

SUPERBOWL CHAMPIONS EDITION



NCUA – NCUA – Even though much of the country was digging out from snow and trying to keep warm during the polar vortex, things heated up in credit union land. Although one reader thought that last month’s Report “was a little light”, the beginning of the new year has provided a number of big issues and announcements coming out of DC.

As predicted here in July 2018, the White House finally officially nominated both Rodney Hood and Todd Harper to fill the two open NCUA Board seats. Hood previously served on the NCUA Board from 2005-2009 and would fill the remaining 5 ½ years of the seat currently occupied by Rick Metsger. Harper, who served in two positions for Debbie Matz, would get the last 2 years of the seat previously held by Matz. This would bring the Board to its full complement of three Board members for the first time since Matz left the agency in May 2016.

As both Hood and Harper have served at the agency, they have to be able to hit the ground running and there will be no need for a learning curve. Once confirmed, Hood and Harper will continue the good fortune that NCUA has enjoyed since 2000 with most of the NCUA Board members either very familiar with the financial services field (Hood, Yolanda Wheat, Mark McWatters) or with credit unions (Dennis Dollar, myself, Gigi Hyland, Debbie Matz, Mike Fryzel and Rick Metsger). This experience allows the Board to better serve credit unions with an eye towards effective regulation.

Now that the question of who will serve on the Board has been answered, the next question is what issues will the Board address in 2019? Fintech, data security and BSA compliance are old standards; the Board may also choose to address supplemental capital, overdraft protection and issues surrounding cannabis and gambling as both of the later activities are becoming more prevalent in the marketplace as they are legalized on a state-by-state basis.



CONGRESS – Senate Banking Committee Chairman Mike Crapo (R-ID) released his plan to deal with Fannie Mae, Freddie Mac, the Federal Home Loan Banks and their regulator, the Federal Housing Finance Agency (FHFA). The Crapo plan calls for the privatization of the two housing enterprises and also would replace the single FHFA Director with a five-person board. Of concern to credit unions is the proposed definition that would reduce credit unions’ opportunities to participate in the secondary market. As currently reported, the definition is for institutions with less than \$1.17 billion in assets that are insured by the FDIC. This is an oversight in the drafting of the proposal but is further proof why credit unions must remain active in GSE restructure proposals. There is little doubt that this mistake will be corrected, but it is always easier to fix a problem before it becomes embedded in a bill.

PRESIDENTIAL RACE – With less than a year before the Iowa caucus, the Democratic field continues to grow. Announced candidates include Senators Elizabeth Warren (D-MA), Kamala Harris (D-CA), Cory Booker (D-NJ) and Kirsten Gillibrand (D-NY). Other official entrants include Rep. Tulsi Gabbard (D-HI), former HUD Secretary Julian Castro, and South Bend Mayor Pete Buttigieg. Possible candidates include VP Joe Biden, Senators Amy Klobuchar (D-MN), Sherrod Brown (D-OH), Jeff Merkeley (D-OR), Bernie Sanders (I-VT), former Virginia Governor Terry McAuliffe, former Rep. Beto O’Rourke and former NY Mayor Michael Bloomberg. There has already been one drop-out – former WV state senator Richard Ojeda.

With the large field on the Democratic side, the key will be for the party to afford all candidates the same opportunities. One of the criticisms of the party in 2016 was the appearance that the playing field was tilted in Hillary Clinton’s favor.

PARTICIPATION LOANS – Easily one of the most overlooked NCUA legal opinions in the past year—and potentially telegraphing future examine attention—deals with loan participations. Last Spring NCUA’s General Counsel’s office issued a [legal opinion letter](#) regarding Loan Participations in response to an inquiry as to whether they must meet NCUA regulation requirements throughout the life of the participation loan. The short answer is – yes.

Surprisingly though, the opinion and guidance has gone largely unnoticed by the majority of credit unions currently engaged in loan participations. Most credit unions rely on their core system modules for participation loan tracking and reporting. However, data indicates there can be a 5 basis point swing in the reporting accuracy in those modules as they were never developed to track the volume of individual loans associated with auto and residential loan pools. If you’re concerned about your credit unions’ compliance with the NCUA loan participation regulations or the potential losses associated with your module’s reporting accuracy contact me at:

Geoff@BacinoAssociates.com or [click here](#).



BA STAYING AHEAD OF HEALTHCARE COSTS – Last month in the Bacino Report we mentioned the addition of Reference Based Pricing (RBP) to the healthcare program and the increased continuity it brings employees to keep their preferred medical providers. Along with this important benefit there are several other benefits most notably is cost savings. According to a new 2019 NBGH survey of employers, one of biggest drivers of healthcare costs are high cost claimants. By implementing RBP into your healthcare plan payments to providers are calculated on a ‘reasonable fee’ based on a point of reference—often the Medicare fee schedule. Utilizing this established fee schedule offers consistent cost savings on claims payments, this lowering overall plan expenses.

These RBP savings coupled together with savings of the fully-funded self-insured plan add up to consistently lower costs, greater coverage & benefits and provider continuity for employees and their families and can result in greater employee retention or recruiting advantages in today’s competitive jobs market. [Click here](#) or email me at Geoff@BacinoAssociates.com to learn more about improving the quality of your healthcare plan and lowering your costs.