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Summary of the Coronavirus Aid, Relief, and Economic Security (CARES) Act

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

Date
April 2020
Letter No
20-CU-07
20-CU-07 / April 2020
Summary of the Coronavirus Aid, Relief, and Economic Security (CARES) Act
To
Federally Insured Credit Unions
Subject
Legislation
Status

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To
Federally Insured Credit Unions
Subj
Legislation

Dear Boards of Directors and Chief Executive Officers:

This letter provides vital information about key changes affecting your credit union due to the recently enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The Coronavirus Aid, Relief, and Economic Security Act was signed into law by President Trump on March 27, 2020. The CARES Act contains numerous provisions to help workers, families, and businesses, including unemployment insurance benefits and loan guarantee programs. It also contains provisions that assist severely distressed sectors of the economy. Some of the CARES Act provisions that affect credit unions are described herein.

Central Liquidity Facility (CLF) (§ 4016): The CARES Act-propelled changes to the [CLF](#) can help provide significant liquidity support to the entire credit union system as we work through the COVID-19 pandemic. These amendments sunset on December 31, 2020.

First, the CARES Act removed the “primarily serving natural persons” reference under the Federal Credit Union Act’s definition of “liquidity needs” to permit temporary access for corporate credit unions in addition to natural-person credit unions.

Second, the Federal Credit Union Act’s CLF membership provision was amended to provide greater flexibility to corporate credit unions serving as agent members with respect to the amount they must pay to subscribe to the capital stock of the CLF.

Third, the CARES Act amended the Federal Credit Union Act provision regarding member applications for extensions of credit by removing the reference to the NCUA Board disapproving applications that are filed with the intent to expand credit union portfolios. Instead, under the CARES Act, the applicant must provide evidence to the Board that they have made reasonable efforts to first use primary sources of liquidity, including balance sheet and market funding sources, to address its liquidity needs.

Fourth, the CARES Act temporarily increased the Board’s borrowing authority on behalf of the CLF. During this period, borrowing authority has increased to 16 times the subscribed capital stock and surplus of the CLF. Together, these amendments enhance the CLF’s ability to serve as an effective liquidity provider to credit unions.

The NCUA encourages credit unions without a current regular or agent CLF membership to join as soon as possible. Additional guidance on changes to the CLF will be issued by the NCUA in the near future. In the meantime, if you have questions about how to join the CLF and the benefits of membership, please email clfmail@ncua.gov.

Insured Deposits Threshold (§ 4008(b)): The CARES Act permits the NCUA Board, in coordination with the Federal Deposit Insurance Corporation (FDIC), to increase by an unlimited amount, or lower such amount as the Board approves, the share insurance coverage on any non-interest bearing transaction accounts in any federally insured credit union until December 31, 2020. The NCUA Board will evaluate whether an increase is needed as the COVID-19 pandemic evolves.

Temporary Relief from Troubled Debt Restructurings (§ 4013): The CARES Act permits financial institutions, including credit unions, to suspend the requirement to categorize certain loan modifications related to the COVID-19 pandemic as troubled debt restructurings. Federal financial regulatory agencies, including the NCUA, issued a [separate statement](#) on these changes.

Paycheck Protection Program (§ 1102 and 1109): The NCUA released [separate guidance](#) on this program. In summary, the CARES Act authorizes the Small Business Administration (SBA) to create the Paycheck Protection Program (PPP), a loan guarantee program that helps certain affected businesses meet payroll needs and utilities resulting from the COVID-19 pandemic. Eligible entities may include small businesses, non-profit organizations, veterans' organizations, Tribal businesses, independent contractors, and the self-employed. Visit the [United States Treasury \(opens new window\)](#) and [Small Business Administration \(opens new window\)](#) websites for additional information.

Optional Temporary Relief from Current Expected Credit Losses (CECL) (§ 4014): CECL is also known as Financial Accounting Standards Board Accounting Standards Update No. 2016-13 ("Measurement of Credit Losses on Financial Instruments"). The CARES Act provides relief from the requirement to comply with CECL until December 31, 2020, or the termination of the COVID-19 public health emergency, whichever occurs earlier. However, credit unions are not currently required to comply with CECL.

Credit Protection During COVID-19 (§ 4021): The CARES Act requires credit reporting agency data providers, including credit unions, to report loan modifications resulting from the COVID-19 pandemic as "current" or as the status reported before the accommodation unless the consumer becomes current. This requirement applies throughout the period of accommodation. Loan modifications may include, but are not limited to, forbearance and modified payments. This requirement applies only to accounts for which the consumer has fulfilled requirements of the forbearance or modified payment agreements. This protection is available beginning January 31, 2020, and ends 120 days after enactment, or 120 days after the date the national emergency declaration for the coronavirus is terminated, whichever occurs later.

Foreclosure Moratorium on Single Family Mortgages and Consumer Right to Request Forbearance (§ 4022): The CARES Act prohibits foreclosures on all single family, federally backed mortgage loans for 60 days, beginning on March 18, 2020, and ending on May 17, 2020. It provides up to 180 days of forbearance for borrowers of a federally backed mortgage who experience a financial hardship related to the COVID-19 pandemic. Borrowers are not required to provide further documentation. Applicable mortgages include those purchased by Fannie Mae and Freddie Mac, insured or guaranteed by HUD, VA, or USDA, or made directly by the USDA. This requirement terminates December 31, 2020, or when the COVID-19 public health emergency is terminated, whichever occurs earlier.

Forbearance of Residential Mortgage Loan Payments for Multifamily Properties with Federally Backed Loans (§ 4023): The CARES Act provides up to 90 days' forbearance for borrowers with a federally backed, multifamily mortgage loan who experience a financial hardship. Borrowers who receive forbearance may not evict or charge late fees to tenants for the duration of the forbearance period. Applicable mortgages include loans to real property designed for five or more families that are purchased, insured, or assisted by Fannie Mae, Freddie Mac, HUD, or any other federal agency. This requirement terminates December 31, 2020, or when the COVID-19 public health emergency is terminated, whichever occurs earlier.

If you have questions about the changes described in this letter, please contact your examiner or regional office.

Sincerely,

/s/

Rodney E. Hood
Chairman

Last modified on
05/20/20

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National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314

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