



National Council of Firefighter Credit Unions Annual Conference

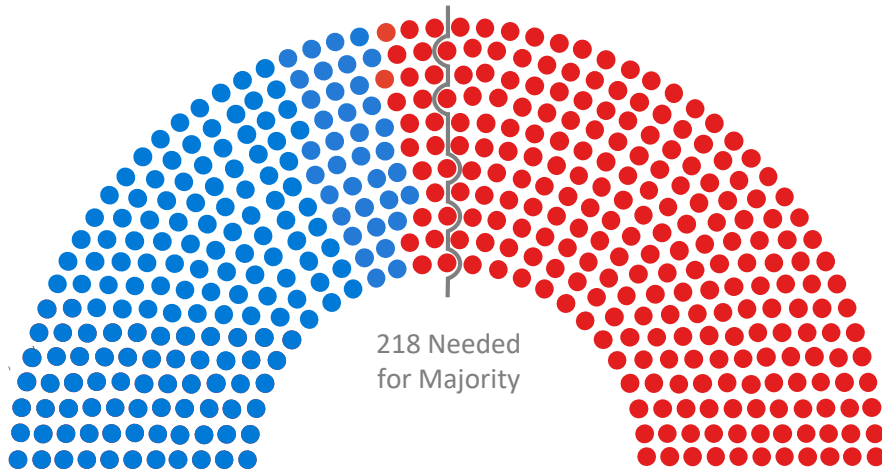
Presented By: **B. Dan Berger**
President & Chief Executive Officer
National Association of Federally-Insured Credit Unions

 [@BDanBerger](https://twitter.com/BDanBerger)

 www.bergerleadershipblog.com
www.linkedin.com/in/b-dan-berger

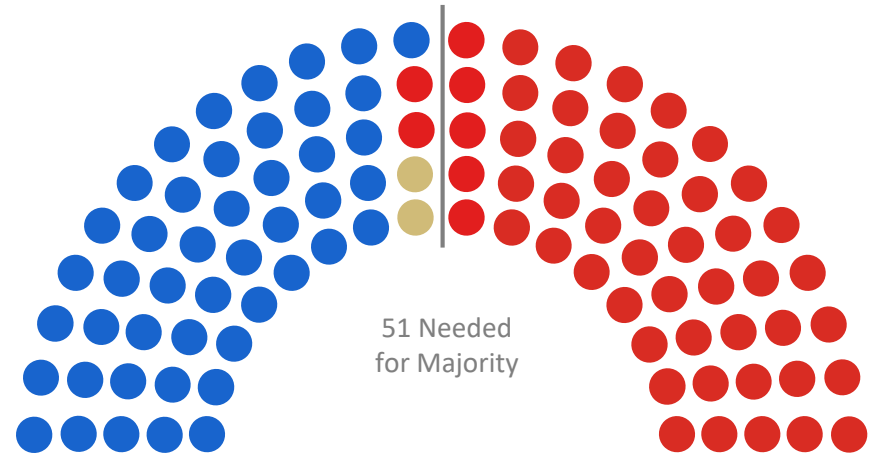
Party control of the 115th Congress (2017-2019)

■ Democrat
 ■ Republican
 ■ Independent (caucusing with Dems)



194 - 241

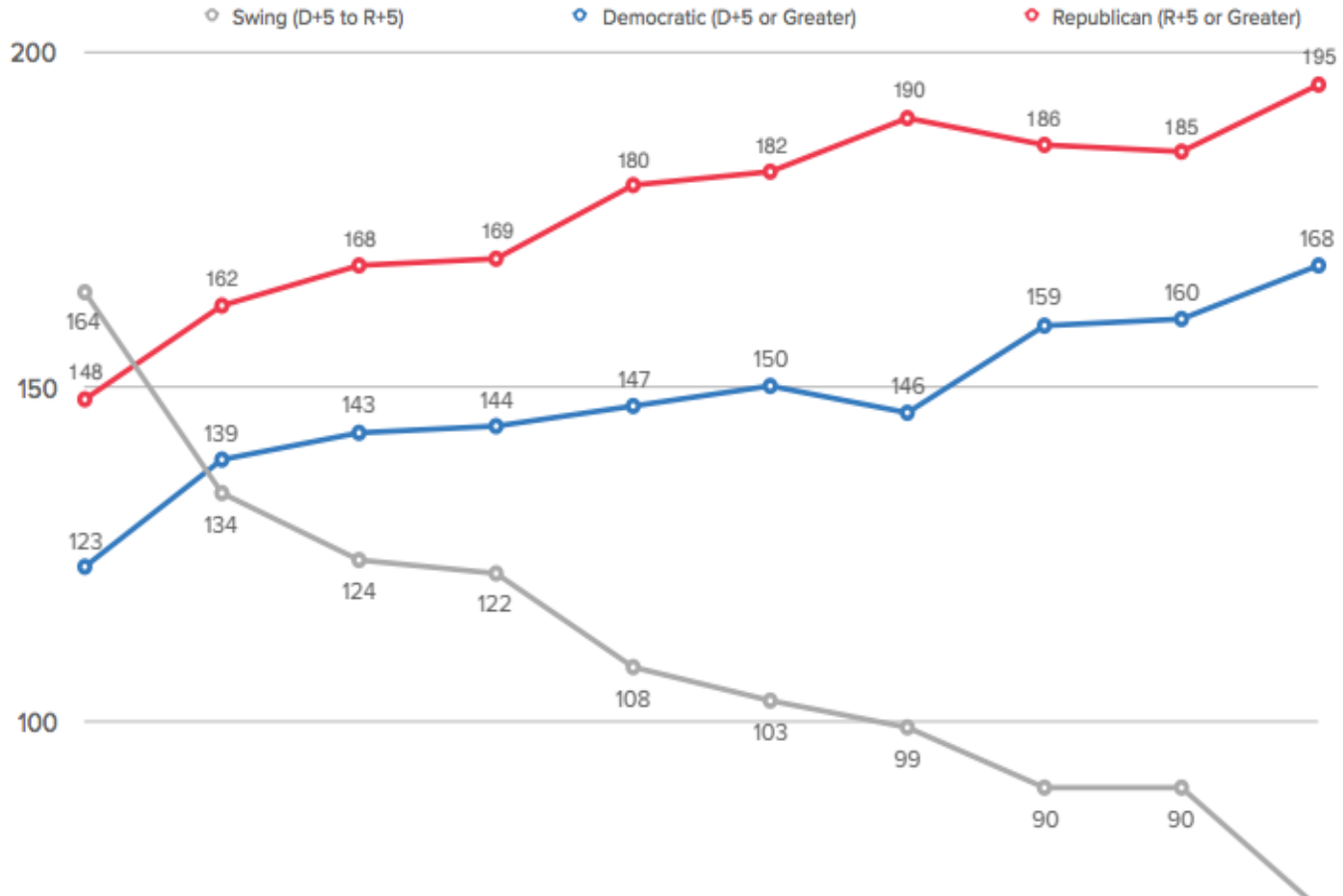
Republican House Majority



46-2-52

Republican Senate Majority

The Decline of the Swing Seat



*The Cook Political Report



NAFCU's Top Legislative Priorities

- Protect the Credit Union Tax Exemption
- Repeal the Durbin Amendment
- Guarantee Credit Unions' Access to the Secondary Mortgage Market
- Seek Regulatory Relief for Credit Unions and CFPB reforms
- Support Fair Capital Reform including legislative changes to create a true risk-based capital system and have all credit unions be eligible for supplemental capital
- Relief from the Member Business Lending Cap
- Promote a National Data Security Standard for Retailers and seek to hold them liable for costs associated with a breach
- Seek Fairness Under FCC Ruling on Autodialing
- Promote positive change to credit union operations



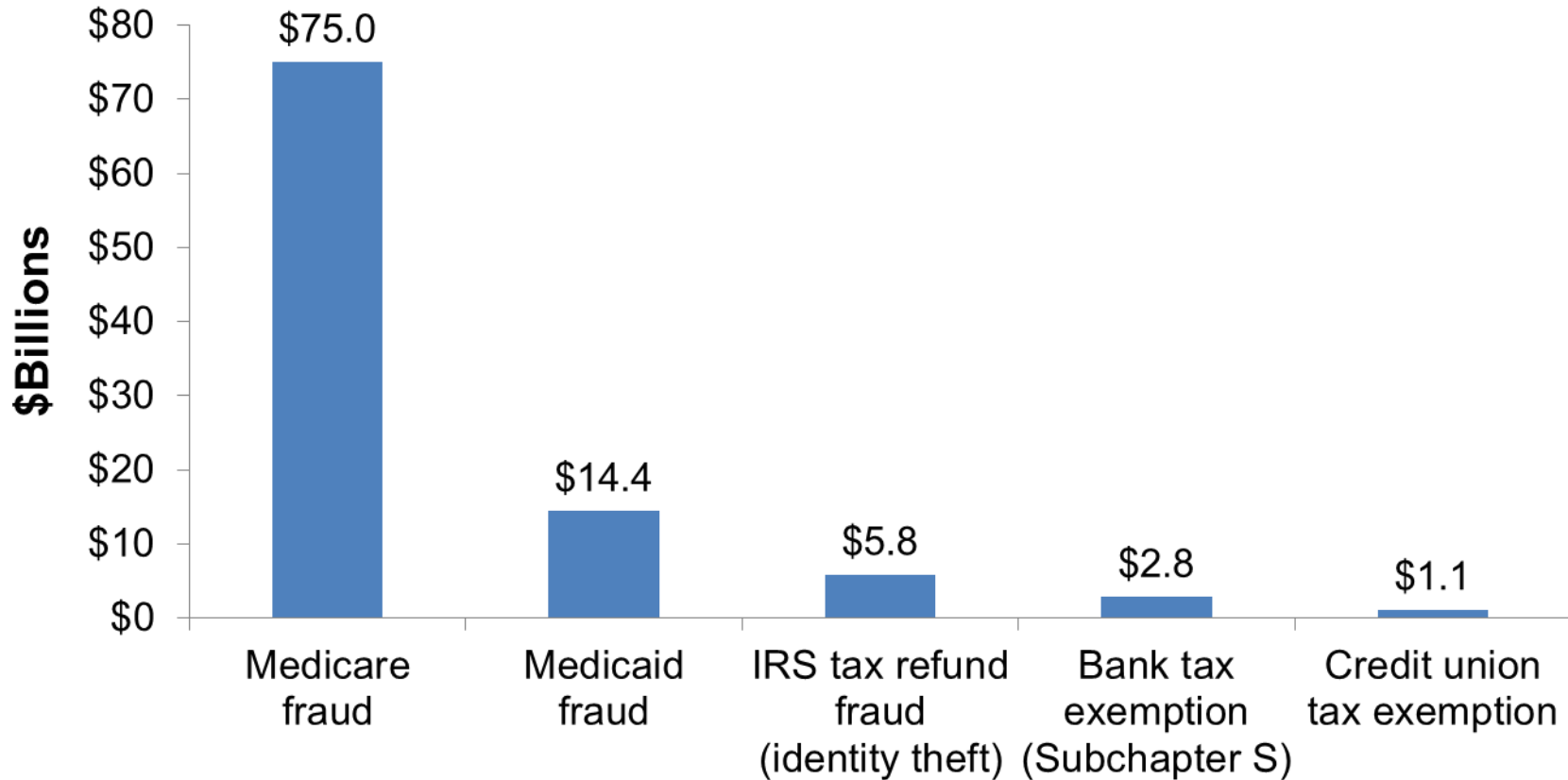
What is Congress Prioritizing?

- **Healthcare Reform**
- **Budget/Debt Ceiling**
 - **Tax Reform**
- **Regulatory Reform**
 - **GSE Reform**



Credit Union Tax Exemption

Comparison with other Estimates



Sources: Government Accountability Office, Federal Bureau of Investigation, Treasury Department, Federal Financial Institutions Examination Council UBPR



REGULATORY AFFAIRS

RAMIREZ The DAILY SIGNAL
2017@CREATORS.COM



@Ramireztoons

michaelpramirez.com



Regulatory Issues

- Obtain further Field of Membership & Chartering modernization
- Defend NCUA's Member Business Lending rules and waiver process
- Work towards a true risk-based capital system
- Stop or Slow CFPB regulations
- Engage with Treasury regarding the regulatory relief
- NCUA proposal to close the TCCUSF and raise the NOL to 1.39%
- Pursue modification of recent FCC's expansion of autodialing rule
- Provide a credit union exemption from CFPB's payday rule
- Monitor the CFPB's enforcement of UDAAP
- Participate in industry discussions about faster payment systems and cybersecurity best practices
- Monitor any developments from FHFA impacting the GSEs and Housing Finance Reform



Stabilization Fund Closure & NOL Increase

- The NCUA Board voted to close the TCCUSF in 2017 and increase the NCUSIF's normal operating level (NOL) by nine basis points from 1.30 percent to 1.39 percent, effective September 29, 2017.
 - The action included no guarantee or formal plan for the NOL to return to its normal level of 1.30 percent, only potential "periodic reviews."
- NCUA will retain almost \$1 billion in the SIF while credit unions receive a dividend of \$600 million to \$800 million in early-2018.
 - The 2018 dividend amounts to credit unions being refunded only about 15 percent of their original assessments made to the TCCUSF.
- The agency received over 600 comments on the closure plan and the overwhelming majority of commenters (two-thirds) expressly opposed increasing the NOL to 1.39 percent and/or called for full rebates of stabilization fund equity.
- NAFCU echoed those sentiments and was the only trade association to oppose any increase in the NOL.
- **The dividend is a good first step towards making credit unions whole, but there is more work to be done and NAFCU will continue to push for additional future rebates for credit unions.**



New Leadership at the Regulators

- **President Trump has been busy changing personnel and making new appointments to leadership positions at the federal regulators.**
- **The Cabinet**
 - Secretary of the Treasury – Steven Mnuchin
 - Secretary of Housing and Urban Development – Dr. Ben Carson
 - Secretary of Labor – Alexander Acosta
 - Administrator of the Small Business Administration – Linda McMahon
- **Independent Agencies – Chairs/Board Members**
 - National Credit Union Administration
 - Mark McWatters elevated to Chairman
 - One vacant seat to fill; Metsger's term expires August 2017
 - Federal Communication Commission
 - Ajit Pai elevated to Chairman
 - Two vacant seats to fill
 - Federal Reserve Board
 - Three vacant seats to fill



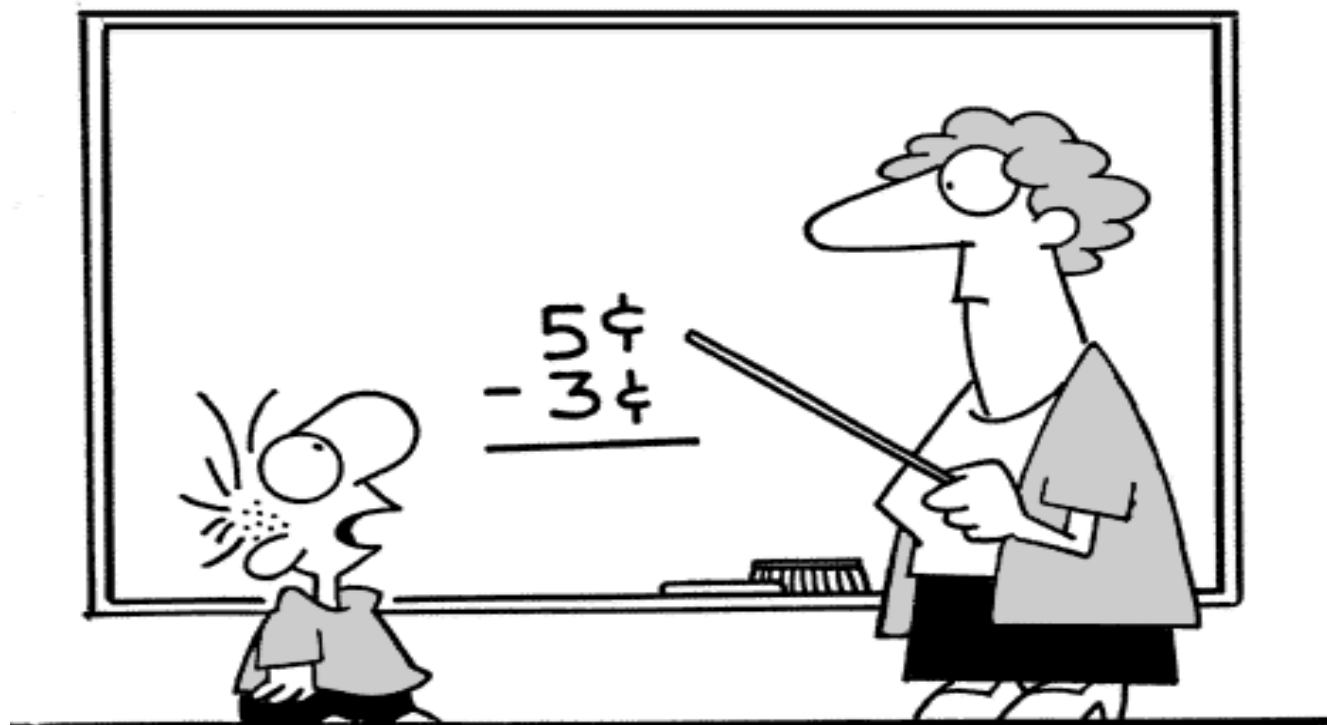
CFPB Changes

- Director Cordray could remain until term expires July 2018 – unless removed by Trump.
- Five-person commission still on the table, as is single director with more limited powers.
- New director or commission will likely focus on disclosure and transparency, rather than enforcement and rulemaking.
- Current pending CFPB rulemakings:
 - Debt collection
 - Consumer complaint database
 - Payday lending
 - Small business lending data collection



INDUSTRY TRENDS

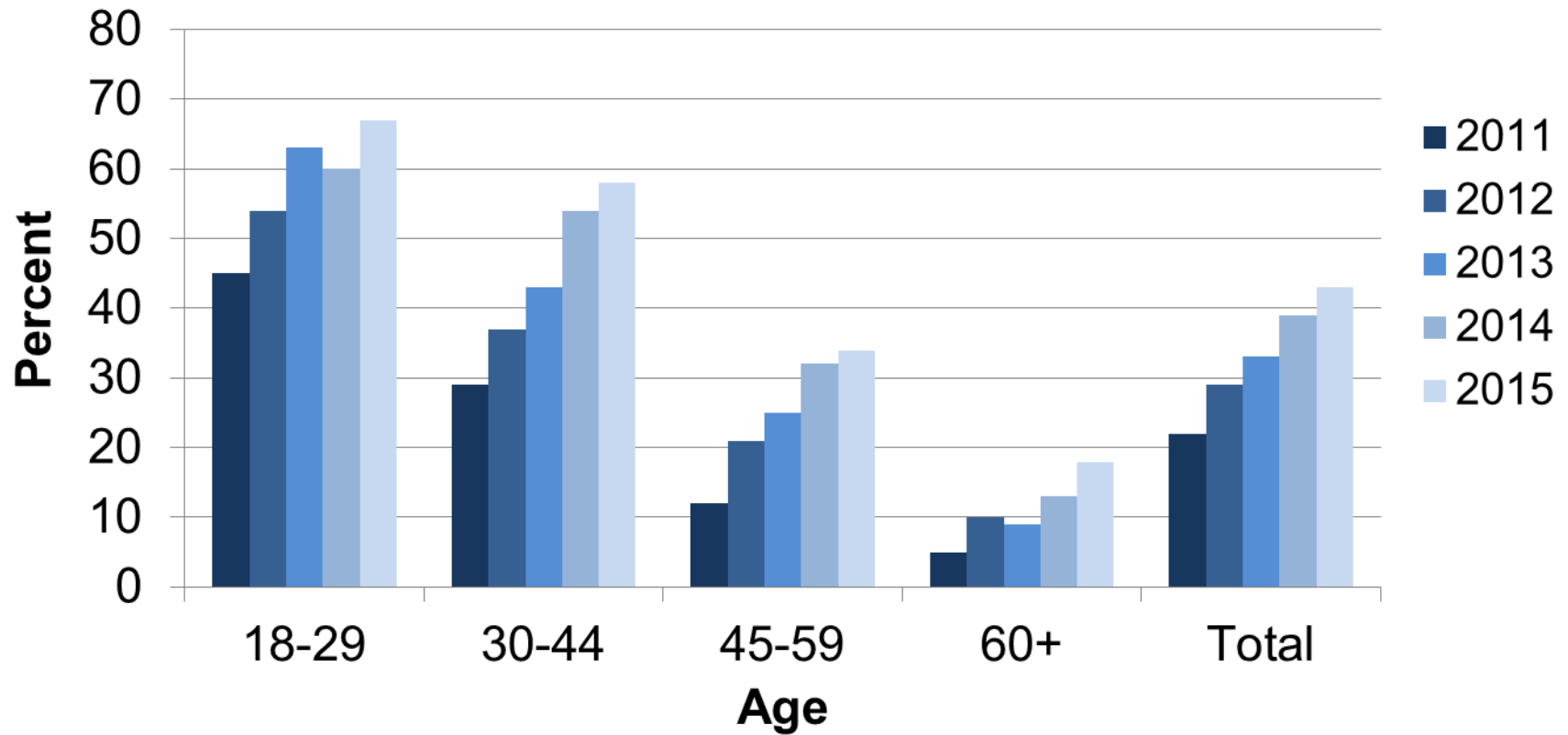
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"Thanks, but I'd rather get my financial advice off the Internet."

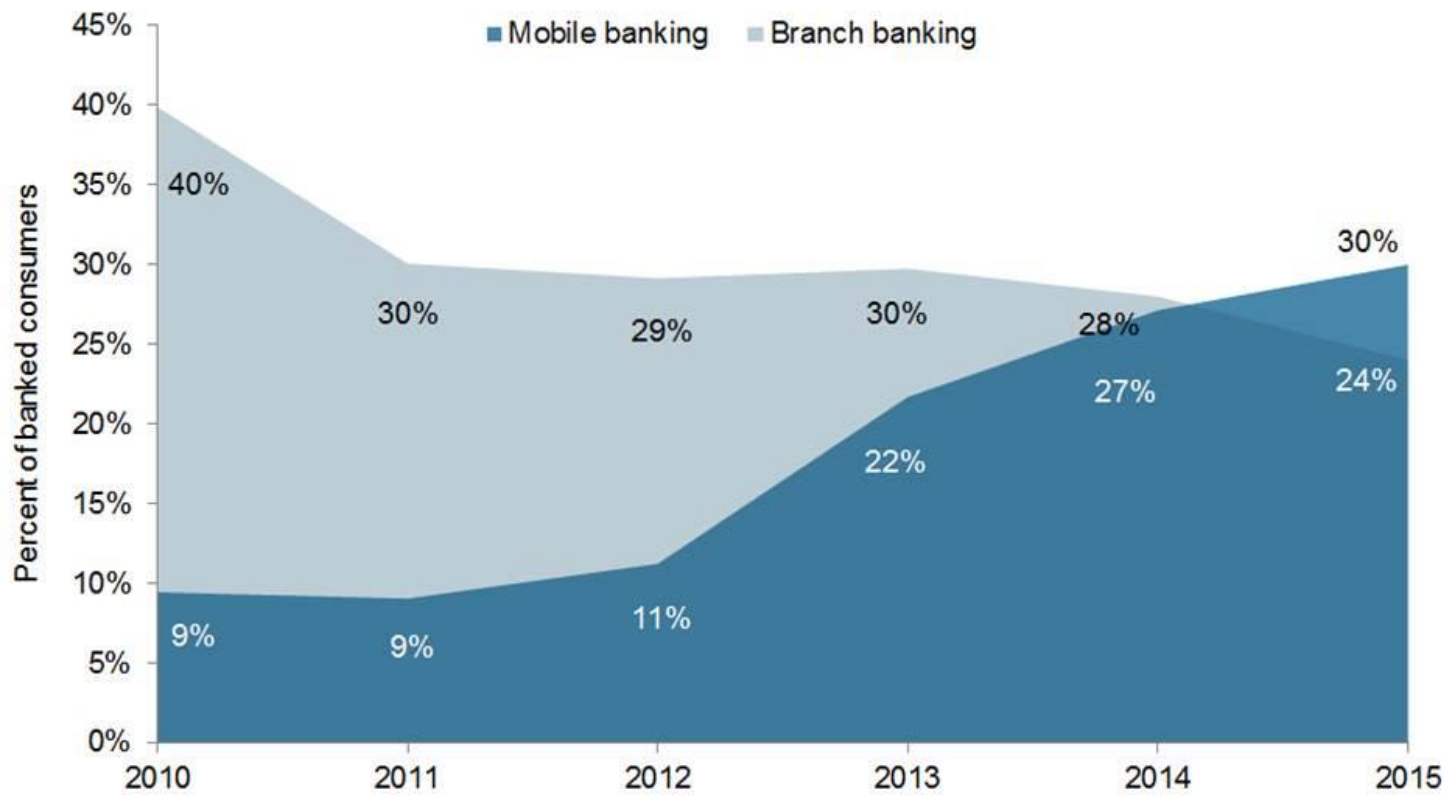
Mobile Banking Use

Use of mobile banking by age



Source: Federal Reserve

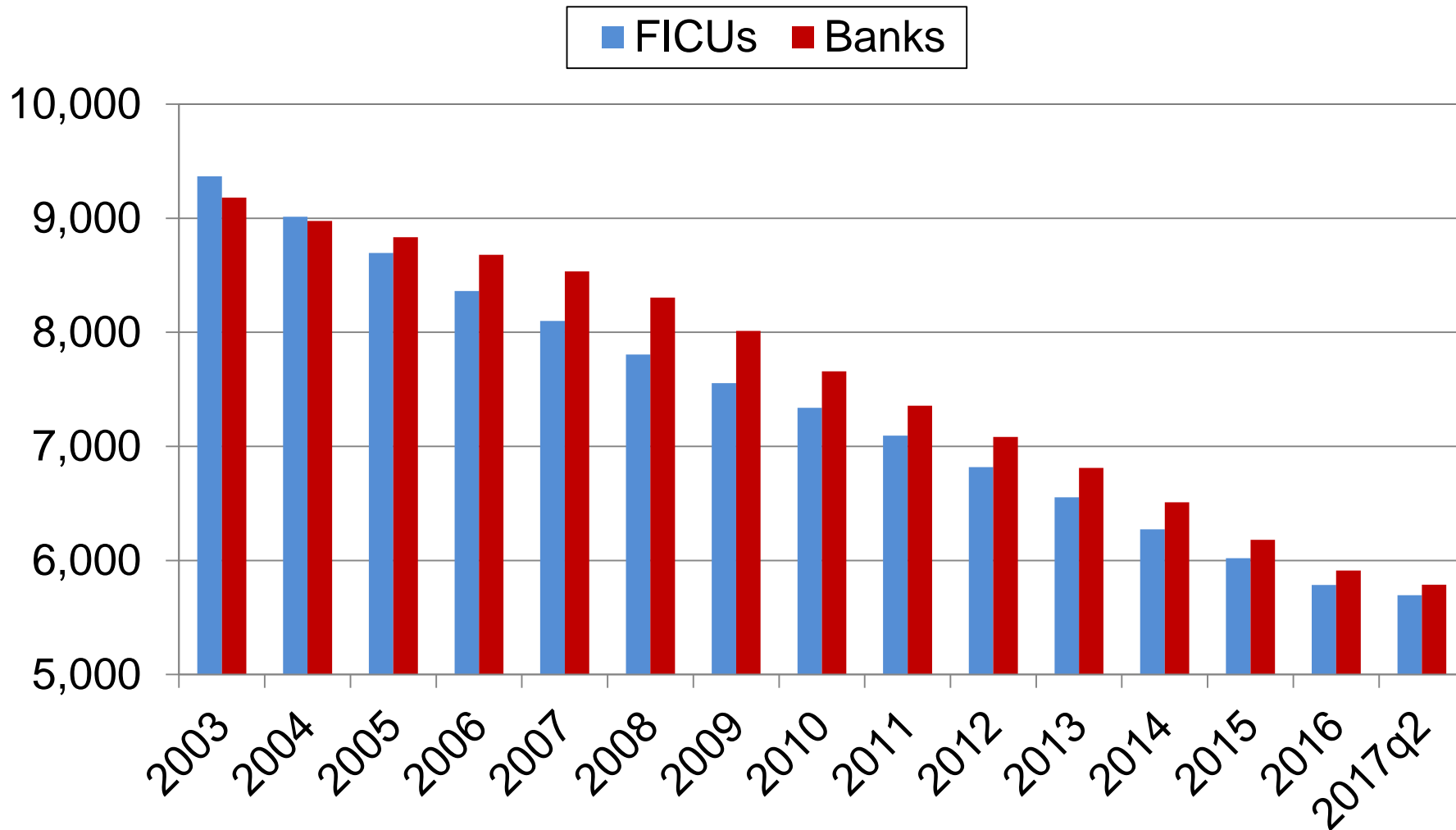
Mobile Banking Exceeds Branch Banking



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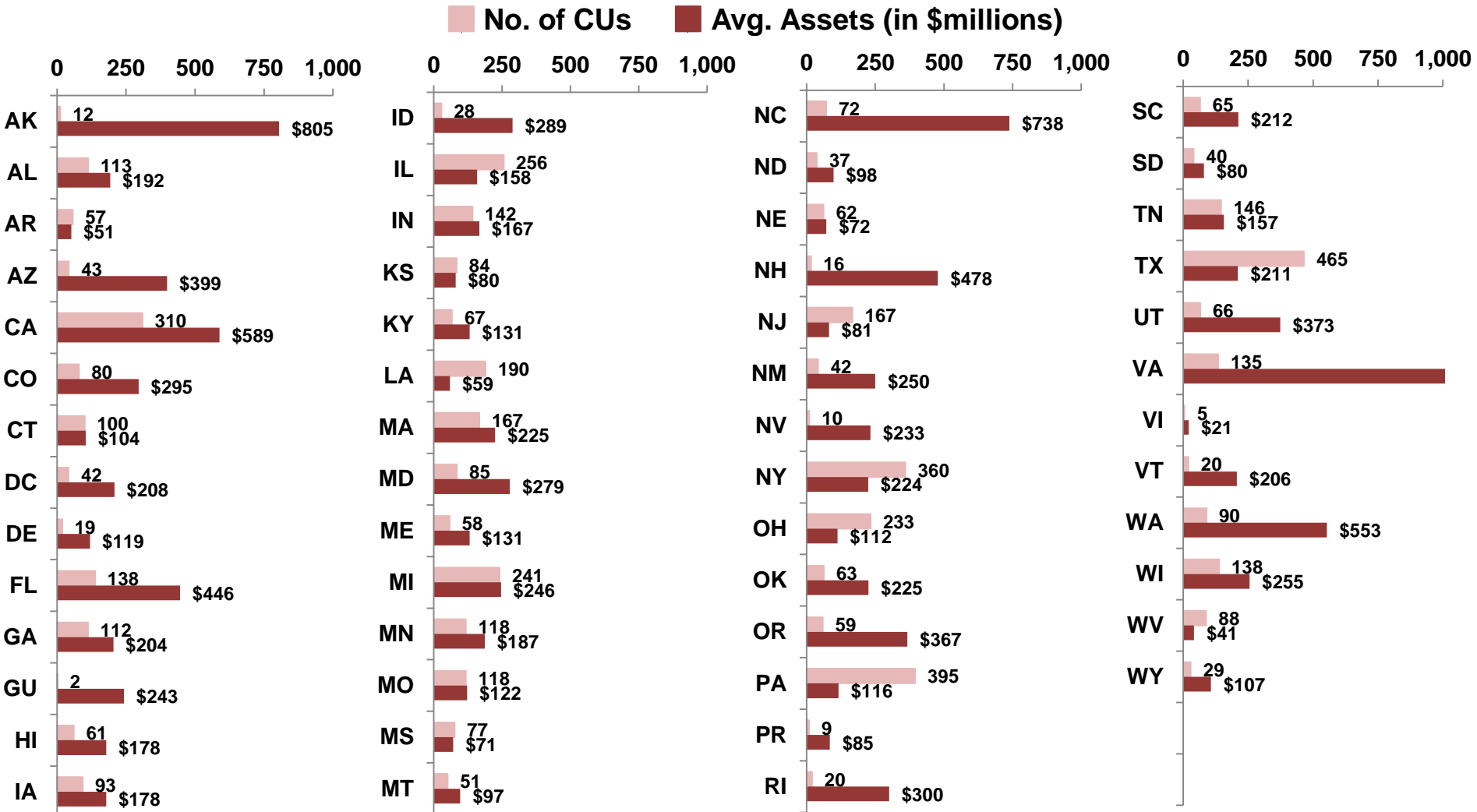
Number of Institutions



Source: NCUA, FDIC



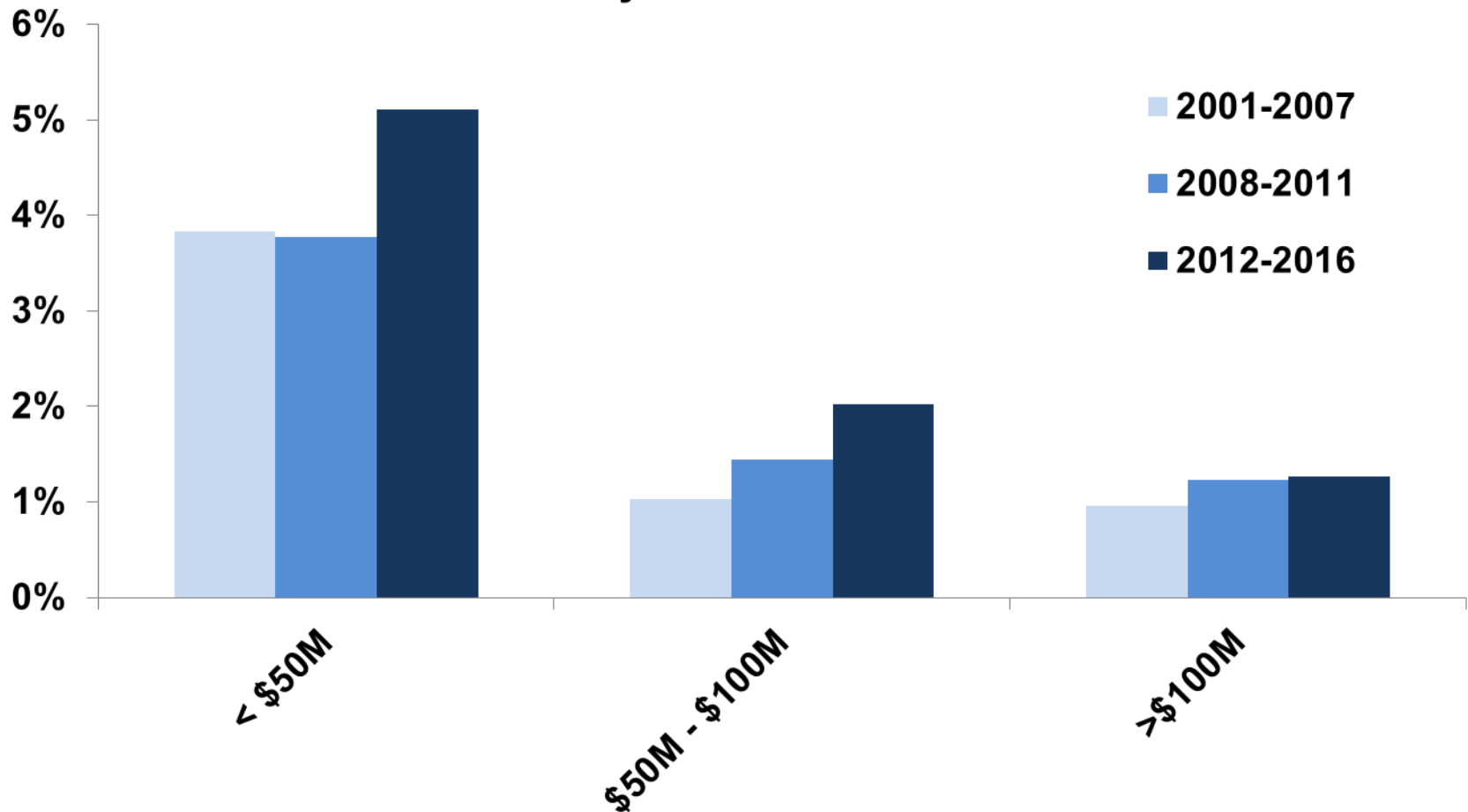
Credit Unions by State



Source: NCUA 5300 data as of June 2017

Industry Consolidation

Average Annual Merger Rate by asset class

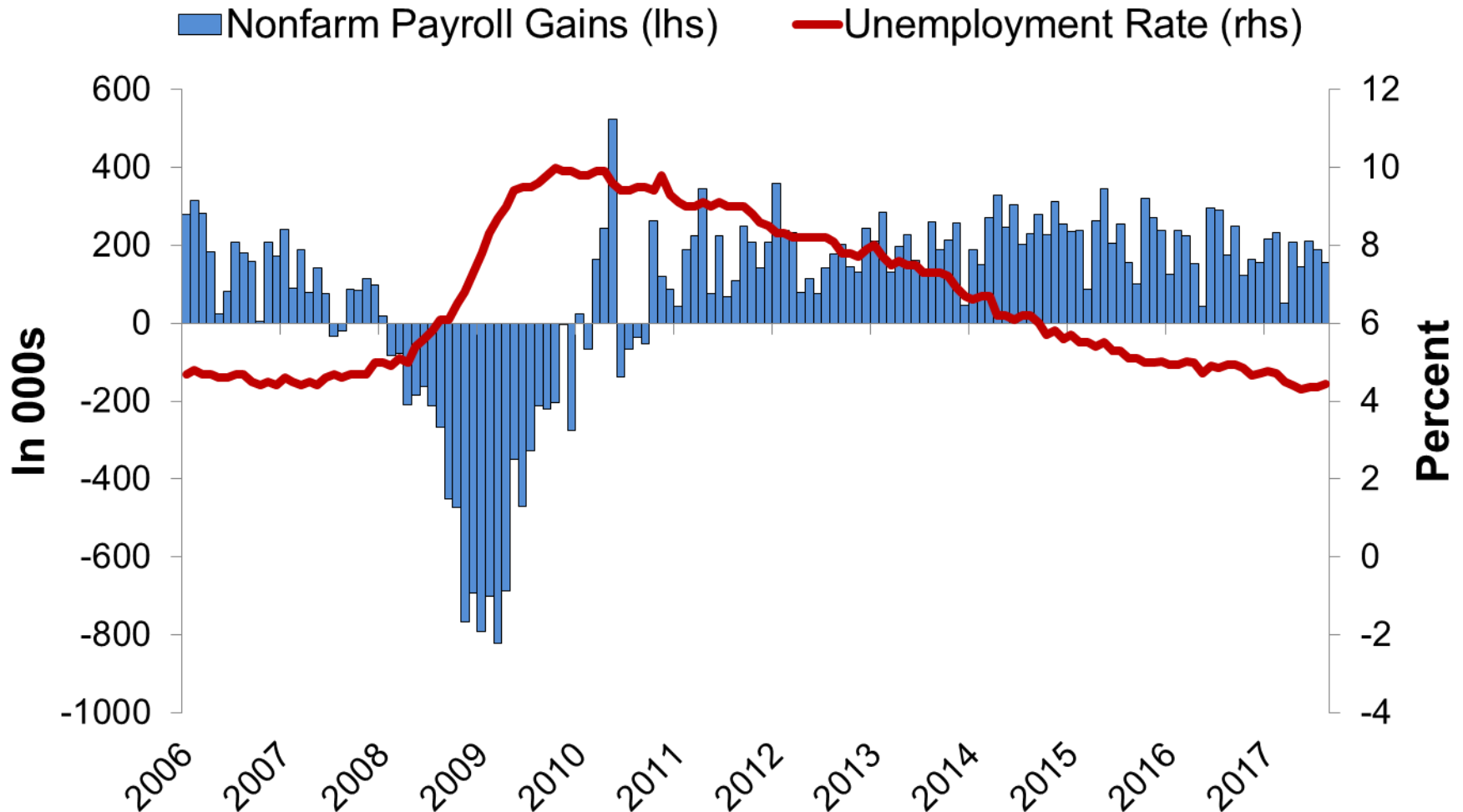


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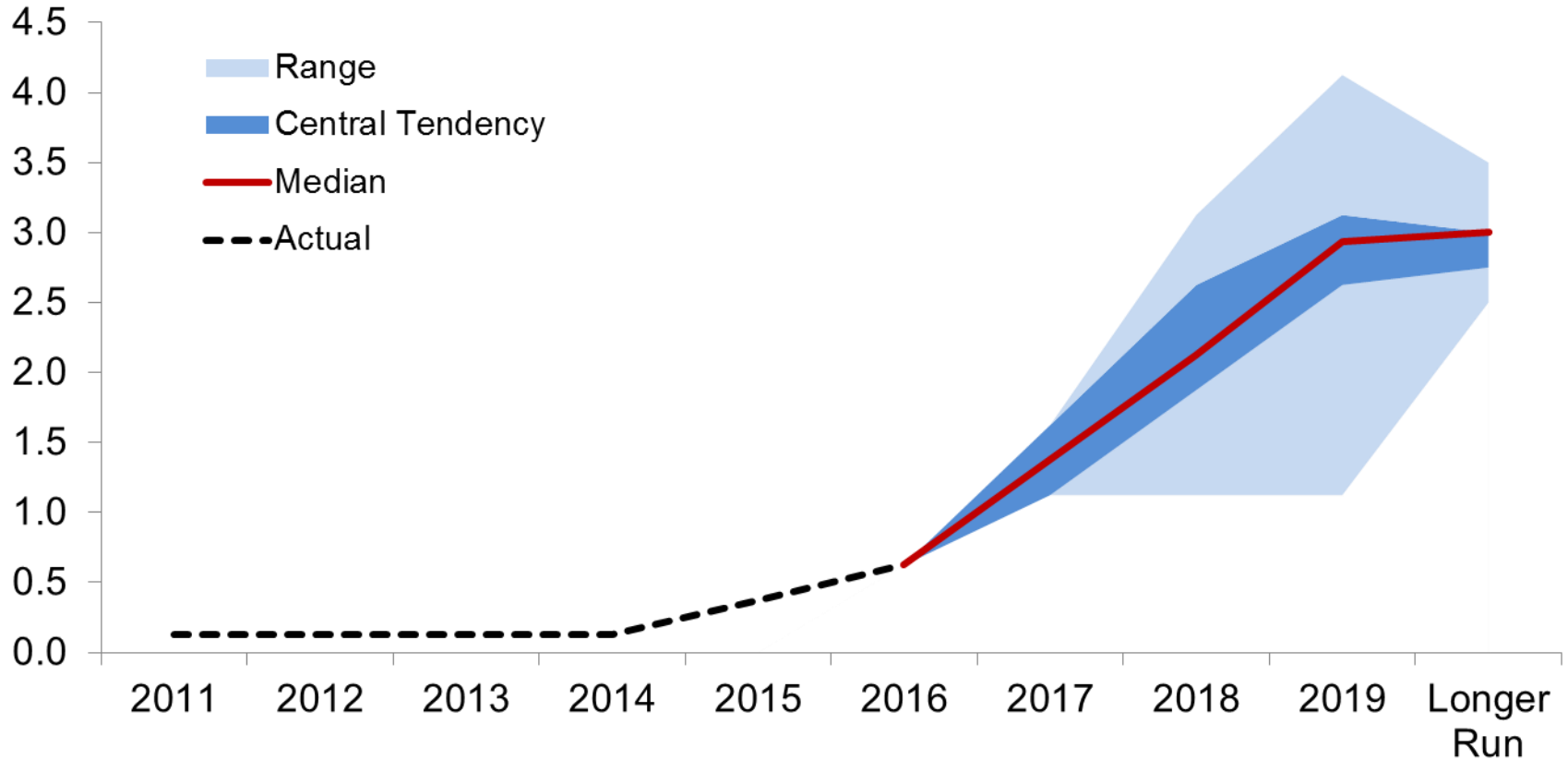
**“When you review your retirement fund then
wet your pants and cry — that’s liquidity.”**

Job Gains



FOMC's Fed Funds Rate Forecast

Percent



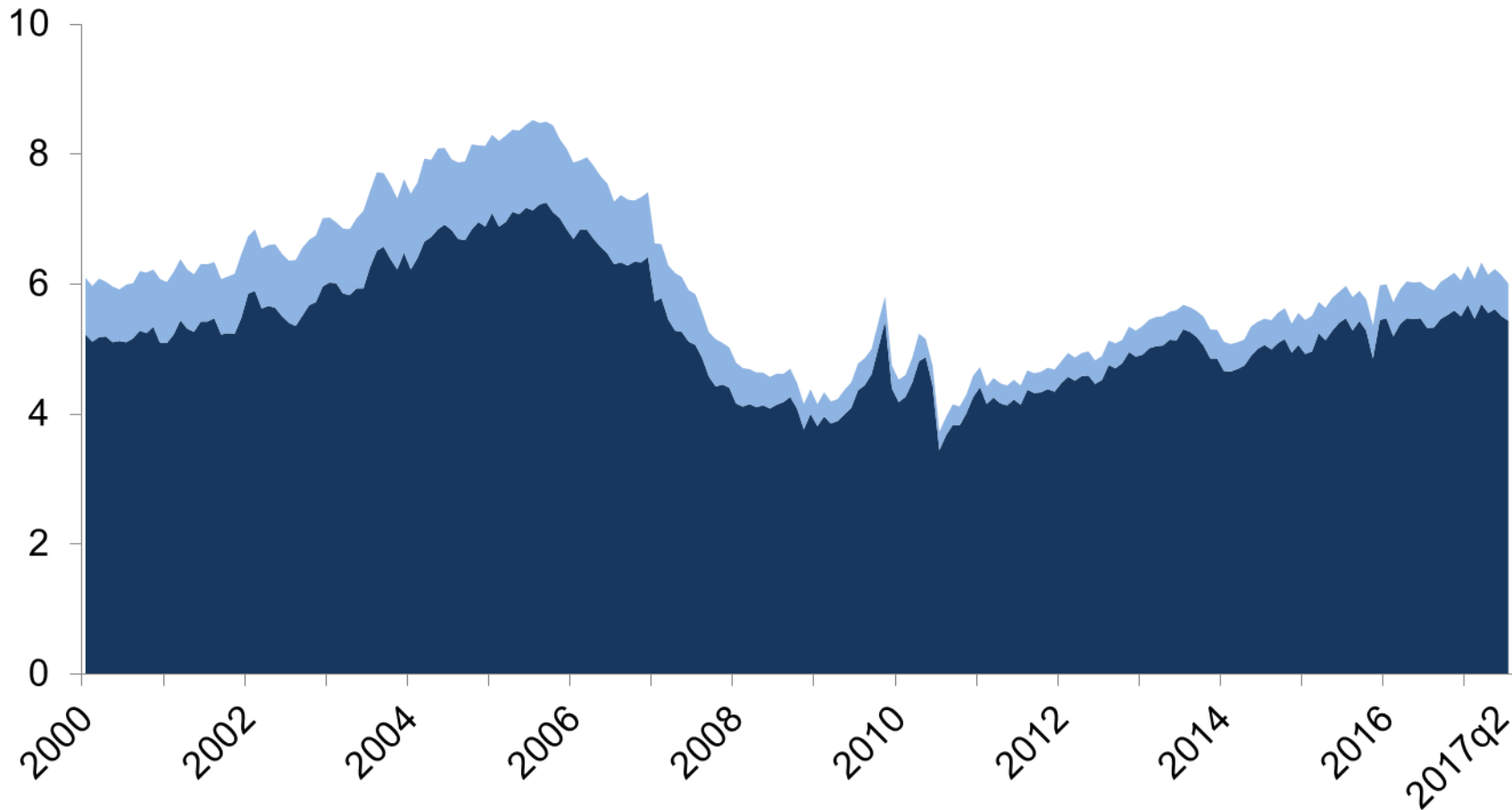
Note: Central tendency removes the three highest and three lowest forecasts

Source: Federal Reserve "Summary of Economic Projections" (Jun 2017)

Home Sales

Millions,
SAAR

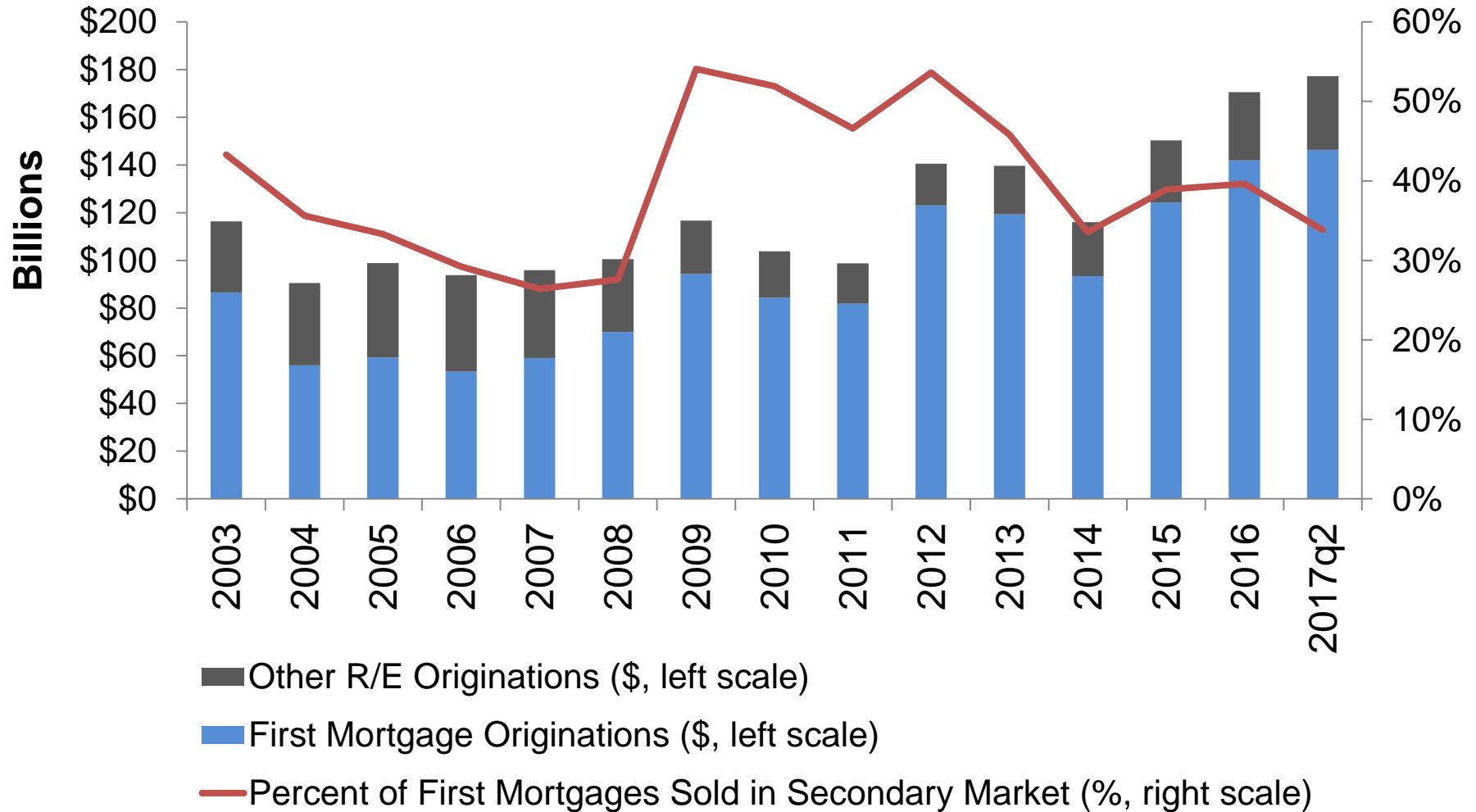
Existing New



Sources: National Association of Realtors, U.S. Census Bureau



FICU Mortgage Lending



Origination figures are year-over-year

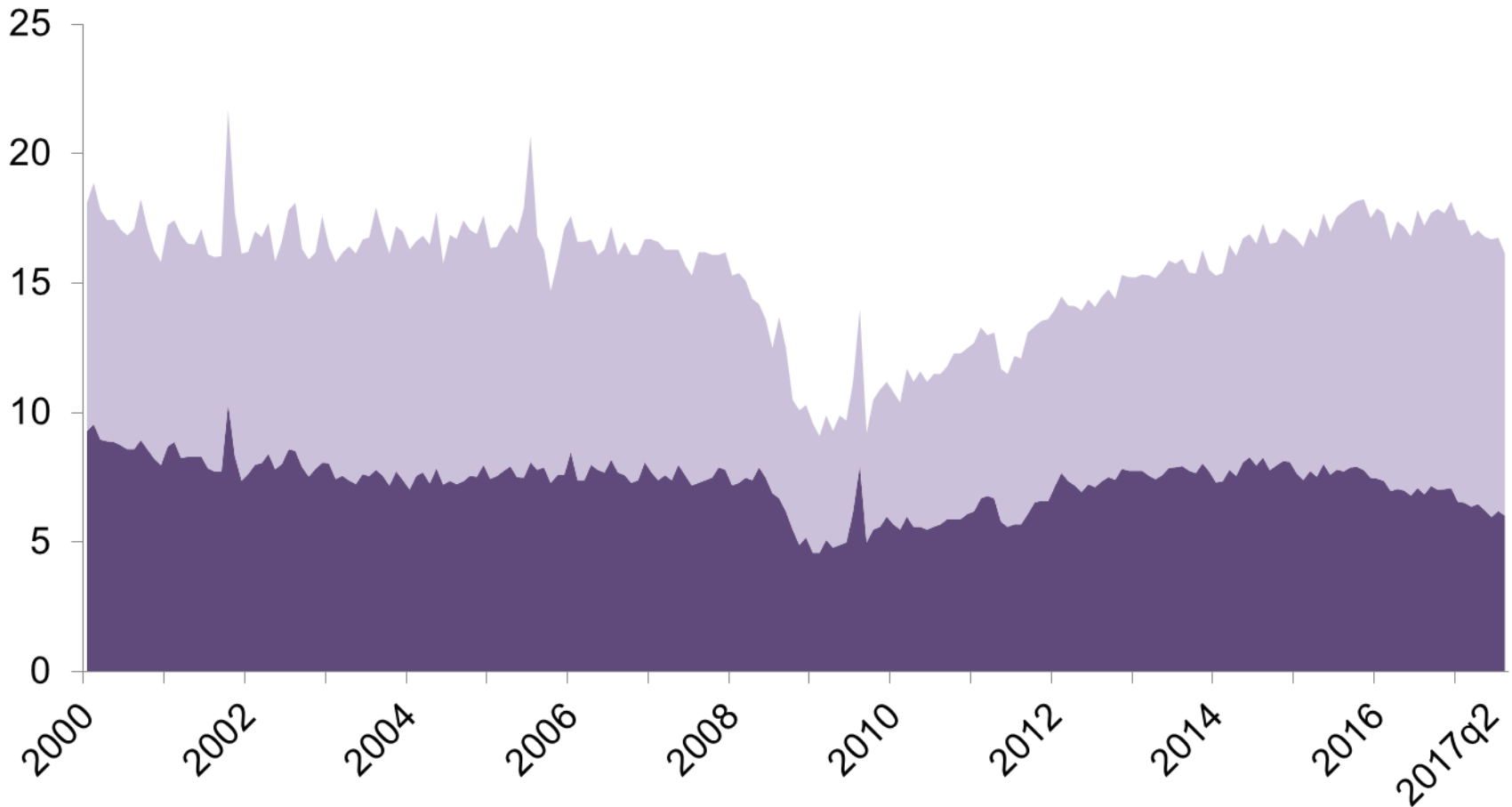
Source: NCUA 5300 Call Report

Auto Sales

Millions,
SAAR

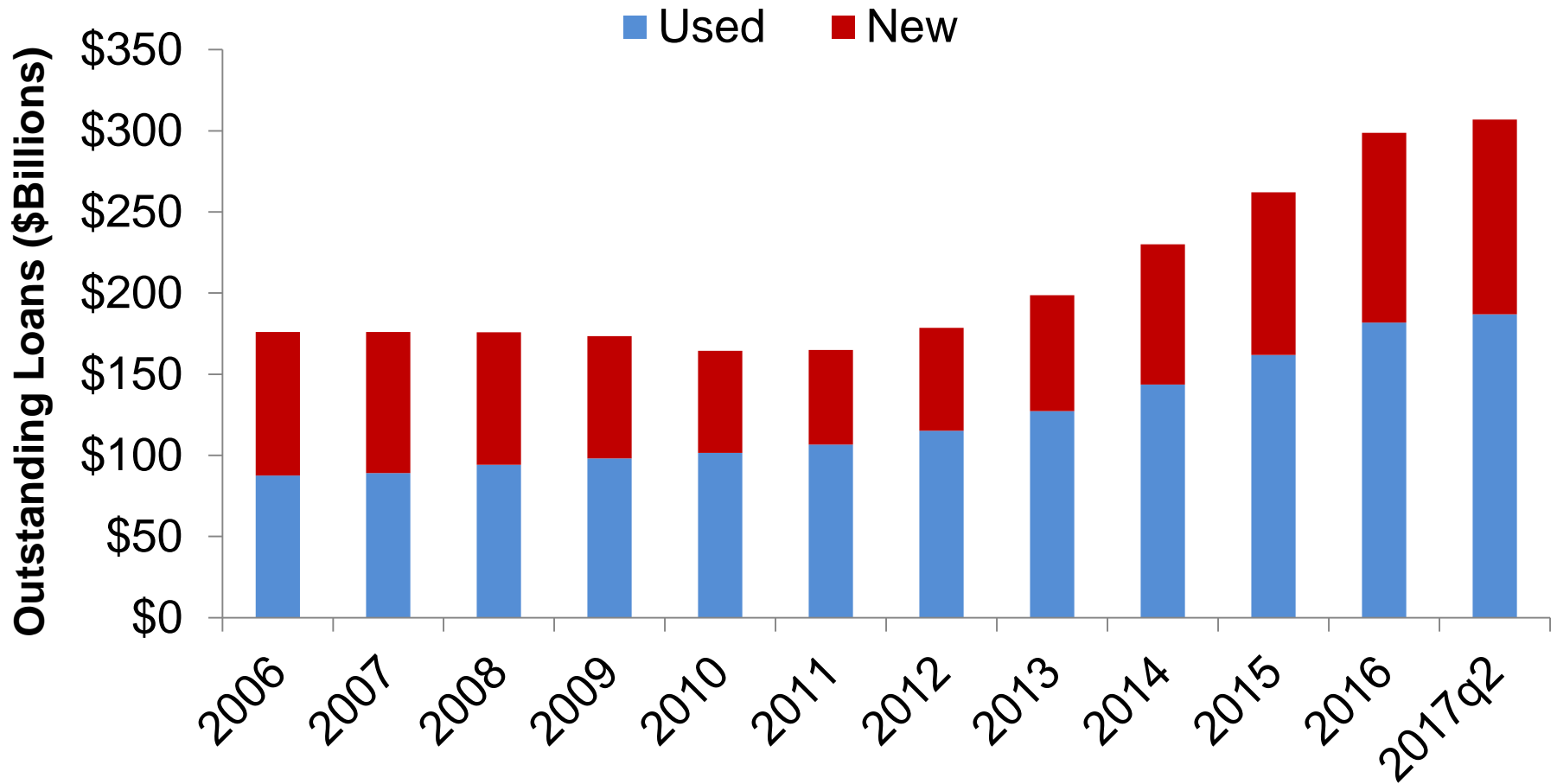
Auto Sales

■ Autos ■ Light Trucks





CU Auto Lending

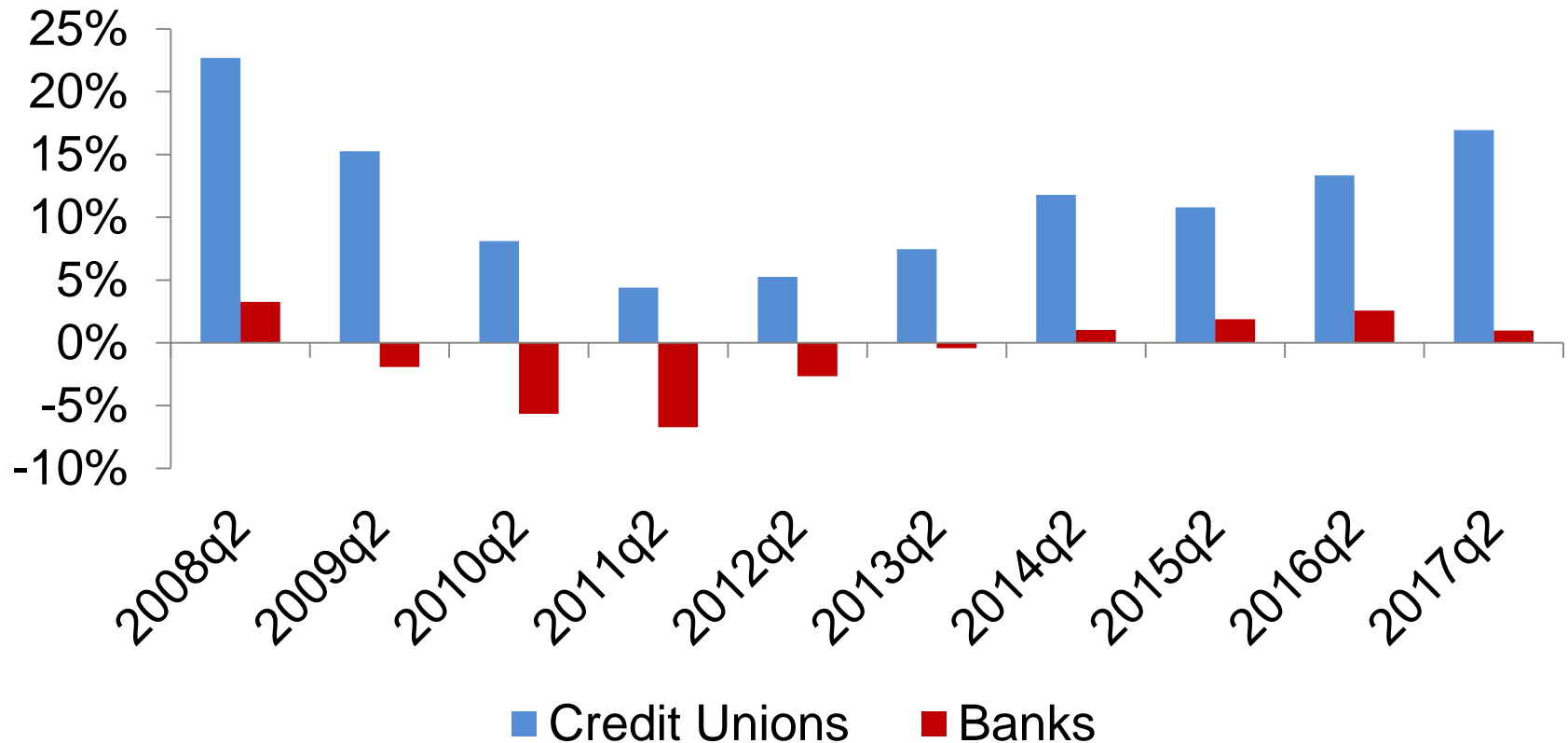


Source: NCUA 5300 data



Member Business Loans

Small Business Loan Growth Comparison*



Notes: Bank small business loans as defined by FDIC “Consolidated Report of Condition and Income”; Credit union small business loans defined as member business loans. All figures except the most recent one show year-over-year growth at June 30.

Source: NCUA 5300 call report, FDIC “Statistics on Banking”



Thank you to all the CUs who recently joined NAFCU

ABCO FCU ◆ Acclaim FCU ◆ ACU of Texas ◆ Affinity CU ◆ Allegacy FCU ◆ Alliant CU ◆ ALPS FCU ◆ American Southwest CU ◆ American Spirit FCU

America's Christian CU ◆ AOD FCU ◆ Arc FCU ◆ Aurora CU ◆ Austin Telco FCU ◆ BayPort CU ◆ BluCurrent CU ◆ California Coast CU ◆ Cascade FCU

Central Maine FCU ◆ Chiphone FCU ◆ City CU ◆ Coconino FCU ◆ Community Choice CU ◆ Community Resource CU ◆ Community South CU ◆ Connex CU Connexus CU Country FCU ◆ Credit

Union of Colorado ◆ Credit Union of New Jersey ◆ Credit Union of Ohio ◆ Credit Union of Texas ◆ DATCU CU ◆ DFCU Financial CU ◆ DuGood FCU ◆ DuPont Community CU ◆ Eastman CU ◆

Education CU ◆ EECU ◆ ELCA FCU ◆ Elko FCU ◆ Emporia State FCU

Financial Resources FCU ◆ First American CU First Community CU ◆ First Community CU ◆ First Community CU ◆ First Entertainment CU ◆ First Service CU Fort Billings FCU ◆ Fort Dix FCU ◆

Fortera CU ◆ Freedom 1st FCU ◆ Freedom CU ◆ Funeral Service CU ◆ Gold CU ◆ Great Lakes CU ◆ Great Lakes CU

Great River FCU ◆ Hawaii Community FCU ◆ Hawaii County Employees FCU ◆ Hawaii Law Enforcement FCU ◆ Heritage Valley FCU ◆ Houston FCU

IH Mississippi Valley CU ◆ InvesTex CU ◆ IRSE CU ◆ Jackson River Community CU ◆ Jefferson Financial CU ◆ Kaiperm FCU

Kaua'i Government Employees FCU ◆ Kentucky Employees CU ◆ Kings FCU ◆ Lampco FCU ◆ LiFECU ◆ Long Beach ◆ Firemen's CU ◆ Louisiana FCU

LUSO FCU ◆ Lutheran Federal FCU ◆ Magnify FCU ◆ Marine CU ◆ Mass Bay CU ◆ Maui County FCU ◆ McKesson Employees FCU ◆ Members 1st of NJ FCU Members Choice CU ◆ Members Choice

Financial CU ◆ Members Cooperative CU ◆ Members First CU of Florida ◆ Members Trust FCU ◆ Metro Health FCU Michigan Legacy CU ◆ MIDFLORIDA CU ◆ Naheola CU ◆ Nascoga FCU ◆ New

England Teamsters FCU ◆ North Franklin FCU ◆ North Jersey FCU

Northern Star CU ◆ Northumberland County Schools FCU ◆ Notre Dame Community FCU ◆ Novation CU ◆ NW Plus CU ◆ Ohio Catholic FCU ◆ Old West FCU On Tap CU ◆ P&G Mehoopany

Employees FCU ◆ Park Community CU ◆ Parker Community CU ◆ Partner Colorado CU ◆ Pennsylvania Central FCU

Peoples Advantage FCU ◆ People's Choice CU ◆ Point Breeze CU ◆ Point Loma CU ◆ Polish National CU ◆ PortAlliance FCU ◆ Progressive CU

Prospectors FCU ◆ Purdue FCU ◆ Rails West FCU ◆ Reliance FCU ◆ Reliant Community FCU ◆ Reno City Employees FCU ◆ RiverFall CU ◆ RiverLand FCU

Roanoke Valley Community FCU ◆ SC State FCU ◆ Scient FCU ◆ Sentinel FCU ◆ Service First FCU ◆ Sharon CU ◆ Shuford FCU ◆ Signal Financial FCU

SM FCU ◆ Smart Financial CU ◆ Sno Falls CU ◆ South Metro FCU ◆ Southbridge CU ◆ Southcoast Health Systems FCU ◆ Southwest 66 CU Spokane FCU

St. Cloud FCU ◆ Stamford FCU ◆ St. Thomas FCU ◆ Star USA FCU ◆ State Police CU ◆ Sun Community FCU ◆ Technicolor FCU ◆ The Finest FCU

The Florist FCU ◆ Three Rivers FCU ◆ TransWest CU ◆ Tri-Cities Community FCU ◆ True North FCU ◆ U.S. Employees CU ◆ U-1st Community FCU

UFirst FCU ◆ Ukrainian FCU United Heritage CU ◆ USF FCU ◆ Vital FCU ◆ Weber State FCU ◆ White County FCU ◆ Whitefish CU ◆ Widget Financial FCU



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