Teleconference Call with New York Credit Unions

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Speaker Panel:

William J. Mellin, NYCUA President/CEO
John Kutchey. NCUA Eastern Regional Director
Tim Bruculere, Alloya Corporate SVP

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1. Examiners are asking credit unions to start increasing their allowance for loan losses.

John Kutchey: To me, any loan loss increase is a bit premature to ask or suggest a credit union do so. We are anticipating the worst, but don't know if that is what credit unions should be doing. We suggest continuing to consult with your credit union accountant and auditor.

Question from caller: With board approval regarding allowance for loan losses, will it will be held against us?

John Kutchey: Honestly, it's a good strategy; you have changing conditions around you. If you are forecasting or seeing a rise in unemployment and stress with your membership, it is a prudent strategy.

2. TDRs.

John Kutchey: Please visit ncua.gov/coronavirus. This is an informational section for credit unions and is being kept up to date every day. In relation to TDRs, you will find some good guidance there, we encourage credit unions to work with their members to understand their dilemma and issues they are going through, and to adjust loan levels accordingly, offer skip a payment, etc. The agencies have confirmed with staff that short-term modifications made on a good faith basis to borrowers in good standing do not need to be classified at TDRs.

3. Capital ratios – credit unions that are already operating close to 7% are looking for flexibility and leniency if this situation pushes them below the 7%.

John Kutchey: In relation to the 7% and PCA, a lot is driven by statute and would require a change in the law. NCUA's general counsel team is looking at that issue to see what level of relaxation of rules we can implement. NCUA Board is ready to make those changes. We look at not only the current financial situation, but how they got there. If struggles are due to taxi medallion issues or COVID-19, we will take all that into consideration and provide as much flexibility to the recovery process as possible. If the credit unions' only major problem was what happened with taxi medallions and the sinking value, NCUA has been very patient and working with those credit unions to help them get back to financial stability.

4. How to get cash quickly.

Tim Bruculere: We have seen increases of roughly 8%, 19% and 70% in the amount of cash being requested in the past weeks. This week, requests have decreased 15%. Credit unions have done a much better job letting members know they don't need to take that much cash out and also have put limits on amounts they could take out. The Federal Reserve can still provide cash; couriers are up and running. Courier disruption is due to the fact that the places they usually pick up cash are closed.

5. Emergency lines of credits?

Tim Bruculere: Various opportunities. Members of the corporates all have lines of credit. Our demands for borrowing have not spiked. Alloya has supported credit unions with liquidity loans and lines of credit. Alloya sees money moving in. In instances where there might be additional needs, or credit unions need extra help, there are different paths they can take. Changes to the CLF are being made; corporates can now be a member, which adds over $1B for Alloya's ability to fund credit unions. Currently working with other corporates on a plan for corporates to cover credit unions under a certain size, being a "lender of last resort." The Fed discount window is also open to all credit unions. Any credit union, member or non, can call Alloya. Even if your credit union is not a member of Federal Reserve Bank, credit unions can still borrow. Normally, they require you repay the next day; now there are 90-day borrowings.

John Kutchey: Just to add to what Tim is saying, NCUA does have other cash sources available. Main tool is working with corporates and guaranteeing line of credit. If a credit union is not creditworthy on their own, NCUA will step in and will put share insurance fund guarantee against it. More of an emergency type source, if you can't get a normal credit line. One of the great things so far, the corporates themselves are pretty flush with cash right now. Go to your corporate, if a member, for assistance.

6. Flexibility to deny large cash withdrawals.

John Kutchey: There is part of the credit union's bylaws that specifies for each credit union what limits/restrictions they can place on withdrawals and required days of notice. Standard is 60 days, but each board can change that to between 0 and 90 days. Check your bylaws on ability to restrict withdrawals. Any time you start limiting what wasn't previously limited, questions may arise around the credit union's soundness and causes others to take large quantities. I would make funds available to maximum amount possible to the extent you currently do.

7. Flexibility in working with members such as short-term loans and modifying account terms without 30 days' notice.

John Kutchey: In terms of creating a loan forbearance – up to 90 days' payments on loans is fine. Each credit union should make their own decisions; however, it is important that all members are treated the same. Set parameters ahead of time, maybe the rule of thumb would be if you lost your job, got laid off because of COVID-19, you're eligible for "X". Have very specific guidelines/standards.

8. Grant opportunities. Any other grant programs that you are anticipating being made available to those that don't currently qualify under the low-income designation.

John Kutchey: Unfortunately, NCUA is restricted on that type of action, unless the credit union is in danger of insolvency.

9. What are NCUA's plans for doing examinations of credit unions this year?

John Kutchey: All examinations are being done virtually; won't be doing onsite visits until late April, or later. Trying to do some version of "virtual" exams. Directed examiners to:
1. Abide by the credit union wishes if they don't want an examination at this time. Understand you are in crisis mode right now.

2. Take off examiner hat, put on consultant hat. Be a resource to the credit union, be flexible with them. We will contact all credit unions to gauge biggest concern. Putting survey together – are you operating, reducing schedules, liquidity, etc. New York is certainly in a ground-zero situation in terms of most people impacted. No doubt New York will emerge from this better and stronger.

10. What are the flexibilities around annual meetings?

John Kutchey: Guidance has been put out by NCUA. Go to the ncua.gov/coronavirus resource page. A letter was sent to credit unions on annual meeting flexibilities. Through approval by the board of a bylaw amendment, credit unions can have a virtual annual meeting. Any FCU can adopt this bylaw. State credit unions should check with DFS. Other option is if you still want to do in-person, as long as it happens each calendar year, you can postpone. There are some notice notifications.

11. Delay in call reports and penalties.

John Kutchey: Yes, we fully expect call report due dates will be extended, and any late fees and penalties that would normally accompany that process, to be waived.

12. If you have to do a capital restoration plan due to Taxi's is there flexibility on timing to submit?

John Kutchey: Credit unions in this situation should reach out to their examiner who can forward the credit union's request for extensions of time through the region for approval. We are looking to provide whatever flexibility we can.

13. Ability for LI CDCUs to get Secondary Capital plan approvals. Seems to have gotten harder lately. Is there any thought on these approvals?

John Kutchey: Ability for LI CDCUs to get Secondary Capital plan approvals. Seems to have gotten harder lately. Is there any thought on these approvals?
We encourage credit unions to submit their requests with well thought out plans that don't materially increase the risk exposure to the credit union and the NCUSIF.

14. Is there an extension of the 4/30 audit requirement?

John Kutchey: We aren't sure what of the requirement being referenced, but believe it may be referencing the 120 day audit requirement. Credit unions need to ask for an extension through their examiner who can forward it through the region for approval. We are looking to provide whatever flexibility we can.