

2023 June Hike the Hill - NCUA Meetings

Thursday, June 22

Time: 2:00 p.m. – 3:00 p.m.

Location: **National Credit Union Administration**

1775 Duke St, Alexandria, VA

NCUA Boardroom

Theismann's Restaurant

1800 Diagonal Rd. Ste A, Alexandria, VA

Background:

On Thursday, Hike the Hill attendees will attend the NCUA's June board meeting which will feature a full agenda. Following the Board meeting attendees will gather next door at Theismann's for lunch and we will be joined by invited guests from the agency for a casual discussion on our regulatory priorities. After lunch we will head back to the agency for an afternoon meeting with Chairman Harper. The Chairman will provide a general update on hot topics and priorities which will be followed by discussion on our priority asks.

Key Questions

Central Liquidity Facility

Credit unions appreciate the NCUA's foresight into making the CLF more accessible and membership more advantageous. Specifically eliminating the 6-month waiting period for advances, relaxing membership termination requirements, and updating the collateral computation for advances is a big step in the right direction.

- *Now that some of the pandemic provisions have expired, what is the NCUA doing today to ensure that the CLF functions as a true liquidity source?*
- *What statutory changes could the leagues and credit unions support to improve the CLF?*

Loan-to-Share Ratios

As deposits have slowed and, in some cases, have begun to run-off, credit union capital ratios are improving. However, in some instances, this is resulting in loan-to-share ratios in excess of 100%. Credit unions that have high loan-to-share ratios have reported that their policies have allowed for loan-to-share ratios up to 120% and there are a lot of tools to manage high loan-to-share ratios, such as taking action to slow loan growth, loan payoffs, loan sales, as well as borrowings, to name a few.

- *The NCUA is concerned about liquidity risk, is there a red line for the agency in terms of the maximum loan-to-share allowable?*

Share Insurance Fund

Due to slowing deposit growth, and increasing yields on investment and loan portfolios, it is possible that the SIF equity ratio could go above 1.33% by year end and trigger an automatic distribution. The distribution would be a boon to credit union balance sheets.

The GoWest Association would like the NCUA to lower or at a minimum retain the current NOL.

- *What board level discussions are taking place that could inform the decision to lower or raise the normal operating level this year?*

Climate Change

The NCUA recently released an RFI seeking input from credit unions on the impacts of climate change. As part of Enterprise Risk management credit unions take into account exigent risks that pose risks to the credit union which include climate change. While the RFI was a valuable opportunity to reflect on potential risks, our ask is that the agency not issue regulations that could impact credit union ability to operate safely and efficiently.

- *What are some potential actions that the agency might take as a follow-up to this RFI?*
- *If you were managing a credit union, what steps would you consider taking to address climate change?*

Reconvening a Regulatory Reform Task Force

In 2017 the NCUA created a Regulatory Reform Task Force headed by your General Counsel and made up of internal agency stakeholders. That committee identified 38 important regulatory reforms that the NCUA worked through over the next five years. This process created transparency and a long-term plan. The Association strongly supports this process.

- *Does the agency plan to reconvene the task force?*
- *Can you provide some examples either of how the 1/3 rule review process has led to a rule, or how you develop the Unified agenda?*

Investment Authority

The GoWest Credit Union Association continues to advocate for the agency to provide greater investment authority, specifically pushing for equity investment authority beyond CUSOs. The NCUA's unified agenda includes an item that indicates the agency is in fact considering expanding investment authorities.

- *Can you talk about some of the areas that the NCUA may be considering expanding investment authorities, and is the agency also considering allowing additional equity investments?*

Loan Interest Rate Ceiling

GoWest has asked the NCUA to consider increasing the Loan Interest Rate Ceiling to 21%. The current 18% cap is creating some challenges for FCUs, particularly related to unsecured consumer loans which typically have higher interest rates.

- *Under what conditions would the NCUA consider revisiting the 18% cap?*
- *Is there any additional information or data we could provide that would help in your consideration?*

Exam General Question

What issues are keeping you up at night?