

## 2024 May Hike the Hill - NCUA Meetings

### Wednesday, May 22

**Time:** 10:00 a.m. – 1:00 pm

**Location:** **National Credit Union Administration**  
1775 Duke St, Alexandria, VA  
NCUA Boardroom

**Theismann's Restaurant**  
1800 Diagonal Rd. Ste A, Alexandria, VA

### Agenda:

**9:30 am** - Arrive at NCUA 9:30 a.m. for check-in

**10:00 am** - NCUA Board Meeting

**11:00 am** - Meet with Board Member Otsuka

**11:30 am** - Meet with Board Member Hauptmann

**12:00 pm** - Lunch at Theismann with NCUA guests

**1:00 pm** - Head back to the Hill

### Background:

On Wednesday, Hike the Hill attendees are invited to attend the NCUA's May Board meeting which will feature a Share Insurance Fund quarterly update. Following the Board meeting, attendees will meet briefly with Board Member Otsuka. This meeting is intended to be a relationship building opportunity. This will be followed by a meeting with Board Member Hauptman, before gathering next door at Theismann's for lunch.

Issues that are top of mind for the NCUA include: liquidity, rising delinquencies and charge offs, compressed margins, and weakness in the commercial office space sector.

### Key Questions

#### **Central Liquidity Facility (CLF) (Otsuka and Hauptman)**

The NCUA is asking Congress to allow Corporate Credit Unions to subscribe to the CLF for a subset of its members. This authority was granted during the pandemic but expired at the end of 2022. GoWest supports this change but believes more needs to be done to make the CLF a functioning liquidity facility. As of March 31, 2024, the CLF has a total of three advances extended totaling \$57M.

Credit unions appreciate the NCUA's foresight into making the CLF more accessible and membership more advantageous. Specifically eliminating the six-month waiting period for advances, relaxing membership termination requirements, and updating the collateral computation for advances which are all steps in the right direction.

- *Beyond the statutory requests what is the NCUA doing today to ensure that the CLF functions as a true liquidity source?*
- *The league system and credit unions would be more inclined to support statutory updates to the CLF if the statutory updates also made the ability to borrow more efficient and accessible. What additional changes to the CLF could help make it more accessible?*

### **Investment Authority (Hauptman)**

GoWest credit union continue 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 (Hauptman)**

GoWest credit unions have 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?*

### **Loan-to-Share Ratios (Staff)**

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 (Otsuka and Hauptman)**

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.

*GoWest credit unions would like the NCUA to retain the current NOL of 1.33% and we do not support the NCUA congressional requests to make changes to the SIF that would allow the NCUA to build a buffer above 1.5% or charge premiums if the equity ratio were above 1.2%.*

- *What board level discussions are taking place that could inform the decision to lower or raise the normal operating level this year? Could you explain the thought process behind this ask? Particularly given the fact that the SIF has historically performed extremely well in comparison to the FDIC model.*

### **Climate Change (Otsuka)**

Last year the NCUA recently released a Request for Information (RFI) seeking input from credit unions on the impacts of climate change. As part of Enterprise Risk management credit unions consider all factors that pose risks to the credit union including climate change. While the RFI was a

valuable opportunity to reflect on potential risks, the NCUA removed rulemaking on this from the unified agenda, but it remains a potential long-term action.

- *What are some potential actions that the agency might take?*
- *As a regulator, what steps would you consider taking to address climate change that would positively impact both credit unions and their members?*

### **Reconvening a Regulatory Reform Task Force (Staff)**

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. GoWest credit unions strongly support 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?*

### **Best Practices (Otsuka)**

GoWest credit unions are looking forward to working with you and your staff.

- *What are some of the best practices that are most effective to do that in terms of advocacy, sharing concerns and requests, providing information and data?*
- *Is there any additional information or data we could provide you sooner rather than later that would be helpful to your office?*

### **Exam General Question (Otsuka and Hauptman)**

*What issues are keeping you up at night?*