National Association
of Federal Credit Unions
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March 27, 2015

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

RE: Comments on Proposed Rule Regarding Corporate Credit Unions

Dear Mr. Poliquin:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule to amend Part 702 of the agency's regulations on capital planning and stress testing requirements. *See* 80 FR 3918 (January 26, 2015). As discussed in detail in this comment letter, NAFCU does not support aspects of these amendments as proposed.

General Comments

In 2014, NCUA promulgated a final rule requiring annual stress testing for federally insured credit unions with $10 billion or more in assets. This rule also requires covered credit unions to develop and submit capital plans with certain mandatory elements and analyses to NCUA on an annual basis. NAFCU strongly opposed this rulemaking as inappropriate, costly and unnecessary for covered credit unions.

While NAFCU recognizes that the health of the National Credit Union Share Insurance Fund (NCUSIF) is essential for the credit union industry, and stress testing and capital planning are important tools for credit unions to assist in proper management, we believe that the capital planning and stress testing rule does little to enhance the security of the NCUSIF. Instead, the rule adds an additional regulatory burden on credit unions. Given that the covered credit unions survived the recent financial crisis without the need for additional NCUA stress testing and oversight, NAFCU and our members believe NCUA failed to demonstrate how the 2014 rulemaking is worth the cost to the rest of the credit union industry.

The proposed amendments under consideration also fail to justify the burden they will place on covered credit unions. As discussed in greater detail below, the proposal seeks to arbitrarily reduce the timeframe for developing and submitting capital plans by 30 days. NAFCU is deeply concerned that compressing the timeline as proposed will unnecessarily impair a covered credit union's ability to develop robust capital plans that ensure capital adequacy, safety and soundness. We urge NCUA to set the submission date as May 31 in order to allow covered credit unions five months to complete their capital plans.

Schedule Shifts

In this proposed rule, NCUA seeks to amend the timeline for the formulation and submission of capital plans. NCUA's stated basis for this proposal is conformity with the capital planning and stress testing schedule developed by the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, "the banking agencies"). While NAFCU supports the proposal's effort to bring NCUA's scenario release date into parity with the banking agencies' schedule, we disagree with the proposed adjustments to the due date for capital plan submissions because it would unjustifiably reduce the time from five months to four months.

Scenario Release Date

Since the NCUA Board finalized its capital planning and stress testing rule in 2014, the banking agencies have amended the release date for their stress testing scenarios. Because NCUA plans to base its scenarios on those developed by the banking agencies, the NCUA Board is proposing to shift the date that it releases the baseline, adverse and severely adverse economic scenarios that will serve as the basis for covered credit union testing. The proposal would move the NCUA release date from December 1 to February 28.

NAFCU supports this timeframe adjustment in order to align NCUA's capital planning and stress testing schedule with the banking agencies' release date.

Capital Plan Formulation and Submission

Currently, a covered credit union must submit a capital plan by February 28 of each year based on its financial data as of September 30 of the preceding year. The proposal would move the "as-of-date" to December 31, and the submission date to April 30.

NAFCU supports adjusting the "as-of-date" from September to December in order to mirror the change in the banking agencies' capital planning and stress testing schedule. We, however, strongly oppose the proposed April 30 submission date because we believe it will unjustifiably reduce the amount of time a covered credit union has to prepare its capital plan. Under the current rule, a covered credit union has five months from the "as-of" date to the submission deadline to prepare its capital plan. The proposal would compress this timeframe to four months — a move NAFCU and our members believe will unreasonably impair a covered credit union's ability to effectively and thoroughly prepare its capital plan.

NCUA expects a covered credit union to prepare "robust" capital plans that "sufficiently" consider analytical scenarios and the results of its internally run stress tests. *See* 12 C.F.R. 702.504. NAFCU and our members believe that compressing the timeframe will impede a covered credit union's ability to meet that expectation. Credit unions want to prepare a robust capital plan with sufficient time to conduct rigorous analytics and solicit feedback from their Board of Directors. NAFCU is concerned that reducing the timeframe for this critical preparation will put a covered credit union's ability to do so at risk. Therefore, NAFCU and our members urge NCUA to set the submission date as May 31 in order to allow covered credit unions five months to complete their capital plans. Further, NAFCU recommends that NCUA shift all dates in the capital planning and stress testing schedule to mirror the banking agencies' scenario release date.

NAFCU appreciates the opportunity to share its thoughts on the proposed amendments to Part 702's capital planning and stress testing rules and would like to discuss this matter further. Should you have any questions or concerns, please feel free to contact me at anealon@nafcu.org or (703) 842-2266.

Sincerely,

Alicia Nealon

Alicia Nealon
Director of Regulatory Affairs