AMERICA'S MUTUAL BANKS
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Mutual Alert

Bill Staying the NCUA's efforts to impose Risk Based Capital Upon Credit Unions Introduced in House

A Bill was introduced in the House, H.R.2769, the Risk-Based Capital Study Act of 2015. It would appear that this Bill has pro and cons for credit unions. First the NCUA must conduct a study before it can issue risk based capital rules. The Agency's intention to issue rules has been hotly opposed by the credit union industry. However, assuming the NCUA study supports the rule and then acts it may implicate whether it will follow with an alternative capital rule. Given the present legislative stalemate on the Hill, it is doubtful that the Bill will pass the House although it bears watching. The CRS summary follows.

This bill directs the National Credit Union Administration (NCUA) to study the appropriate capital requirements for federal credit unions and state credit unions, including:

- whether the NCUA has the clear legal authority to prescribe separate risk-based capital thresholds for both "adequately capitalized" and "well capitalized" credit unions;
- a discussion of the differences between credit unions and other types of depository institutions and reasons why they should have similar or different risk-weights for their capital requirements;
- a discussion of the rationale behind the risk-weights assigned in the proposed NCUA rule "Risk-Based Capital"; and
- an analysis of the impact the proposed rule would have upon excess capital above the minimum level for a credit union to be "well capitalized" (a credit union's "capital cushion"), including the potential impact upon credit union lending and credit union examinations.

A credit union may not be required to provide information regarding the capital standards sought in the NCUA study, but may provide it voluntarily.

The NCUA may not issue or implement any final rule or regulation governing risk-based capital (including the proposed rule) earlier than 120 days after it reports to Congress on the study.