May 5, 2020

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
US House of Representatives  
Washington, DC 20515

Dear Chairwoman Waters,

On behalf the credit unions in California, we want to outline our legislative requests for the next response package to the COVID-19 outbreak. We thank you for your continual leadership in ensuring credit union concerns are adequately considered. Credit unions have been answering the call as our nation endures this pandemic. We are committed to ensuring our members have access to credit, forbearances and payment deferrals, as well as every financial product needed to weather this storm. Congress will have to act to ensure the survivability of some of our state’s credit unions.

Credit unions have been participating in the Paycheck Protection Program, and when the final numbers are in, we hope all our nation’s leaders will appropriately recognize credit unions as community first responders that serve our neighborhoods and small businesses. Our team, and the Credit Union National Association (CUNA), will provide data when available.

Our immediate request is to focus on our ability to ensure credit union members are receiving the financial assistance they need. To ensure this, our first request is an extension of Section 4013 of The CARES Act (H.R. 748 – Public Law 116-136), addressing Trouble Debt Restructuring. Under this section and the subsequent guidance from Regulators, financial institutions are empowered to aid our members without impairing capital. Credit unions, as not-for-profit cooperatives, only increase capital through retained earnings on lending products, authorized investments, and fees for services. When these three are severely impacted, as in the current economic environment, capital can be quickly depleted.

When capital begins to depreciate, the National Credit Union Administration (NCUA) begins taking Prompt Corrective Action – which restricts the credit union’s ability to maneuver. While technical in nature, the actions are incredibly important. Section 4013 allows financial institutions the flexibility to defer payments and reschedule debt. This section aids consumers with a sudden loss of income, keeps them in their homes, and allows the credit union to avoid impairing their capital cushion. Delaying the impairment allows the credit union to give consumers ample time to repay their financial obligations. In short, credit unions cannot survive in today’s environment without an extension. We recommend at least 6 months after the current expiration.

Additionally, in a letter dated April 29th, NCUA Chairman Rodney Hood outlined the Agency’s priorities for the next package. Your staff has been provided a copy of the letter. California Credit Unions agree with the following items:
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**Capital**

- Temporarily reducing the level at which credit unions are considered well capitalized. The current statutory level is 7% of assets. NCUA is asking for a reduction to 6% for well capitalized and 5% for adequately capitalized. This would only apply through the pandemic.
- Temporary waiver from net-worth restoration plans for less-than-adequately-capitalized credit unions.
- Temporary increase from $5 million to $100 million for the asset threshold below which the NCUA Board can delegate decisions related to critically-undercapitalized credit unions.

**Liquidity**

- Make permanent the changes to the Central Lending Facility under the CARES Act Section 4016. This allows credit unions greater access to liquidity options.
- Grant the NCUA Board authority to waive the limit for federally chartered credit unions lending to other credit unions.

**Services**

- Increase the member business lending cap to 20% from 12.25% of assets during this crisis time. Credit unions are also strongly in favor of legislation by Mr. Sherman and Mr. Young to grant a 3-year period under which all business loans do not count toward the member business lending cap (H.R. 6550).
- Permanently increase the federal credit union loan maturity limit from 15 to 30 years. Both a House and Senate version of this bill have been introduced. Our preferred language is S. 3389 (Sen. Scott and Sen. Cortez Masto).

While many of the above items are technical aspects of credit union operations, they are necessary to ensure American consumers who have fallen on the hardest of times due to the pandemic are not unfairly penalized. The pandemic will impact credit unions, which will impact the consumer. These steps will maximize flexibly while ensuring the optimal safety and soundness for our insured depositories.

If you or your staff have any questions on these issues, please feel free to contact either myself or Jeremy Empol at jeremye@ccul.org or 916-325-1365.

Thank you,

Diana Dykstra  
President and Chief Executive Officer  
California Credit Union League  
**CC:** California Congressional Delegation  
United States Senator Dianne Feinstein  
United States Senator Kamala Harris