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National Association of Federally-Insured Credit Unions

December 10, 2020

The Honorable Rodney E. Hood, Chairman
The Honorable Todd M. Harper, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Proposed 2021-2022 Budget

Dear Chairman Hood and Board Member Harper:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU). I am writing to you regarding the National Credit Union Administration's (NCUA) proposed budget for 2021 and 2022. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 122 million consumers with personal and small business financial service products. NAFCU thanks you for the opportunity to present our members' perspectives on the proposed budget before you during the December 2 open budget briefing. The NCUA has acted as a leader among financial services regulators by publishing a detailed draft budget and hosting open budget meetings to gather candid feedback from the industry and improve the efficient use of credit union dollars. NAFCU remains steadfast in its request for a more appropriately tailored budget that uses lessons learned from the COVID-19 pandemic as an opportunity for cost-savings rather than a reason for even more dramatic year-or-year budget increases.

In NAFCU's December 2 budget presentation (written comments detailed in a letter dated November 30, 2020), we outlined the following recommendations to enhance the efficiency of the NCUA budget:

1. Preserving the strength of the National Credit Union Share Insurance Fund (SIF) and avoiding unnecessary assessments on credit unions;
2. Continuing to pursue exam modernization efforts and identify cost-saving opportunities in the transition to primarily virtual exams;
3. Achieving a reasonable and tailored budget for cybersecurity expenses; and
4. Supporting financial inclusion through the NCUA's new Advancing Communities through Credit, Education, Stability, and Support (ACCESS) Initiative with a focus on enhancing field of membership (FOM) and other growth opportunities.

Travel-related savings due to the COVID-19 pandemic led to a 2021 proposed Operating Fund Budget of \$315.6 million, which represents a decrease of \$0.3 million, or 0.1 percent, compared to the 2020 Board-approved budget. But the 2022 estimated Operating Budget balloons to \$341.8 million, which would represent an increase of \$26.2 million, or 8.3 percent, from the 2021 budget should it be approved as proposed. The projected budget increases for 2022 signify that the agency

is not adopting lessons learned from the pandemic and is instead headed in the wrong direction with respect to operating an efficient budget. The \$10.8 million increase in proposed 2022 travel costs should be scrutinized using cost-benefit analysis that considers the benefit of focusing on improving the agency's virtual exam process now versus the cost of continuing to send examiners across the country for in-person exams.

The credit union industry remains focused on the efficient use of resources and encourages the NCUA to do so as well by achieving year-over-year budget reductions. NAFCU urges the agency to carefully consider and adopt the detailed suggestions proposed in our December 2 presentation to achieve a more efficient budget for the coming years. NAFCU and its member credit unions greatly appreciate the agency's transparency in releasing this budget justification and holding an open meeting to hear feedback on the proposed budget. Credit unions appreciate the NCUA staff's hard work in preparing this budget justification and other budget materials and looks forward to reviewing the final budget documents during this month's Board meeting. Again, thank you for the opportunity to present NAFCU's perspective on the proposed budget. If you have any questions, please do not hesitate to contact me at clong@nafcuh.org or (703) 842-2276.

Sincerely,

A handwritten signature in dark ink, appearing to read "Curtis Long", with a stylized flourish at the end.

Curt Long
Chief Economist and Vice President of Research