CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 26, 2018

H.R. 4464
Common Sense Credit Union Capital Relief Act of 2017

As ordered reported by the House Committee on Financial Services on December 13, 2017

SUMMARY

H.R. 4464 would prevent a rule issued by the National Credit Union Administration (NCUA) from going into effect. That rule would make changes to NCUA's capital requirements for credit unions. Such changes can affect the probability that a credit union fails and must be resolved by the Share Insurance Fund (SIF). As a result, CBO estimates that enacting the bill would increase net direct spending by $50 million over the 2018-2027 period.

Because enacting H.R. 4464 would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 4464 would not increase net direct spending or on-budget deficits by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4464 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Additional fees levied by the NCUA on credit unions would increase the cost of an existing private-sector mandate as defined in UMRA. However, CBO estimates that those costs would fall below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4464 is shown in the following table. The costs of this legislation fall within budget function 370 (advancement of commerce).

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
INCREASES IN DIRECT SPENDING												
Increased Costs to the NCUA to Resolve Failed Credit Unions												
Estimated Budget Authority	0	14	10	10	6	2	2	2	2	2	40	50
Estimated Outlays	0	14	10	10	6	2	2	2	2	2	40	50

BASIS OF ESTIMATE

Enacting H.R. 4464 would reduce the amount of capital that certain credit unions would be required to hold and would change how credit unions account for the risk profile of their assets to federal regulators. Enacting the bill would permit credit unions to hold less capital than they will be required to hold under the rule, which becomes effective in January 2019. Reducing the amount of capital credit unions hold increases the probability that a credit union could fail and also increases the federal cost of resolving credit union failures. Failed credit unions are resolved through the SIF, which is administered by the NCUA. That spending is recorded in the budget as direct spending.

Under the rule, Credit Unions will be required to have a ratio of risk-weighted assets to capital of 10 percent. Under H.R. 4464, that ratio would be 7 percent, the ratio in place before the rule was finalized. The rule sets the level of capital credit unions must hold and also requires credit unions to account for the risk profile of their assets in a way that is commensurate with the way that banks must account for their risk profile. Under the bill, credit unions would return to using a measure of risk called the net worth ratio that was primarily intended to capture interest rate risk.

CBO's baseline projection for the SIF's gross cost is $1.2 billion over the 2018-2027 period. Using information from the NCUA, CBO estimates that enacting the bill would increase those gross SIF costs by about one-third (or about $400 million) over the 2018-2027 period.[1] CBO expects those costs would increase because failed credit unions would have less capital, and as a result, costs to the SIF to resolve them would increase. However, the NCUA has the authority to collect premiums and fees from insured institutions to offset its costs; those premiums and fees are recorded as offsets to direct spending. Because of the time it would take for the NCUA to set its assessments to recoup those costs, CBO expects that there would be a one-year delay in collecting premiums and fees from credit unions. As a result of that lag, CBO estimates that enacting the bill would lead to a net increase in direct spending of $50 million over the 2018-2027 period.

1. See National Credit Union Administration, Risk-Based Capital Final Rule Impact Summary (October 2015), https://go.usa.gov/xnHtm (PDF, 128 KB).

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4464, the Common Sense Credit Union Capital Relief Act of 2017, as Ordered Reported by the House Committee on Financial Services on December 13, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
					NET INCREASE IN THE DEFICIT							
Statutory Pay-As-You-Go Impact	0	14	10	10	6	2	2	2	2	2	40	50

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 4464 would not increase net direct spending or on-budget deficits by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2028.

MANDATES

H.R. 4464 contains no intergovernmental mandates as defined in UMRA.

Additional fees assessed by the NCUA to offset the costs associated with implementing the bill would increase the cost of an existing mandate on federally chartered credit unions required to pay those fees. CBO estimates that the additional cost of the mandate would total $19 million in 2020 and would remain below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation) in subsequent years.

ESTIMATE PREPARED BY

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