



National Credit Union Administration

Rodney E. Hood
Chairman

December 3, 2019

HAND DELIVERED

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

The NCUA's mission is to ensure the safety and soundness of the federally insured credit union system. The NCUA must do what is necessary to protect credit unions and maintain a strong National Credit Union Share Insurance Fund.

One of my key priorities as the NCUA Chairman is to ensure that regulations are effective, but not excessive. The NCUA Board is evaluating proposals to modernize and streamline regulations. The Board is also evaluating regulatory relief measures for credit unions and their borrowers.

I believe financial inclusion is the civil rights issue of our time. Financial inclusion entails access to financial institutions as well as access to business and employment opportunities. To this end, I am working with the NCUA Board to expand such access for underserved and underbanked communities.

Finally, cybersecurity remains a pressing concern. Cyberattacks threaten credit unions, financial regulators, and the broader financial system. The NCUA is taking important steps to protect itself and enhance the cybersecurity of federally insured credit unions.

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In October 2019, I released a Six-Month Progress Report detailing the NCUA's activities since my swearing in on April 8, 2019. I have enclosed a copy for your reference.

I am happy to meet with you to discuss my regulatory agenda, the NCUA's efforts to ensure the safety and soundness of America's credit union system, as well as any additional matters you would like to discuss.

Sincerely,



Rodney E. Hood
Chairman

Enclosure: Six-Month Progress Report of Chairman Rodney E. Hood



ACCOMPLISHMENTS OF

Chairman Rodney E. Hood



Regulation

Since Chairman Hood's swearing in as the NCUA Chairman on April 8, 2019, the agency's Board has pursued vigorous rulemakings to establish a regulator system that is effective, but not excessive.

- [A proposed rule delaying the effective date of the risk-based capital rule to January 2022.](#) This delay will allow the agency to take a surgical approach to implementing this rule in a coordinated manner rather than incrementally. It also would give the agency time to consider additional improvements to credit union capital standards, such as subordinated debt authority, capital treatment for asset securitization, and a community bank leverage ratio equivalent for credit unions.
- [A final rule amending the agency's regulation requiring real estate appraisals for certain commercial real estate transactions](#) to provide greater clarity and a measure of regulatory relief. In underserved and rural areas of the United States, entrepreneurs have a pressing need for business loans. The question is: what's the best mechanism for putting more money into the hands of those who can make a difference by launching business ventures, creating jobs, and driving economic growth?

There's no simple answer to that question. However, one tool we can use to expand access to loans is available right now: rethinking regulatory policies that stand in the way of productive borrowing and lending.

The final rule will help boost economic activity and job creation in local communities, particularly in some hard-pressed areas, and it accomplishes four specific agency objectives:

- Increases the threshold for required appraisals in commercial real estate transactions from the current \$250,000 to \$1 million;
- Reorganizes the appraisal regulation to make it easier to determine when a written estimate or an appraisal is required;





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- Exempts real estate transactions located in rural areas from appraisal requirements if certain conditions are met; and
 - Amends the definitions section of the rule to reflect these changes.
- [A final rule allowing federal credit unions to offer more payday alternative loan options](#), creating more alternatives for borrowers. The rule is a free-market solution that responds to the need for small-dollar lending in the marketplace. Coupled with financial counseling or literacy programs, which many credit unions offer, this lending can help credit union borrowers get out of debt while having access to credit they need. The PALs II option, as it is known, augments, rather than replaces, the existing payday alternative loan option. The final rule will:
 - Allow a federal credit union to offer a PALs II loan for any amount up to \$2,000;
 - Require PALs II loans to have a minimum term of one month with a maximum of 12 months;
 - Allow a federal credit union to make a PALs II loan immediately upon the borrower's establishing membership; and
 - Restrict a federal credit union to offering only one type of PALs loan to a member at any given time.

All other requirements of the existing payday alternative loan program—a prohibition against rollovers, a limitation on the number of loans a single borrower can take in a given period, and full amortization—remain in effect.

- A [proposed interpretive ruling and policy statement](#) that would allow individuals convicted of certain minor offenses to return to work in the credit union industry without applying for the Board's approval. This proposal would reduce the number of offenses on a person's record that would require her or his application to the NCUA Board for employment in a credit union and open more job opportunities.

Section 205(d) of the Federal Credit Union Act prohibits anyone convicted of a criminal offense involving dishonesty or breach of trust, or who has entered into a pretrial diversion or similar program in connection with a prosecution for such an offense, from participating in the affairs of an insured credit union. An individual in those circumstances must apply to the NCUA Board for its consent in order to work in a credit union.

- A [proposed rule allowing federal credit unions to accept nonmember and public unit shares up to 50 percent of paid-in and unimpaired capital and surplus](#). The proposed rule would raise the nonmember share limit to 50 percent and eliminate the waiver request process. A federal credit union would be required to develop a specific use plan if its nonmember shares, combined with its borrowings, exceeds 70 percent of paid-in and unimpaired capital and surplus.
- Additionally, the agency issued two important guidance letters:
 - To low-income credit unions describing their authority to offer [secondary capital accounts](#) and the framework for the NCUA's analysis and approval or disapproval of secondary capital plans.
 - To federally insured credit unions so they may provide certain [financial services to legally](#)



Accomplishments of Rodney E. Hood

[operating hemp businesses](#). The guidance will be revised and updated once the United States Department of Agriculture finalizes forthcoming regulations and guidelines. Credit unions will be able to provide the customary range of financial services for business accounts, including loans, to hemp-related businesses within their fields of membership.

- Chairman Hood appointed Johnny E. Davis, Jr. to serve as [special advisor to the Chairman for cybersecurity](#) to provide strategic counsel on policy and engage with other federal financial institutions regulators and external stakeholders.

Collaboration

- The NCUA embarked on a [three-year cooperative effort with the U.S. Small Business Administration](#) to bring small businesses and credit unions together and expand awareness about SBA programs. The two agencies signed a memorandum of understanding to undertake a series of initiatives that will help credit unions better understand and make use of SBA-backed loans and resources. These joint initiatives may include webinars, training events, and media outreach.
- The NCUA and the National Association of State Credit Union Supervisors signed [a document of cooperation](#) setting principles for ensuring the safety and soundness of the credit union system; fostering an environment of innovation, prosperity, and success for all system stakeholders; and maintaining a strong cooperative relationship between the NCUA and state regulators.

Stakeholder Engagement

- Chairman Hood [hosted a celebration](#) of the 85th anniversary of the signing of the Federal Credit Union Act. [The event](#) included strong credit union industry stakeholder participation.
- The Chairman has delivered speeches discussing important financial industry policy issues and the NCUA's activities to:
 - [The HOPE Global Forum](#)
 - [The African American Credit Union Coalition Annual Conference](#)
 - [The National Association of State Credit Union Supervisors Summit](#)
 - [The National Association of Federally-Insured Credit Unions Congressional Caucus](#)
 - [The American Credit Union Mortgage Association Annual Conference](#)
 - [The Defense Credit Union Council Annual Conference](#)
 - [The National Council of Firefighter Credit Unions Annual Conference](#)
 - [Destinations Credit Union to highlight their work on financial literacy](#)
 - [Polish and Slavic Federal Credit Union](#) to commentate the 80th anniversary of the outbreak of World War II
 - [America's Credit Union Museum](#)