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November 20, 2017

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Request for Comments on NCUA Regulatory Reform Agenda
RIN 3133-AE73

Dear Mr. Poliquin,

The Ohio Credit Union League (OCUL) welcomes the opportunity to submit comments regarding the National Credit Union Administration's (NCUA) regulatory reform agenda.

OCUL represents Ohio's 284 credit unions and their nearly 3 million members. We applaud the agency's willingness to modernize rules governing federally-chartered credit unions and state-chartered, federally-insured credit unions.

Modernization Efforts by NCUA Provide Much Needed Relief

It is important to recognize the signals NCUA's leadership is sending to the marketplace to address the regulatory environment that has created operational challenges and caused market consolidation. Specifically, NCUA's reorganization efforts, the closing of the temporary corporate credit union stabilization fund, the transparency related to the overhead-transfer-rate, and the most recent proposed rule on corporate credit unions is appreciated and applauded by Ohio credit unions.

Our hope is to see this trend continue, and we feel efforts to modernize the regulatory framework are a significant step in the right direction. Market consolidation and shifting of resources away from member service to compliance significantly undermines the market presence (in numbers and consumer benefit) of credit unions among financial services providers. The numbers are real, as pointed out in the Credit Union National Association's (CUNA) survey which found regulatory burden costs to equate \$7.2 billion in 2014. Modernization, followed by execution of significant relief, are part of the solution to reversing market trends that raise alarms.

Executive Order 13777

Even though NCUA is not required to comply with Executive Order 13777, the agency chose to follow the spirit of the executive order, requiring agencies to appoint a regulatory reform officer and establish a regulatory reform task force. We appreciate NCUA forming a task force and developing a comprehensive four-year agenda for revising NCUA's regulations.



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OCUL agrees with NCUA to suspend the customary annual regulatory review in favor of a broader, longer-term review as generally proposed in this request for comment until 2020. We believe the regulatory task force should be empowered to look for new opportunities to modernize regulations; thus, it makes sense that resources and energy should be shifted to the regulatory reform task force.

Below please find our comments on suggested regulations ripe for review by the task force.

Tier I (First 24 Months)

NCUA has identified multiple regulations to target during the first two years of its regulatory review. We agree with the majority of proposals relating to the regulatory review in this section.

While we appreciated NCUA's recent rule review as it related to the perpetual contributed capital of corporate credit unions, we believe Part 704 should be reviewed in its entirety. As a result of the financial crisis, NCUA revised Part 704 of the rules governing corporates. Consequently, the corporate credit union system has significantly contracted and consolidated. We encourage NCUA to conduct a more expansive rule review of Part 704 so that interested parties may explore modernization opportunities for the benefit of corporate credit unions and their natural-person credit union members.

In the regulatory reform agenda, NCUA identifies a proposed change relating to the requirements for federal share insurance. NCUA states its intent to revise Part 741 to preclude a credit union that has already converted to another form of insurance from receiving a subsequently declared NCUSIF dividend. We strongly urge the NCUA to forego any efforts related to this provision.

The NCUA posed this question in the public notice and comment period relating to the Equity Distribution Method. We reiterate the same concerns. It is unclear how this provision would affect future equity distributions as they relate to the corporate resolution program. Currently, if a federally-insured credit union terminates federal share insurance coverage during the calendar year, the credit union is entitled to receive an equity distribution. This distribution is based on the insured shares as of the last day of the most recently ended reporting period and then reduced by the number of months remaining in the calendar year. We applaud the simple and fair logic of this approach.

Additionally, we still have concerns with NCUA's desire to set the normal operating level (NOL) of the NCUSIF at 1.39%, which we believe is a significant deviation from NCUA's proven, successful policy precedent. We urge NCUA to re-evaluate the NOL and set it at 1.34% for a temporary period of time, followed by a return to the 1.30% NOL. This policy dictated that the share insurance fund's equity ratio would be countercyclical, rising in good times so that premiums would not be necessary at the troughs of a recession. Since then, the NOL has been set at 1.30% every year.

Tier 2 (Year Three)



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Again, we agree that many of the regulations identified by NCUA in the Tier 2 plan should be reviewed, as all regulations should be examined for efficiency and efficacy.

We believe that when Tier 2 regulations are examined and modernized, credit unions will benefit. As an example, we are supportive of the preliminary proposed changes to loan participations. Eliminating the \$5 million prescriptive limit on the aggregate amount of loan participations that may be purchased from one originating lender will improve credit union operations by providing credit unions with the flexibility to make decisions in their members' best interest.

Tier 3 (Year Four)

While we recognize that multiple regulations identified in Tier 3 of the plan include an advanced notice of proposed rulemaking, we encourage the task force to begin working on Tier 3 items as soon as possible, as the changes to those regulations can provide a high degree of impact to credit unions. Two of those regulations being Bank Secrecy Act (BSA) regulations and record retention regulations.

NCUA has identified Part 748 as it relates to BSA review using an advanced notice of proposed rulemaking and a workgroup due to the complexity. We encourage NCUA to examine BSA regulations before year four. Because BSA compliance is highly complex and requires significant credit union resources, we believe NCUA should consider addressing BSA regulations sooner. An overhaul of Part 748 is much needed.

We believe the following items would provide a high degree of benefit:

- Work with FinCEN, Congress, the Department of Treasury, and/or other regulators to support impactful and meaningful regulatory changes to minimize the costs and problems credit unions encounter in meeting BSA/AML requirements;
- Minimize the duplication of same or similar information;
- Significantly curtail the continually enhanced customer due diligence requirements;
- Increase the currency transaction reporting threshold;
- Reduce and simplify the reporting requirements of Suspicious Activity Reports that have limited usefulness to law enforcement;
- Eliminate redundant SARs filings for corporate credit unions; and
- Allow for greater regulatory and examination consistency among federal and state credit union regulators.

We are glad to see that Part 749 pertaining to the guidelines and requirements for record retention is a priority for NCUA. The task force should take into consideration the unclear and conflicting NCUA regulations.

The rule states that any records not explicitly mentioned as vital records do not need to be maintained permanently and can be destroyed periodically as determined by the credit union. As an example, under Part 749, certain supervisory committee documents are not vital records and are subject to periodic destruction; yet under Part 715 certain supervisory committee documents must be retained until the completion of the next verification process. As another example, merger documents are not explicitly listed as permanent records in Part 749; however, NCUA's



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Credit Union Merger Procedures and Merger Forms Manual states that the continuing credit union must maintain all documents and records related to a merger.

Conclusion

We appreciate the opportunity to comment on the regulatory task force's agenda for the next four years. We look forward to engaging with NCUA on future proposed changes as mentioned in the regulatory agenda so that America's credit unions can have a sound and efficient operating environment. On behalf of Ohio's 284 credit unions and their nearly 3 million members, we appreciate NCUA's efforts to decrease the regulatory burden and implement only common-sense regulations. If you have further questions or would like to discuss OCUL's comments in more detail, please feel free to contact us at 800-486-2917.

Respectfully,

Handwritten signature of Paul L. Mercer in black ink.

Paul L. Mercer
President
Ohio Credit Union League

Handwritten signature of Miriah Lee in black ink.

Miriah Lee
Manager of Policy Impact
Ohio Credit Union League



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