

John McKenzie

From: John McKenzie
Sent: Monday, August 03, 2015 4:29 PM
To: regcomments@ncua.gov
Subject: Re: Indiana Credit Union League Comments on 2015 Annual Regulatory Review List

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Indiana Credit Union League Comments on 2015 Annual Regulatory Review List

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the National Credit Union Administration's Annual Regulatory Review List for 2015. The ICUL member credit unions represent 97% of assets and members of Indiana's credit unions, with those memberships totaling more than two million consumers.

We appreciate Chairman Matz's declaration of 2015 as the "Year of Regulatory Relief." We are encouraged by some of the actions taken by the NCUA Board to provide some level of regulatory relief for credit unions. However, we encourage NCUA to continue to look for additional opportunities to provide further regulatory relief and to not burden credit unions with additional, unnecessary regulations. We want to focus our comments on several key regulations that NCUA has or will be reviewing in 2015.

Field of Membership

The first of these is the field of membership (FOM) regulations. We appreciate the clarification of the FOM rules applicable to adding associations to a credit union's FOM. This brought some clarity to an area that has been very confusing and also inconsistently applied in the past. We do believe that there remain significant opportunities for improvements to further enhance the FOM regulations. NCUA's current definition of a well-defined local community under the community charter regulations, while streamlining the process somewhat, has resulted in many credit unions being limited to a very small community charter (generally one county) option. We believe that NCUA should allow for a credit union to request a broader community FOM than what has been defined by the Office of Management and Budget as a metropolitan statistical area or micropolitan statistical area. Credit unions should be allowed to provide detail to support a community FOM that does not meet the OMB definitions. We also believe that NCUA should allow credit unions, when converting to a community charter, to maintain existing employee/association groups that may be outside of the community charter FOM, as long as the credit union had been previously serving that group. NCUA's FOM regulations are lagging many state-level FOM regulations, and we believe this is an opportunity for NCUA to narrow this gap.

Loan Participations

Loan participations are available to credit unions to allow for diversification of loan portfolios, access to loan markets that the credit union may not want to directly develop the systems to lend to, and they support collaboration among credit unions. While we recognize the need for regulations that establish expectations for credit unions wanting to be involved in loan participations, these regulations should not be so restrictive as to make the expectation that the credit unions involved all have the necessary systems in place as if they were each making the loan themselves. One value of loan participations is for credit unions to avail themselves of lending opportunities that based on a variety of factors (cost, the market in which the credit operates, skillset of staff, systems required, etc.) the credit union may not want to get involved with directly. There exists some confusion over the ability to participate out auto loans acquired through indirect channels. This confusion stems from which entity's (dealer or credit union) loan agreement the member initially signed. Credit unions participating in indirect lending should be able to participate out all loans acquired through this channel. This is an area that NCUA could easily clarify, and that would allow many credit unions to diversify their indirect loan portfolios and allow other credit unions to take advantage of lending opportunities that may not be available to them or where they do not have the necessary staff levels to manage themselves. It is important that NCUA not develop regulations that limit opportunities, but rather focus on how regulations that have to be written can be as flexible as possible, while maintaining the necessary safety and soundness intent.

Federal Credit Union Bylaws

We believe that this is a good time to thoroughly review the federal credit union bylaws and revise them to make them as flexible as possible. It is becoming increasingly necessary that the FCU bylaws recognize that not all credit unions are the same and that the bylaws need to allow for these differences. The FCU bylaws have not been thoroughly reviewed and updated in a long time and this is the perfect opportunity to modernize them to meet the operating environment of today's credit union. One example would be to allow a credit union to place in its bylaws that a member of an advisory board/committee could automatically serve on the nominating committee, such as what has been presented under the Network Credit Union concept. It is important that the bylaws approach allow for an ever-changing credit union operating environment and attempt to accommodate future structural/operational needs without requiring NCUA approval.

Ownership of Fixed Assets

We appreciate NCUA's efforts to reduce the compliance burden and potential limitations on a credit union's ability to serve its members by the elimination of the fixed assets limit. We encourage NCUA to provide more specifics on what the supervisory approach will entail that replaces the fixed asset limit. NCUA needs to specify what the expectations are of credit unions in this area in order to demonstrate that the limit is not still in place.

Capital Adequacy

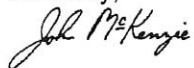
We continue to be concerned with NCUA's intent to finalize a risk-based capital rule that we believe is unnecessary, overly burdensome to credit unions and where the cost outweighs the benefits. While continuing to refer to 2015 as the "Year of Regulatory Relief," it appears that there is the intent to finalize a risk-based capital rule even while there is significant disagreement among NCUA Board members as to the legal authority of NCUA to promulgate the rule as proposed. We continue to ask NCUA to take a step back and revisit the need for this rule. We do not believe that NCUA has adequately demonstrated the need, and certainly do not believe the rule as proposed is appropriate. We believe this rule is a solution in search of a problem. This is not the time to increase regulatory burdens on credit unions which is the primary end result of a risk-based capital rule from our perspective.

Member Business Lending

While not directly on the list of regulations, we believe that NCUA must continue to look at member business lending regulations. NCUA has taken some steps to address member business lending regulations in an effort to provide some relief against the arbitrary 12.25% of assets cap. We encourage NCUA to continue to look for additional opportunities to expand the capabilities of credit unions to meet the needs of small businesses in their communities. Additional opportunities would be to further reclassify loans that would not count against the cap. Currently loans less than \$50,000 do not count against the cap. We believe NCUA should look to increase this. This would enable credit unions to meet the small business lending needs of their members. Credit unions that are considering offering business loans are often concerned with making the necessary investment in the systems and staff necessary to make these loans when faced with a cap that discourages such an investment. NCUA should look at all possible options to exclude loans from counting towards the 12.25% cap. Proposed changes to the business lending regulations that have been proposed are a good start. Eliminating the waiver request process, including the personal guarantee, and allowing credit unions to make the decision on waivers is an important and necessary step. We believe there is still room for further improvement in these regulations that do not create additional safety and soundness issues for NCUA.

Thank you for the opportunity to comment on the annual regulatory review list. We appreciate the desire of NCUA to provide regulatory relief and ask that this continue to be the focus of new and proposed regulatory changes. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,



John McKenzie

President, Indiana Credit Union League