NASCUS
The National Association of State Credit Union Supervisors

October 8, 2025

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

Re: Regulatory Publication and Voluntary Review as Contemplated by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) – Docket: NCUA-2024-0014

To the Office of General Counsel:

The National Association of State Credit Union Supervisors (NASCUS)[1] submits the following comments in response to the National Credit Union Administration's (NCUA) notice of regulatory review and request for comments under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA)[2]. The Agency's commitment to identifying and minimizing outdated, unnecessary, or unduly burdensome requirements is commendable.

Due to the unique circumstances of federally insured credit unions and their members, the NCUA Board (Board) has chosen to issue a separate request from the other federal banking agencies. With this Notice, the Board seeks comments on NCUA rules related to the following categories:

- Agency Programs
- Capital; and
- Consumer Protection

NASCUS appreciates the opportunity to comment and offers the following for NCUA's consideration.

[1] NASCUS is the professional association of the nation's forty-six state and territorial credit union regulatory agencies that charter and supervise over 1700 state credit unions. NASCUS membership includes state regulatory agencies, state and federally chartered credit unions, and other important stakeholders in the state system. State-chartered credit unions hold half of the $2.4 trillion assets in the credit union system and are proud to represent nearly half of the 144 million members. The remaining states lack state-chartered credit unions.
[2] 90 Fed. Reg. 130 at 30596 (July 10, 2025).

General Comments

The Administration has directed federal agencies to reduce regulatory burden.[3] Per the Executive directive, NCUA could achieve a significant reduction in regulatory burden, with no increased risk to safety and soundness, by reorganizing NCUA rules and Regulations and consolidating the rules applicable to federally insured state-chartered credit unions (FISCUs) into a single section.

As we have discussed in previous comments to the NCUA, the current organization of its rules is convoluted, confusing, and unnecessarily burdensome. However, we believe the Agency is presented with a unique opportunity, as it reviews rules, guidance, and regulations, to fully evaluate the impact and organization of its rules applicable to FISCUs.

Examiners and credit union professionals, who must review the NCUA rules for FISCUs to ensure compliance, spend an excessive amount of time researching, reviewing, and cross-referencing the NCUA's rules, many of which do not apply to FISCUs, simply to identify rules that do. Searching the NCUA's rules often involves a specific sub-provision of federal credit union only regulations that is referenced in Part 741, where the complete text can be found elsewhere.

For example, Part 741.8 refers FISCUs to Part 701.23(b)(1)(i); Part 701.22; Part 701.23(b)(1)(iii); Part 701.23(b)(1)(iv); and Part 701.22. To confuse matters even more, Part 741.8 appears in a section of NCUA Rules purporting to contain rules "not codified elsewhere" in NCUA's rules and regulations.

Part 741.203 cross references § 701.21(c)(8); § 701.21(d)(5); § 701.21(h); § 701.21(h)(2); and § 701.21(h)(3). Numerous additional references and cross-citations apply federal credit union (FCU) rules to FISCUs. This situation requires both FISCUs and their examiners to sift through dozens of FCU provisions to access the sub-provision potentially applicable to the FISCU. To complicate matters further, some of NCUA's cross-references are so broad as to leave readers to interpret for themselves which regulations may apply. For example, Part 741.202 tells FISCUs to meet "the applicable" requirements of Part 715.[4] However, Part 715 itself is devoid and specific identification of which of its provisions are applicable. Confusing the matter further, many of NCUA's rules themselves use wording specifying their applicability to FCUs but are in fact relevant to FISCUs as well.

[3] See OMB Memorandum, M-25-10 "Implementation of Regulatory Freeze Pending Review"

[4] Part 741.202 is further problematic by specifically referencing the supervisory committee of a credit union. State chartered credit unions are not required to have supervisory committees. Many states require audit committees and at least six states have no audit committee requirement at all.

There is no compelling justification for not consolidating all rules applicable to FISCUs within Part 741. Doing so would significantly reduce regulatory burden and eliminate confusion between FCU rules and FISCU rules. NCUA has acknowledged the utility of consolidating rules in the past. When previously providing regulatory relief to FCUs by consolidating several lending rules, NCUA wrote:

Having the various maturity limits spread among numerous sections of the NCUA's regulations often separated by large amounts of regulatory text unrelated to maturities, can be confusing to a reader and makes it more difficult to understand the lending regulations. To remedy this, in the proposed rule, the Board proposed to make the NCUA's loan maturity requirements more understandable and user-friendly by identifying in one section (§701.21(c)(4)), including cross citations and all of the maturity limits applicable to FCU loans. [5]

It is incumbent on regulatory agencies to ensure their rules are easily identifiable and accessible. Reorganization of NCUA's FISCU rules is long overdue. [6]

Central Liquidity Facility, §741.210, §725

While the Central Liquidity Facility (CLF) has proven to be a vital backstop for the credit union system, statutory limitations continue to hinder its overall effectiveness. Through the CLF, NCUA administers a credit union-specific source of contingent liquidity. NASCUS and its state regulator members recognize the value of a contingent liquidity funding source designed to meet the needs of the credit union system, particularly the many modestly sized credit unions with assets less than $250 million.

The pandemic-era statutory enhancements to the CLF demonstrated the value of greater flexibility and broader access. We encourage NCUA to seek permanent statutory changes to restore these enhancements. Specifically, we encourage NCUA to continue working with Congress on changes that would permit corporate credit unions, as agents, to buy capital stock required for membership for a subset of their members, versus the entire membership. This change would make membership more affordable and efficient for nearly 3,600 credit unions under $250 million in assets that do not have immediate access to emergency liquidity through the CLF.

[5] NCUA Final Rule, Loans to Members and Lines of Credit to Members, 84 Fed Reg. 57, at 10972 (March 25, 2019).
[6] Certain provisions of the EGRPRA address the comprehensive review of regulations applicable to FISCUs. The remaining provisions subject to this request are not applicable to FISCUs, nor should they be. Moreover, the NCUA's exercise of preemption through its share insurance authority has, in practice, become overly expansive. Accordingly, NASCUS respectfully urges the NCUA to undertake a comprehensive review of its rules applicable to FISCUs, in close coordination with the state supervisory system.

Additionally, statutory changes that would permit corporate credit unions to borrow directly from the CLF for their own needs would also support the overall liquidity position of the credit union industry. To the extent the CLF can leverage the corporate system as a channel for providing liquidity, we urge the agency to reconsider Part 704 and many of the restrictions imposed on corporate credit unions in past years. Those limitations may unnecessarily constrain the corporate credit unions' ability to serve as effective agents of the CLF during times of stress.

Designation of Low-Income Status/Receipt of Secondary Capital by Low-Income Credit Unions, §741.204, §701.34

NCUA parts 701.34 and 741.204 address the coordination of and approval of a FISCUs low-income designation between the NCUA and the respective state regulatory authority and indicate the state regulator shall make the low-income designation with the concurrence of NCUA. This is coupled with the requirement of a state regulator to make the designation on the same basis as that provided in 701.34 for federal credit unions.

However, in practice, the dual concurrence requirement can lead to delays, ambiguity, or deference to NCUA where state regulators may have different but valid financial or supervisory perspectives. NASCUS suggests the establishment of clear procedural rules (e.g., timeframes, default actions) for when a state regulator acts and when NCUA must respond. While the current framework is functional, greater efficiency and consistency could be achieved through formalized interagency policies.

Capital Adequacy, §741.226, §702

Securities Offering Status

The NCUA has determined that subordinated debt notes issued under the subordinated debt rule fit the definition of a security.[7] As stated in previous comments, we urge the NCUA to reconsider. Deference should be given to the successful history of LICU issuances of secondary capital as well as the unique nature of the credit union system. Absent demonstrable material risk, the NCUA should avoid imposing burdens on LICU secondary capital or complex credit union subordinated debt issuances that disadvantage credit unions compared to their bank peers.

The current rule applies disclosure requirements to credit union issuances of subordinated debt that mimic the requirements of the federal securities laws, even if the credit unions' issuances to accredited investors would not be subject to such requirements under the securities laws themselves.

[7] Fed. Reg. Vol. 86, No.34, p.11063

To enhance the efficacy of secondary capital and subordinated debt for credit unions, NCUA should work with state regulators to

Prepayment and Pre-approval Process

Section 702 was part of the NCUA's 2022 one-third review of its rules and regulations. NASCUS took the opportunity to address a handful of areas for improvement in 702, including the prepayment and preapproval process. As part of the 2020 final rule, the NCUA removed the criteria for "streamlined" prepayment approval that was previously part of the National Supervisory Policy Manual (NSPM).

With the absence of an automatic approval provision, credit unions are left immobile should a decision exceed 45 days. The state supervisory authorities, as the prudential regulator for (FISCUs), should be granted deference in approving subordinated debt requests as well as requests for pre-payment of such transactions. Under the current rule, NCUA fails to acknowledge the role of states in approving such transactions.

As stated in our comments to the NCUA on the 2020 proposed rule, NASCUS remains opposed to limiting FISCUs to instruments allowed for FCUs. The state system has a long history of leading the way in innovative products and services for credit unions, and we oppose an overly preemptive approach to state authority.[8]

We encourage the NCUA to work with state regulators to evaluate whether additional flexibility in prepayment rules would enhance safety and soundness. Furthermore, the NCUA, state regulators, and stakeholders should discuss what guidelines should be published to provide more certainty to institutions regarding the metrics for evaluating applications for prepayment.[9]

Accuracy of Advertising and Notice of Insured Status, §740, §741.211

While the NCUA has made strides in modernizing the share insurance disclosure for advertisements, NASCUS recommends the NCUA consider an additional, shorter version of the official statement, like the FDIC's amendments to its advertising statement in 2024.[10] For example, allowing "NCUA Insured" or "Member NCUSIF" as approved official advertising statements would provide even greater flexibility to credit unions.

[8] See NASCUS Comments NCUA-2020-0016-002
[9] The regulatory structure for banks allows prepayment without OCC approval of subordinated debt, not included in Tier 2 Capital. Well- Capitalized credit unions should have the same ability to prepay, without regulatory approval, the portion of subordinated debt, not included in net worth.
[10] Fed. Reg. Vol. 89, No. 12 (Jan. 18, 2024)

Additionally, given the evolving nature of social media and the ongoing emergence of new platforms for advertising, NASCUS recommends that NCUA regularly review the advertising rules to consider these new developments and technologies.

In conclusion, NASCUS commends the NCUA for its willingness to undertake meaningful regulatory reform and appreciates the opportunity to comment. We look forward to continuing to work with the agency to maintain and improve the safe, sound, and efficient regulation of the credit union movement.

Sincerely,

- Signature redacted for electronic submission –

Sarah Stevenson
Vice President, AML/AFC, and Regulatory Affairs
NASCUS