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July 23, 2019

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

Re: Public Unit and Nonmember Shares (12 CFR Parts 701 and 741; RIN 3313-AF00)

Dear Mr. Poliquin:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) proposal to amend its public unit and nonmember share rules to allow Federal credit unions to receive public unit and nonmember shares up to 50 percent of the credit union's paid-in and unimpaired capital and surplus less any public unit and nonmember shares. Currently, the NCUA rules limit the total amount of nonmember shares that a Federal credit union may have to 20 percent of the credit union's total shares, or $3 million, whichever is greater, unless the shares are U.S. Treasury accounts or matching funds accounts required by the NCUA's Community Development Revolving Loan Fund Program. This limit also applies to public unit shares regardless of whether the public unit is a member of the credit union.

**ICBA's Comments**

**ICBA believes the proposal is another example of the NCUA unreasonably pushing the envelope to help the industry it regulates and should be rejected. This action, combined with other recent actions to delay the imposition of risk-based capital rules and to quadruple the commercial real estate appraisal exemption, shows how much of an advocate the agency has become for the credit union industry.**

NCUA readily acknowledges that the current 20 percent cap on nonmember shares and member public units dates back to the late 1980s and was put in place because of "the asset/liability

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

management problems that arose at certain Federal credit unions which resulted in material losses for the National Credit Union Share Insurance Fund." Without any real justification except to say that the credit union industry has "undergone significant changes in the intervening 31 years since this limit was adopted" and that growth in credit union membership has generated an urgent need for additional funding, the NCUA is now proposing significant changes to its nonmember and public unit share rules that would further change the character of credit unions and make them more like taxpaying banks.

**ICBA believes this proposal, if adopted, will allow credit unions to take even more deposits from outside their membership base allowing them to continue circumventing their field of membership rules.** It will further undermine the cooperative character of credit unions and make them more beholden to nonmember institutions. Just as with supplemental capital, as credit unions take in more nonmember and public unit deposits, credit unions will be forced to respond more to the needs of institutions and investors that are not their members.

ICBA also takes issue with the NCUA's characterization that these nonmember shares will not be a safety and soundness issue and should be stable source of deposits. **Nonmember shares and even public unit shares can be just as volatile as brokered deposits and as expensive as wholesale funding.** These rule changes will result in an overall increase in funding costs among credit unions as they compete for nonmember deposits. The NCUA estimates that potential balance sheet leverage will increase significantly from 56 percent to 65 percent for all federally insured credit unions, assuming the full utilization of the new limit and other borrowing regulatory limits. According to an NCUA staff presentation, system funding capacity could increase by as much as $135 billion if the new rules are adopted.

In short, we believe the NCUA should maintain its current limitations on nonmember shares and public unit shares and not adopt the proposal. The safety and soundness concerns that led to the current caps have not changed. Instead of proposing changes to its rules that will fuel the growth of the credit union industry with nonmember and public unit deposits and put taxpayers at risk, we believe the NCUA should concentrate on improving the overall safety and soundness of the industry particularly in light of the taxi medallion scandal exposed by the New York Times in which irresponsible lending dominated by half a dozen credit unions led to financial ruin for thousands of families.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at (202) 659-8111 or Chris.Cole@icba.org.



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Sincerely,
/s/Christopher Cole

Christopher Cole
Executive Vice President and Senior Regulatory Counsel



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