



# Overview of National Issues

Credit Union Executive Forum  
Washington DFI & NASCUS  
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## ROADMAP

- **CU System Fast Facts**
- **The New Administration & The NCUA Board**
- **National Regulatory Initiatives**
- **The Credit Union Advocacy Agenda**
- **NCUA Rulemaking & Guidance**
- **Congressional Action**
- **Banking Marijuana: What's Ahead?**
- **Common Sense Regulatory Relief in OR/WA/ID**

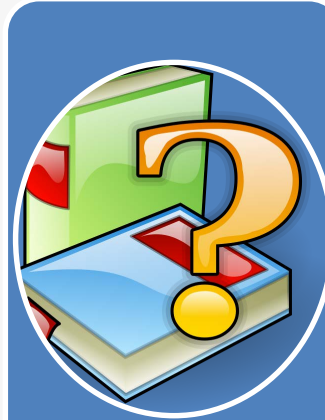
# About NASCUS

## The Voice for the State Credit Union System

- **Founded in 1965**
- **State & State CU System Autonomy**
- **State CU & State Regulator Competitiveness**
- **Robust Dual Charter**
- **Smart & Effective Regulation**
- **Membership:**
  - State Regulators
  - State & Federal CUs
  - State Leagues/Associations
  - System Organizations
  - CUSOs



5 Member  
NCUA Board  
& Seat for  
State CU  
Regulator



NCUA Part  
741  
Compendium



Interstate  
Branching

# The Credit Union System 2017: Fast Facts

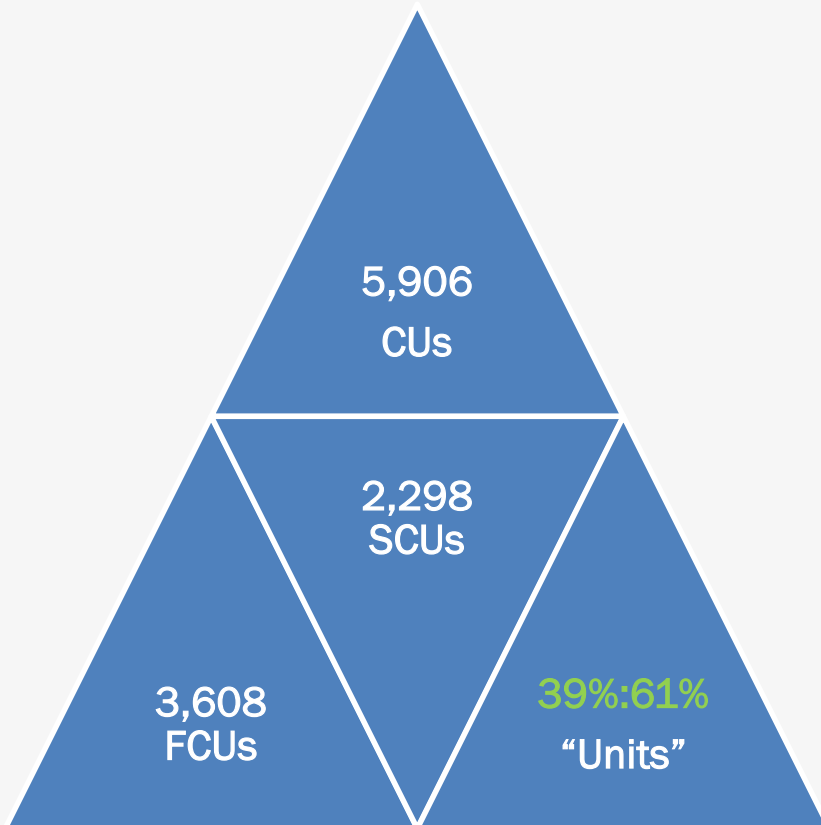
- ❑ \$1.31 trillion/assets
  - \$631 billion SCU [49%]
  - \$670 billion FCU [51%]

Avg. CU = \$219m assets

- ❑ Avg. Net Worth = 10.85%
- ❑ Avg. ROA = 78 basis points

**\*\*\*\*\* In 2016\*\*\*\*\***

- ❑ 12 Failed CUs (10 FCU +2 SCU)
- ❑ 2 Additional SCUs conserved
- ❑ 4 Supervisory mergers (SCUs)
- ❑ 198 Voluntary mergers
- ❑ 4 FCU → SCU charter converts
- ❑ 5 SCU → FCU charter converts



# State-Fed Conversions: 2012 - 2017

	State > Fed	Assets	Fed > State	Assets
2012	0	\$0 billion	6	\$1.4 billion
2013	3	\$1.1 billion	13	\$9.2 billion
2014	4	\$0.6 billion	10	\$6.2 billion
2015	1	\$0.02 billion	11	\$10.3 billion
2016	5	\$0.5 billion	4	\$0.3 billion
2017	3	\$1.7 billion	3	\$1.4 billion
2012 - 2017	16	\$4.0 billion	47	\$28.7 billion

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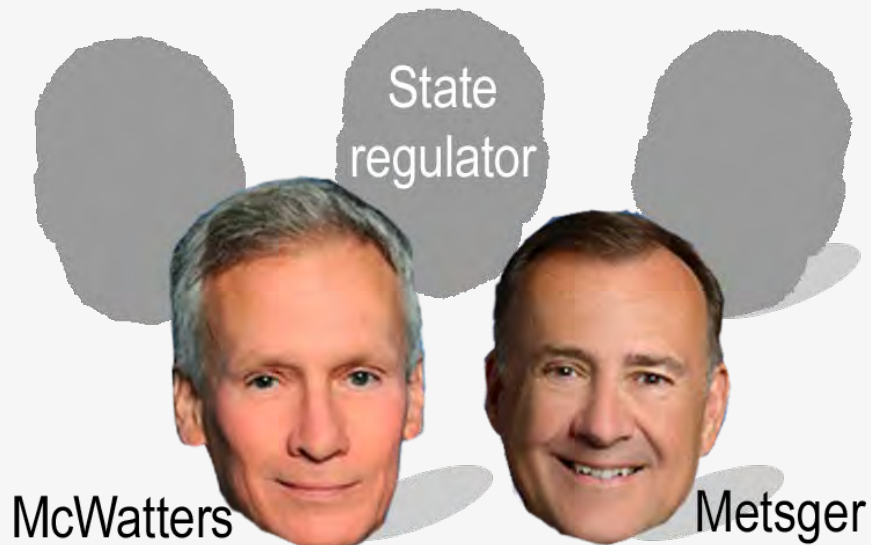
# 2016 Election

*What Did (are) We Learn(ing)?*

What can credit unions expect as a result of the election?



## New Administration & NCUA (& CFPB)



- Board Seats
  - *Acting* Chairman M. McWatters (Aug 2019)
  - Open Seat (April 2021)
  - R. Metsger (Aug 2017)
    - (Aug 2023)
- Executive Orders
  - Initial freeze on new regs
  - Exec Order “Two-fer”
- Financial CHOICE Act 2.0
  - 5 vs. 3 seats
  - Seat designated for State regulator (cf. FDIC, Fed)
- Freedom of Info Act (FOIA) → Exempt Congress communications.
- McWatters’ Footprint:
  - 15 “toes”
- CFPB: What’s coming...



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# National Common Sense Reg Relief

*Pursuit of overall regulatory relief*

1

Push for supplemental capital for risk based purposes

2

Exam Flexibility & Enterprise Solutions Modernization

3

Sunset the Corporate Stabilization Fund by transferring assets to the Share Insurance Fund

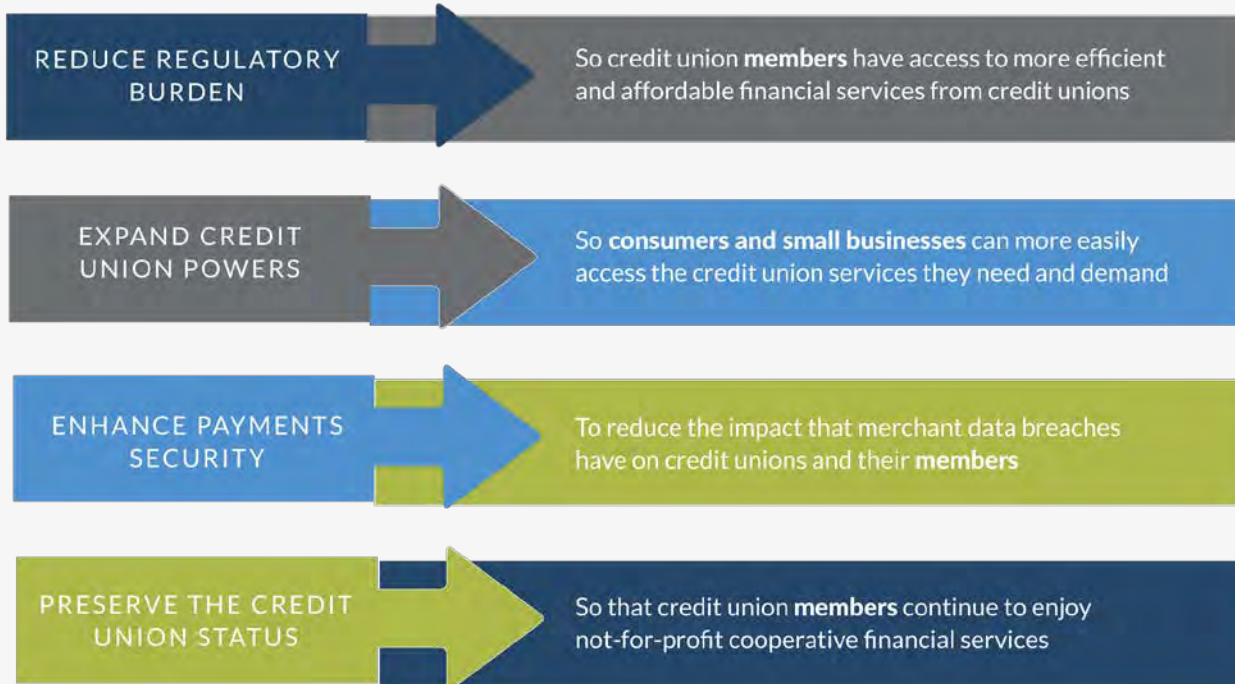
4

Work on CFPB reforms

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# The Credit Union Advocacy Agenda



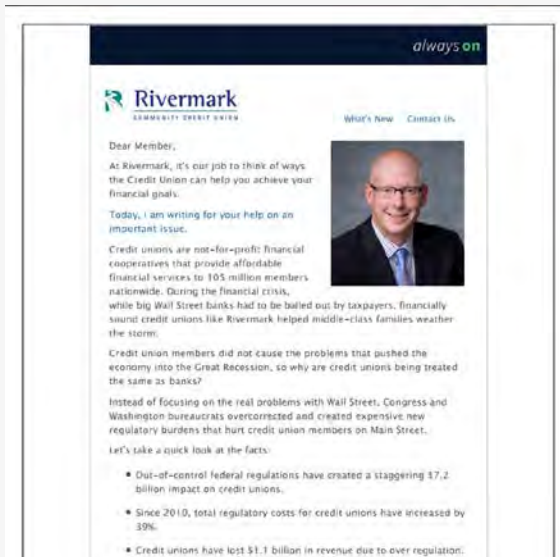
# Impact of Regulatory Burden on Credit Unions in 2014



# Ease the Burden Campaign

## Rivermark Community Credit Union

### Scott Burgess, CEO



Sent to: 55,000 members  
Opened by: 13,000 members  
Unsubscribed: 42 members  
Complaints: 0

#### Key Messages:

- Out-of-control federal regulations have created a staggering \$7.2 billion impact on credit unions.
- Since 2010, regulatory costs have increased by 39%

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## NCUA Rule-making: **Proposed Rules**

- **Overhead Transfer Rate Methodology**
- **Field of Membership (FOM) #2**
- **Incentive Based Compensation**
- **2017 Regulatory Review (12 rules)**
  - **Part 748 (Member Info); Part 792 (FOIA, Info Security)**
- **Home Based Credit Unions**
- **Alternative Capital → Proposed Rule?**
  - **Industry Interest: 49(+3) CU system [“700” banks]**
  - **??Repeal of Risk-Based Capital?? Two Paths:**
    1. **McWatters + \_\_?\_\_ (2<sup>nd</sup> NCUA Board vote)**
    2. **Financial CHOICE Act 2.0 “Capital Election” Provision**



# NCUA Rulemaking: Recent Final Rules

- FCU Occupancy Rule
- Office Name Change: **CFPA**  
(Consumer Financial Protection & Access)
- MBL & Commercial Lending**
  - FCU FOM#1

# Member Business Loan vs. Commercial Loan

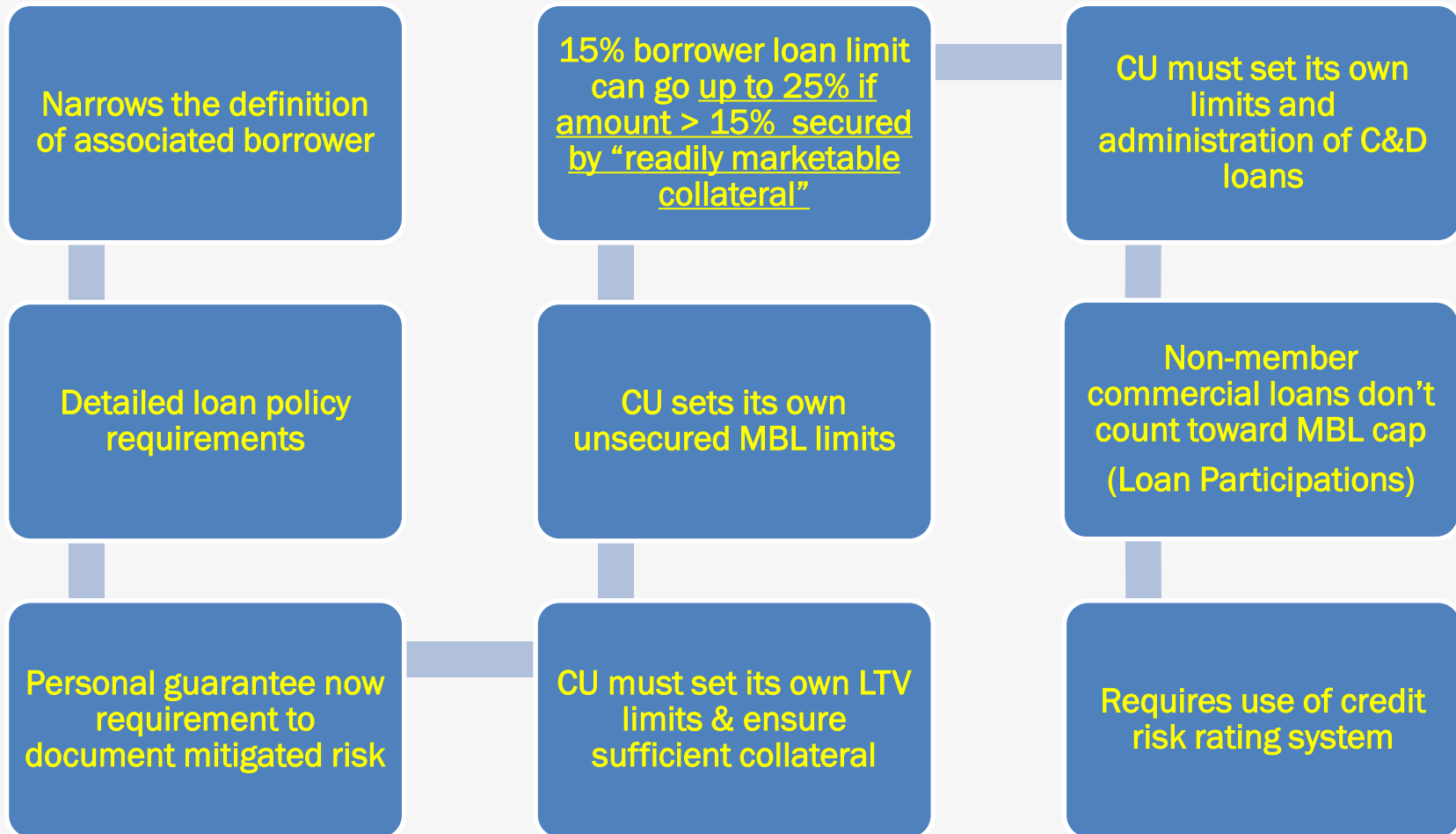
## → Type of Underwriting Required

Type of Loan	MBL	CL
Fully secured by 1-4 family dwelling (primary residence)	N	N
MBL fully secured by 1-4 family dwelling ( <u>not</u> primary residence)	Y?	N
MBL secured by vehicle for household use	Y	N
Business loan with loan balance < \$50,000	N	N
CL fully secured by shares in CU or deposits in other FIs	N	N
CL fully insured/guaranteed/committed for purchase by fed/state	N	Y
Non-member CL or <b>Participation</b> interest in CL by another lender	N	Y

Common denominator: Market value readily known and recoverable.

# NCUA Rulemaking: Final Rule Part 723

## MBL & Commercial Lending



# The Board of Directors' Responsibilities: Commercial Lending

- Type(s) of Commercial Loans
- Trade area
- Maximum amount of assets, in relation to net worth, allowed in secured, unsecured, and unguaranteed CLs of any type
- Limit aggregate \$ amount of CLs to any 1 borrower(s) to greater of 15% NW or \$100k
- Loan approval processes
- Approval authority
- Underwriting standards
- Level and depth of financial analysis necessary
- Methods to be used in collateral evaluation, for all types of collateral authorized, including loan-to value ratio limits
- Risk management processes
- Use of loan covenants
- Frequency of borrower and guarantor financial reporting
- Periodic loan review
- Use of a credit risk rating system
- Process to identify, report, and monitor loans approved as exceptions to the credit union's loan policy

## **NCUA Guidance LTCU 17-CU-01 NCUA 2017 Supervisory Priorities**

**Cybersecurity Assessment** - NCUA encourages CUs to use the [Cybersecurity Assessment Tool](#) to bolster their cybersecurity and cyber risk management processes. Structured cyber assessment process in development for NCUA examiner use by late 2017. [President's 5/11/17 Exec Oder & 5/12/17 Global Ransomware Attack]

**BSA Compliance** - NCUA examiners required to review CU's compliance with BSA and complete the related examination questionnaire at every examination. In 2017, focus continues on CUs & MSBs & other high risk accounts. See LTCU 14-CU-10, [Identifying and Mitigating Risks of MSBs](#).

**Internal Controls and Fraud Prevention** - Internal controls/fraud detection. [NCUSIF Losses]

**Interest Rate & Liquidity Risk** – New interest rate risk (IRR) exam procedures. See LTCU 16-U-08 [Revised Interest Rate Risk Supervision](#). Effective on 1/1/17. NCUA also evaluating liquidity risk in CUs. [17 states (WA, ID) have adopted CAMELS. NCUA forecasting 2018-2020?]

**Commercial Lending** - Revised [Part 723, Member Business Loans; Commercial Lending](#), effective 1/1/17. CU officials should be prepared to provide documentation to support management's ability to effectively monitor and manage its commercial loan portfolio.

**Consumer Compliance** – Focus on consumer compliance, in particular the Military Lending Act and Servicemembers' Civil Relief Act. See LTCU 16-CU-07, [Military Lending Act Examination Approach](#). [1:00 this afternoon – Margie Esola & Karen Weis]



2017 CUNA BSA Confer... CUNA Bank Secrecy Act...  
 Secure | https://www.cuna.org/Events/CUNA-Bank-Secrecy-Act-Conference/Home/

CUNA Bank Secrecy Act Certification Conference in partnership with NASCUS  
 November 12-15, 2017 // Las Vegas, NV

Home Location Schedule Sessions Speakers Designation NASCUS Sponsor Register

**ADAPT TO THE LATEST BANK SECRECY ACT DEVELOPMENTS**

The Bank Secrecy Act (BSA) is one of the most important pieces of legislation in the credit union movement, both because of its aim of combating financial crime and because the law's implications continually change.

CUNA Bank Secrecy Act Conference, presented in partnership with the National Association of State Credit Union Supervisors (NASCUS), is an opportunity for credit union professionals to gain a clear, comprehensive view of the current state of BSA compliance. Through revealing sessions led by experts, attendees gain in-depth, up-to-date BSA insights that prepare them to test for the CUNA Bank Secrecy Act Compliance Specialist (BSACS) designation.

**Registration Information**

**Who should attend?**  
 This conference is beneficial for credit union compliance professionals and those involved with their credit union's BSA/AML compliance programs.

**CPE Credits:** You can earn group-five credits for this program. No advance preparation or prerequisites are required. For more information regarding administrative policies, such as complaint and refund, please contact CUNA at 800-356-9655, ext. 4249. To view all programs that offer CPE credits, [click here](#).

**Banking Marijuana - Too Big To Ignore Pre-conference Workshop**  
 November 12, 2017 // 10:00 - 12:00 pm  
 Non-Member Credit Unions: \$590  
 CUNA Member Credit Unions: \$295  
[Learn more](#)

**Enterprise Wide Threat Management Post-conference Workshop**  
 November 15, 2017 // 1:30 - 3:30 pm  
 Non-Member Credit Unions: \$590  
 CUNA Member Credit Unions: \$295  
[Learn more](#)

https://www.cuna.org/Events/CUNA-Bank-Secrecy-Act-Conference/Home/ | presented with the National Association of State Banks of

8:31 PM 1/28/2017

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## 115<sup>th</sup> Congress

S. 366	TAILOR Act (Taking Account of Low Operating Risk)	Regulators, including NCUA & CFPB must tailor regulations to institutions' risk & business model. Retroactive review to 2010. Annual reporting to Congress on compliance.
HR 26	REINS Act	Congressional approval of any rule w/ compliance costs \$100m+, or increased consumer cost. If no Congressional action w/in 70 days rule null void.
S. 223	Senior Safe Act 2017	Creates safe harbor from civil/administrative liability for reporting suspected senior abuse. Based on program in Maine & has mandatory training element.
HR 790	Return to Prudent Banking Act	Would reinstate the Glass-Steagall Act separation of commercial & investment banking.
HR 10	The Financial CHOICE Act 2.0	<ul style="list-style-type: none"> <li>• Repeal Dodd-Frank including CFPB reform.</li> <li>• NCUA: (1) OTR transparency. (2) Budget hearings. (3) Appropriations.</li> <li>• "Capital Election": FIs with &gt;10% capital +CAMEL 1/2 exempt from RBC + (liquidity, etc.)</li> </ul>
HR 975	Respect State Marijuana Laws	Prohibit federal prosecution/forfeiture of individuals in compliance with state laws.



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# Marijuana Related Banking: What is Next?

7-11 ballot measures (2017)

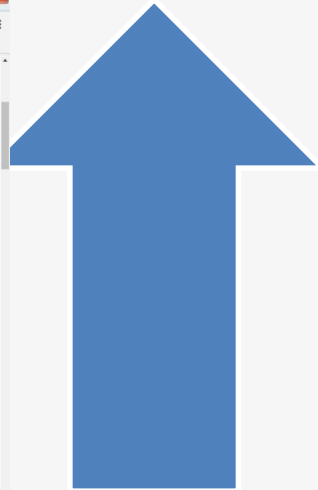
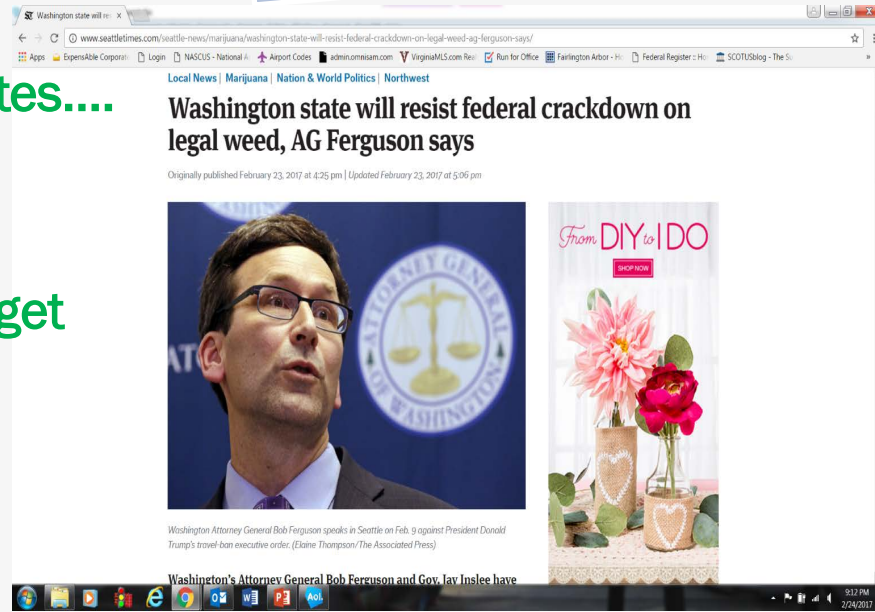
Complicated issues:

✓ State's Rights?: (bathrooms v. weed)

✓ Commerce Clause?

Administration Options

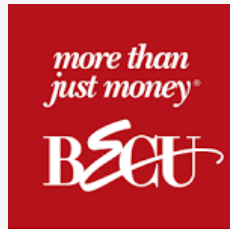
1. Eliminate federal restrictions
2. Enforce federal law
3. Grandfather existing states....  
no new states
4. Enforce the Cole Memo
5. Leave medicinal and target recreational
6. Withhold Federal \$\$



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## Examples of Board Compensation



## Northwest Common Sense Reg Relief



### **Oregon's DCBS**

Pursue rulemaking that will reduce the number of required credit union board meetings, once the requirement is removed from statute.

Update the state MBL rule.



### **Washington's DFI**

Finalize a model state Member Business Lending rule that leads the nation.

Update the state investment rule giving state chartered credit unions access to investments that help diversify their portfolios and hedge risk.



### **Idaho's DFI**

Work closely with the Idaho DFI on a complete modernization of the credit union act.

Work with the DFI to modernize the regulatory framework for credit unions.

**See you at at our Annual Meeting!**



**NASCUS  
SUMMIT 2017**

AUGUST 29 - SEPTEMBER 1

SAN DIEGO  
WESTIN GASLAMP QUARTER HOTEL