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Temporary Regulatory Relief in Response to the COVID-19 Pandemic

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

Date
April 2020
Letter No
20-CU-09
20-CU-09 / April 2020
Temporary Regulatory Relief in Response to the COVID-19 Pandemic
To
Federally Insured Credit Unions
Subject
NCUA Operations/Activities
Status

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To
Federally Insured Credit Unions
Subj
NCUA Operations/Activities

Dear Boards of Directors and Chief Executive Officers:

This letter provides important information about temporary regulatory relief available to federally insured credit unions. The NCUA is providing temporary regulatory relief while still maintaining the safety and soundness of the credit union system.

Over the last several years, the NCUA has modernized and updated regulations that were overly prescriptive or unnecessary in a modern financial environment. As a result of this effort, many of the agency's regulations are principles-based, meaning they provide a basic framework for a credit union to determine the best way to structure its operations. This principles-based approach enables a credit union to adjust its policies and procedures to reflect the current environment, provided those policies and procedures continue to meet the principles outlined in the regulation.

Given the unprecedented challenges posed by the COVID-19 pandemic, the NCUA is providing [temporary relief from certain regulatory requirements](#). The relief measures described below apply to federally insured, state-chartered credit unions if they are subject to the NCUA regulations described in this letter. State-chartered credit unions must still comply with applicable state regulations.

Regulatory Relief Efforts

§ 701.36 Federal Credit Union Occupancy and Disposal of Acquired and Abandoned Premises

Under § 701.36(c), federal credit unions cannot retain premises that are not being used to conduct credit union business unless they apply for, and are granted, a waiver. The NCUA Board is amending the timeframe for calculating the need for such waivers. Any days that fall within the date of the temporary final rule's publication in the *Federal Register* and December 31, 2020, will not be counted for purposes of determining a federal credit union's compliance with the required time periods described in § 701.36(c).

§ 701.23(b) Purchase, Sale, and Pledge of Eligible Obligations – Purchase.

Per Section 701.23(b)(1)(i), federal credit unions may purchase an eligible obligation of a member from any source, provided the federal credit union is empowered to grant the loan or the loan is refinanced within 60 days following its purchase so that it is a loan the federal credit union is empowered to grant.

In addition, § 701.23(b)(2) permits well-capitalized federal credit unions with a composite CAMEL rating of 1 or 2 to purchase eligible obligations, without regard to whether they are obligations of its members, from another federally insured credit union or from a liquidating credit union. The NCUA Board amended this section to permit well-capitalized credit unions that have a composite CAMEL rating of 1, 2, or 3 to purchase eligible obligations of nonmembers from a federally insured credit union and from a liquidating credit union.

The NCUA Board also amended § 701.23 to permit a federal credit union to purchase, in whole or in part, and within the limitations of its board of directors' written purchase policies, eligible obligations pursuant to § 701.23(b)(1)(i) or § 701.23(b)(2)(i) without regard to whether the purchasing credit union is empowered to grant such loans. Loans purchased under this authority will therefore not count against the limit in § 701.23(b)(4) of 5 percent of the unimpaired capital and surplus of the purchaser.

This authority will expire on December 31, 2020, at which time any purchases made under this authority will be grandfathered. Subject to safety and soundness considerations, a federal credit union may hold any loans purchased under this temporary authority.

§ 701.22 Loan Participations

NCUA regulation § 701.22(b)(5) requires a federally insured credit union to limit the aggregate amount of loan participations purchased from any one originating lender, not to exceed the greater of \$5 million or 100 percent of the credit union's net worth, unless the amount is waived by the appropriate NCUA Regional Director. The NCUA Board increased the limit, below which a waiver from the Regional Director is not required, to the greater of \$5 million or 200 percent of the credit union's net worth.

This relief will remain in place until December 31, 2020. If a credit union exceeds the greater of \$5 million or 100 percent of its net worth on January 1, 2021, it may not purchase additional loan participations from that originating lender until it reduces its concentration to the greater of \$5 million or 100 percent of net worth or obtains a waiver from the NCUA Regional Director.

Additional Relief Available

The following are additional areas where credit unions may utilize flexibility to continue operations and provide service to its members.

Annual Supervisory Committee Audit Reports

The Federal Credit Union Act states that federal credit unions must obtain an annual audit, and that the NCUA Board must require all federally insured credit unions to obtain a satisfactory audit.¹ In September 2019, the [NCUA Board provided additional flexibility](#) to credit unions and accounting professionals by eliminating the 120-day timeframe to deliver an audit report.² Therefore, credit unions and accounting professionals can agree on a reasonable timeframe for delivering an audit report, taking into consideration the impact of the COVID-19 pandemic. Examiners will not take exception to an audit report that is delivered later than the agreed-upon date in the engagement letter due to the COVID-19 pandemic.

Late Call Report Civil Money Penalties

In recognition that some credit unions may experience operational disruptions due to the impact of COVID-19, the NCUA joined the federal financial institution regulatory agencies in issuing an [interagency press release](#) recognizing that financial institutions, including credit unions, may need additional time to submit a quarterly call report. Credit unions encountering such problems and not able to meet the filing deadline are encouraged to file as soon as possible thereafter and to inform the NCUA's Office of Examination and Insurance at CallReportLateFiler@ncua.gov.

The NCUA will not take action against any credit union for submitting the March 31, 2020, Call Report after the respective filing deadline as long as the report is submitted within 30 days of the official file date of Sunday, April 26, 2020. State-chartered credit unions should contact their respective state regulator in addition to notifying the NCUA.

Miscellaneous Policy and Review Requirements

Many of the NCUA's regulations are intended to address the safe and sound operation of credit unions. Safe and sound operations depend on board-approved policies and other governance activities, such as periodic reviews and approvals. The NCUA believes that continued corporate governance is necessary to maintain a safe and

sound credit union system and recover from the unprecedented upheaval that may result from the COVID-19 pandemic.

While these requirements are not being waived, the NCUA will not take exception to policy changes that are made in the long-term best interests of a credit union and its members. Additionally, credit unions may need to make exceptions to their policies to assist members affected by the COVID-19 pandemic. Generally, the agency will not criticize these exceptions provided they are reasonable and do not violate the Federal Credit Union Act.

Conclusion

The COVID-19 pandemic is affecting credit unions and their members in unprecedented ways. During this time, the NCUA is endeavoring to provide as much certainty and relief to credit unions, while still meeting the agency's goal of protecting credit unions and the consumers who own them. The NCUA will continue identifying areas of relief that may assist credit unions in navigating this national emergency successfully.

Please contact your NCUA regional office if you have questions about specific regulatory requirements or relief efforts.

Sincerely,

/s/

Rodney E. Hood
Chairman

¹ See 12 U.S.C. §§ 1761d and 1782(a)(6)

² 84 FR 53303 (October 7, 2019). This flexibility removed the waiver requirement and also applies to December 31, 2019 audits.

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National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314

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