



Indiana Credit Union League

The association of Indiana credit unions

June 30, 2023

Office of the General Counsel
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NCUA 2023 Regulatory Review

To Whom It May Concern:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on NCUA's 2023 Regulatory Review. The ICUL member credit unions represent 99% of assets and members of Indiana's credit unions, with those memberships totaling more than 2.8 million consumers. The ICUL appreciates and supports the Agency's continual review of its regulations to determine whether they should be updated or eliminated.

With the current market conditions and the regulatory burden that credit unions face, it is important to reassess the efficiency and applicability of rules and regulations to avoid any disruption in quality member-focused service.

Credit Union Service Organizations (CUSOs)

The ICUL supports Indiana credit unions' ability to utilize CUSOs to provide innovative products to their members. Consideration should be given to emerging financial technologies and Cryptocurrency. As it stands, the Federal Credit Union Act does not allow NCUA direct oversight over CUSOs, which has been expressed to Congress in the past. We believe it is unnecessary. We believe NCUA can manage CUSO third-party risk by requiring credit unions to perform due diligence. These third-party due diligence requirements are already subject to supervision by the NCUA.

Incidental Powers

The ICUL believes NCUA should make changes to Part 721, Incidental Powers, as it relates to conflict of interest for officials. NCUA's requirements governing officials' duties and conflicts are in numerous places (Section 701.4, 701.21(c)(8), 701.33, 721.7 and the FCU Bylaws, Article XVI, Section 4). More specifically, Section 721.7 states: "No official, employee, or their immediate family member may receive any compensation or benefit, directly or indirectly, in connection with your engagement in an activity authorized under this part, except as otherwise provided in paragraph (b) of this section." Thus, when referencing Section 721.3 which contains specifically listed permitted incidental powers, officials in certain professions (e.g., financial counseling and marketing) are unable to serve as an official and have a financial interest resulting from a contractual relationship with the credit union to provide such services. It seems baseless to alienate specific professions. In addition, NCUA has other requirements in place to avoid any unethical situations.

Appraisals

We supported the Agency's previous changes to real estate appraisals for both residential and non-residential real estate that increased the appraisal threshold requirements for commercial real estate transactions from \$250,000 to \$1,000,000 and from \$250,000 to \$400,000 for residential real estate transactions. These changes eased the regulatory burden and provided flexibility for credit unions. Challenges persist for our member credit unions, particularly related to the appraisal requirement in the secondary market or conforming to their appraisal standards for the applicable property types, as well as other exceptions under section 722.3(a)(6). We ask NCUA to reexamine the appraisal thresholds and consider increasing the threshold further, especially considering the increase in property values.

Appraisal bias is an important issue that affects the marketplace and should be addressed when present. However, we are concerned about any additional regulatory burden or liability arising from third-party providers. As member-owned cooperatives, credit unions have served underserved communities by originating loans in favorable terms to their members, and this includes a fair appraisal process.

Central Liquidity Facility

We supported the provision in the CARES Act related to the NCUA's Central Liquidity Facility (CLF) by allowing corporate credit unions to act as agents for smaller (under \$250 million in assets), non-CLF members, and natural person credit unions. Like NCUA, we believe that CLF corporate agent enhancement should be extended by Congress as another tool for the credit union industry for any unanticipated events that may impact credit unions' liquidity. We also appreciate NCUA's ongoing advocacy on this issue.

National Credit Union Share Insurance Fund (NCUSIF) Advertisement Requirements

Part 740 explains the requirements for federally insured credit unions when it comes to digital advertisements. In particular, the requirement to include the official NCUA signs. We want to encourage NCUA to develop an official sign that is more usable in the digital world (e.g., websites, mobile apps, and social media).

Normal Operating Level

In December 2021, NCUA reduced the Normal Operating Level (NOL) of the NCUSIF from 1.38% to 1.33%. We appreciated a reduction; however, we believe the NOL should be set at 1.30% where it served the credit union industry well for decades. The credit union industry remains financially strong and any dollar that can be maintained at the credit union level can be used to improve the financial condition of its members.

NCUSIF Coverage

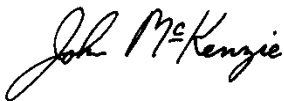
Congress is reportedly considering a proposal to provide deposit insurance coverage for business transactional accounts at financial institutions. The ICUL believes that any reform from a national standard to deposit insurance should include credit unions and the NCUSIF coverage. So, we encourage NCUA to work with lawmakers to ensure parity among financial institutions.

Fed's Bank Term Funding Program

The Federal Reserve's Bank Term Funding Program was created to provide liquidity to U.S. depository institutions by making advances to eligible borrowers and taking as collateral certain types of securities. Federal credit unions can take advantage of this liquidity source. However, privately insured credit unions are currently excluded from participating. We believe that all credit unions should have access to this program, and we encourage NCUA to support parity among all credit unions.

The ICUL appreciates the opportunity to comment on the NCUA's 2023 Regulatory Review. If you have any questions about our comments, please do not hesitate to contact me at johnm@icul.org or (317) 594-5320.

Sincerely,



John McKenzie, President
Indiana Credit Union League