

November 20, 2017

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: HCUA Comments on NCUA Regulatory Reform Agenda

Dear Mr. Poliquin:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the National Credit Union Administration (NCUA) Regulatory Reform Agenda.

Credit unions continue to need regulatory relief as the operation of small financial institutions continues to become more complex from regulations and market place demands. HCUA supports the intent of NCUA to address outdated and ineffective regulations that are excessively burdensome to the credit union industry.

Tier 1 Recommendations (Years 1 and 2)

Part 715—Supervisory Committee Audits and Verification: Engagement letter, target date of delivery

HCUA supports the regulatory relief to remove the specific “120 days” requirement to permit flexibility in negotiating delivery dates and alleviate the need to secure a waiver of target compliance.

Securitization

Given that NCUA has completed this recommendation by issuing a legal opinion interpreting FCU’s incidental powers to authorizing the buying and selling of securities, including a safe harbor rule related to liquidation of assets transferred in connection with a securitization or participation in securities offering, HCUA supports the ability of credit unions to provide financial services sought by their membership and approved by their leadership.

Part 722—Appraisals

HCUA supports raising the commercial real estate loan appraisal threshold from the present \$250,000 to \$400,000. HCUA prefers NCUA to operate on its own authority, rather than joining with the banking agencies’ task force, to raise both the CRE appraisal threshold, and separately, the threshold (at \$1M for banks) relating to certain qualifying business loans not dependent on the sale or rental income of the property.

Part 740—Accuracy of Advertising and Notice of Insured Status

Whereas credit unions must presently include the official advertising statement in radio and television ads exceeding 15 seconds in duration, Federal Deposit Insurance Corporation (FDIC)-

regulated banking institutions are not required to include the similar-FDIC statement unless such ad exceeds 30 seconds, rendering the NCUA rule for credit unions more restrictive than that which is applied to banks. Federally-insured credit unions are also required to include the advertising statement on statements of condition that must be published, while banks are exempt. The proposed rule seeks to rectify these regulatory inequalities, and provide print, radio, and television advertising parity among banks and credit unions. A reduction in compliance costs involved with additional publication requirements and longer disclaimers in advertisements is a tangible benefit—one that for-profit banking institutions have disproportionately enjoyed since FDIC advertising rule revisions in 2011. HCUA supports action by NCUA to rectify this disparity.

Appeals

HCUA appreciates the thorough legal review conducted by NCUA to streamline and improve the appellate review process. As the appeals process is currently the only mechanism to provide feedback, HCUA supports an option for independent review.

Tier 2 Recommendations (Year 3)

§701.34: Designation of Low Income Status; Acceptance of Secondary Capital Accounts by Low-Income Designated Credit Unions

HCUA supports NCUA's efforts to explore additional sources of capital for purposes of net worth requirement calculations. Supplemental capital should be acceptable to count toward the risk-based net worth requirement.

702: Capital Adequacy

HCUA supports efforts to reduce the applicability of risk-based capital and risk-weights to all smaller credit unions. The rule should be narrowly-focused and simplified; to the extent credit unions must meet the Risk-based capital (RBC) requirements, supplemental capital should be permitted to count toward the requirements.

Tier 3 Recommendations (Year 4)

§701.21—Loans to Members and Lines of Credit to Members: Temporary interest rate ceiling

The loan interest rate ceiling has stayed at 18% since 1987 and it makes sense to study whether future rate changes should be tied to a domestic index. Further, removal of a specific means for notifications is appropriate given the pace of development in modern communication technology.

§714—Leasing

HCUA maintains that credit unions should have the flexibility to run their business as best suits their members' needs. Leasing regulations should be reduced to allow more credit unions, other than the largest, to engage in this activity, if it is appropriate to their business needs.

§725—NCUA Central Liquidity Facility (CLF)

HCUA supports updates to CLF that would reduce minimum collateral requirements as well as facilitate the use of correspondents.

Part 748—Security Program, Report of Suspected Crimes, Suspicious Transactions, Catastrophic Act, and Bank Secrecy Act Compliance

HCUA urges NCUA to minimize compliance burdens relating to the Bank Secrecy Act (BSA) under Part 748 of NCUA's regulations, which supplements BSA regulations from the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). Compliance with BSA and anti-money laundering (AML) requirements remains a substantial regulatory issue. HCUA supports raising the thresholds for Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) to a minimum of \$20,000 in an effort to ensure that only effective and useful data is transmitted, and field examiners can provide consistent guidance during examinations; the current threshold has remained unchanged since 1972. Further, the SAR and CTR forms should also be combined into one form submission.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink that reads "Bradley D. Douglas". The signature is written in a cursive, flowing style.

Brad Douglas
President/CEO