NASCUS

The National Voice of the State Credit Union System

May 24, 2021

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NASCUS Comments on Interim Final Rule Asset Thresholds

Dear Secretary Conyers-Ausbrooks:

The National Association of State Credit Union Supervisors (NASCUS)[1] submits this letter in response to the National Credit Union Administration's (NCUA) request for comments on RIN 3133-AF36, Interim Final Rule: Asset Thresholds.[2] The NCUA Board issued the Interim Final Rule (IFR) to mitigate transition costs for federally insured credit unions (FICUs) related to the COVID–19 Pandemic and the application of NCUA capital planning and stress testing rules. Specifically, the IFR allows a FICU to use March 31, 2020, financial data when determining whether the institution is subject to capital planning and stress testing requirements administered by NCUA's Office of National Examinations and Supervision (ONES).[3]

NASCUS supports this rule making and we agree with NCUA that good cause exists for the issuance of this regulatory relief as an IFR. Given that the existing annual calendar benchmark for determining ONES' supervisory Tiers was approaching at the time of issuance of this rule, an immediate effective date was necessary to minimize confusion among credit unions approaching the $10 billion threshold or preparing to determine which stress testing Tier was applicable to them. As we have previously noted in response to NCUA COVID-19 related rulemaking, the unprecedented nature of the pandemic and the volatile nature of its effect on both the economy and the financial services' sector justifies expediting regulatory relief to facilitate credit unions' pandemic response.[4]

March 31, 2020 is the appropriate measurement date to determine the Tier I, II, and III classification for the coming year. Many credit unions have experienced a surge in deposits during the pandemic and some level of post-pandemic run-off is expected. Utilizing March

[1] NASCUS is the professional association of the nation's 45 state credit union regulatory agencies that charter and supervise over 2,000 state credit unions. NASCUS membership includes state regulatory agencies, state chartered and federally chartered credit unions, and other important stakeholders in the state system. State chartered credit unions hold over half of the $1.87 trillion assets in the credit union system and are proud to represent nearly half of the 125 million credit union members.
[2] "Interim Final Rule: Asset Thresholds" 86 Fed. Reg. 15397 (March 23, 2021).
[3] Ibid.
[4] See "NASCUS Comments: Temporary Regulatory Relief Rule in Response to COVID-19 – Prompt Corrective Action (RIN 3133-AF19)," (June 29, 2020). Available at https://www.nascus.org/comment-letters/nascus-comments-on-temporary-regulatory-relief-rule-in-response-to-covid-19-prompt-corrective-action-rin-3133-af19/.

2020 data is a practical way to avoid subjecting credit unions to the additional compliance costs associated with the stress testing Tiers that would, but for the pandemic inflation of their balance sheets, not otherwise have qualified for stress testing under Part 702 at this time.

Under the IFR, NCUA would only use the March 31, 2020 date to determine whether a credit union qualifies for stress testing and capital planning in 2022.[5] We agree that providing this regulatory relief initially for one year is a prudently measured approach.[6]

NASCUS concurs with NCUA's reservation of authority pursuant to existing Part 702 to address limited situations where the regulatory relief provided by using March 31, 2020 data may be inappropriate.[7] We anticipate that NCUA will consult with the state regulator before exercising the authority to reclassify a federally insured state credit union.

Thank you for the opportunity to provide comments on NCUA IFR: Asset Thresholds. While the universe of credit unions approaching the $10 billion threshold or crossing from one stress testing and capital planning Tier to another, is limited, providing affected credit unions this targeted regulatory relief is important. NASCUS commends NCUA for moving forward expeditiously with this rulemaking. We are happy to discuss our comments further at your convenience.

Sincerely,

- signature redacted for electronic publication -

Brian Knight
Executive Vice President & General Counsel

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[5] 86 Fed. Reg. 15399 (March 23, 2021).
[6] Should the economic dislocation resulting from the pandemic, or the effects of the government's economic intervention, extend beyond 2022, we would encourage NCUA consider extending the forbearance in March of 2022.
[7] 86 Fed. Reg. 15399 (March 23, 2021).