permitted Indirect Loan Participations</b>	<ul style="list-style-type: none"> <li>✓ Allows credit unions to sell portions of indirect loans to raise liquidity</li> <li>✓ Provides buyers another option to diversify loan portfolios</li> </ul>
<b>Expanded Vehicle Fleets</b>	<ul style="list-style-type: none"> <li>✓ Expanded “fleets” from 2 to 5 vehicles for member business loans</li> <li>✓ Increases access to credit for small businesses and startups</li> </ul>

<b>Modernized Service Facilities</b>	<ul style="list-style-type: none"><li>✓ Includes full-service video tellers in the definition of federal credit union “service facilities”</li><li>✓ Empowers federal credit unions to expand services in underserved areas</li></ul>
<b>Changing Charters in Mergers</b>	<ul style="list-style-type: none"><li>✓ Permits credit unions to change charters to facilitate voluntary mergers</li><li>✓ Enhances credit union services for members of merging credit unions</li></ul>