

# NASCUS REPORT

A weekly dispatch of the National Assn. of State Credit Union Supervisors

July 10, 2015

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## 3rd party exam reports should rely on states

The report from the Government Accountability Office (GAO) late last week gave some around Washington reason for pause -- it recommended that Congress consider granting NCUA authority to examine third-party technology service providers (TSPs) for credit unions. For us at NASCUS, however, there was no pause: we know that many state regulators already have similar authority and thereby cover the vast universe of TSPs. NCUA can and should rely on state regulator reports. NASCUS has been on record in support of NCUA's desire to obtain examination authority over technology service providers since before year 2000, when concern about the Y2K date change was riding high. We have maintained that support -- and our view that NCUA must rely, to the maximum extent feasible, on exams that are already administered by state regulators of these entities. Agency reliance on state regulators' existing TSP review authority would reduce system redundancy, minimize regulatory burden, and foster interagency cooperation and coordination while also strengthening cybersecurity across the industry. Those are our goals for this effort -- without pause.

LINKS:

[Lucy Ito statement on GAO recommendation](#)

[GAO Study: CYBERSECURITY -- Bank and Other Depository Regulators Need Better Data Analytics and Depository Institutions Want More Usable Threat Information](#)

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## Building support for NCUA budget transparency (and OTR)

Outreach by NASCUS, credit unions and others resulted in U.S. Rep. David Scott (D-GA) this week signing on to the NCUA Budget Transparency Act (H.R. 2287) as a cosponsor. Thanks especially to Rep. Scott for supporting credit unions in this effort, and thanks to those state credit union system supporters who reached out to Rep. Scott or their own lawmakers. But the work isn't over yet: our goal is to include H.R. 2287 in a House Financial Services Committee mark-up of regulatory relief legislation by month's end. By letting your federal lawmakers know of your support for H.R. 2287 -- especially if your U.S. representative is a Democrat (since more cosponsors are needed), we have a terrific opportunity to make the case for NCUA transparency, particularly on the overhead transfer rate (OTR). Don't delay -- contact your lawmakers today!

LINK:

[Talking points for letters, messages to lawmakers on H.R. 2287](#)

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## We urge CFPB to delay disclosure rule to Oct. 3 (or Jan. 1)

We told the Consumer Financial Protection Bureau (CFPB) this week that its Integrated Mortgage Disclosure Rule should be delayed to no earlier than Oct. 3 -- and that a delay to Jan. 1, 2016 is warranted. Our recommendation reflected our members' concerns about the readiness of small financial institutions to switch to the new integrated disclosure, especially given their reliance on third-party providers for implementation. Additional time -- particularly a Jan. 1 deadline -- is necessary to ensure a smooth transition, we told the Bureau in a comment letter. Risk would be minimized by moving the transition to a period of traditionally lower-volume lending and provide additional time for training and testing which would minimize errors, reduce complications for borrowers, as well as limit potential liability for creditors. If the Bureau insists on an Oct. 3 effective date, we urged it to adopt a "safe-harbor" period from legal liability, which would recognize the magnitude of the operational changes that will accompany the rule, and give financial institutions a good-faith opportunity to manage their risk without disrupting their service to members.

LINK:

[NASCUS comment to CFPB/delay for mortgage disclosures rule](#)

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## Analysis details 'dramatic change' in proposed MBL rule

We know that there is great interest -- and, yes, even some concern -- about NCUA's proposed rule on member business lending. Our analysis of the proposal -- posted this week on our website -- notes that the federal agency's proposal comes at a time when the credit union system's MBL portfolio has grown from \$4 billion in 2000 to \$51 billion in 2015 -- an increase of 1,275%. Given that, what NCUA proposes is a "potentially dramatic change" in its approach to regulating MBLs, especially since the proposal would eliminate most of the existing regulatory thresholds and limits in NCUA Regulations Part 723, replacing those provisions with expanded requirements for policies, procedures, and oversight by credit union management and credit union directors -- a "principles-based" approach, rather than a "prescriptive" one. There is much to consider with this proposal. So give our analysis a good read; it can help you weigh the merits and shortcomings of the proposal as you prepare your comments -- due Aug. 31. (**Note:** the NASCUS Legislative and Regulatory Committee will be considering the proposal as we formulate our own comment letter. Let us know if you are interested in participating in future L&R committee calls, to take part in the process. It's as easy as responding to this issue of *NASCUS Report*).

LINK:

[NASCUS analysis of NCUA proposed business lending rule](#)

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## Speaker list expands for 2015 Summit in New Orleans

The speaker list for the 2015 Summit, Oct. 21-23 in New Orleans, continues to swell. Among those recently signing on to share their thoughts and views:

- **Economist Adam Goldin** of Moody's Analytics, who covers the fiscal condition of state and local governments, as well as state and regional economies around the country.
- **Nick Bourke of the Pew Charitable Trusts**, who directs Pew's research on consumer needs and perceptions, and is currently engaged in a project focusing on small-dollar loans (in particular, payday loans).
- **Bob Long and Mike Groat of "Identity X,"** a platform for providing secure, biometric mobile authentication designed to shield businesses and consumers from online fraud and hacking.

Of course plenty of time is also set aside for networking and discussing issues. And NCUA Board Vice Chairman Rick Metsger will also be on hand to lead a panel of field of membership. Check out the agenda and registration information at the link below.

LINK:

[NASCUS Summit 2015/agenda and details](#)

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## BRIEFLY: NC Industry Day covers key topics, honors 100th anniversary

Our North Carolina Industry Day on Wednesday (July 8) in Raleigh covered some crucial ground for the assembled group of state-chartered unions -- the latest cybersecurity developments, insights on ALM, regulatory and national updates from NASCUS experts, and a strong legislative update from the Carolinas Credit Union League. Also joining us: North Carolina Secretary of Commerce John E. Skvarla III, and Rose Conner, administrator of the North Carolina Credit Union Division, who helped us honor the 100th anniversary of the state credit union regulatory authority.