

CUNA Prepared Remarks – NCUA Budget Briefing

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Good morning. I'm Mike Schenk, Chief Economist for the Credit Union National Association. CUNA represents America's credit unions and their 138 million members.

Thank you for opening the NCUA budget process to credit unions and credit union stakeholders.

We'll provide a detailed written comment letter following this briefing – and I'll share a handful of our general observations and conclusions in these brief remarks.

The NCUA's Budget Justification document is clear, comprehensive, and well-developed. The proposed activities and expenditures described generally align with strategic initiatives¹ that the agency has previously detailed and that CUNA has analyzed, discussed, and broadly encourages and supports.

However, the NCUA's proposed 2024 budget reflects a very significant 9.5% increase in expenditures overall compared to the 2023 Board-approved budget. And the Operating Budget (which accounts for 97% of total agency expenditures) reflects an increase of 11.0%.

While an increase is unsurprising in today's economic environment, CUNA is concerned with both the extent of this proposed increase – and the reasons for many of the increases.

One example is Employee Pay and Benefits within the Operating Budget.

While the agency lacks flexibility regarding the primary drivers of Pay and Benefits increases it does have great latitude in the number of new positions it creates and existing vacancies it fills. The first-year cost of the proposed 28 net new positions is estimated to be \$5.9 million.

We support the addition of certain proposed positions. However, as discussed in our written comments we have significant concerns with the level and focus of proposed additional staff, including regional specialists to focus on consumer financial protection.

In a similar vein, we believe the agency's call for additional examiners for large credit unions should be met with a reduction in examiner focus on small credit unions, providing relief in the form of examination flexibility.

¹ NCUA Strategic Plan 2022-2026, <https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf>.

Travel Expenses

We believe the agency has not gone far enough on this issue. We see an even greater opportunity than proposed to utilize offsite examinations. In particular, we believe the agency can increase its offsite/hybrid examination posture for smaller, less complex credit unions. As was evidenced during the pandemic, cost savings in the area of travel is certainly possible and does not generally result in any increase in risk to the credit union system.

Consumer Financial Protection

We have significant concern around expanding the agency's consumer protection examination activity without a more detailed reason to do so. Altering the agency's risk-focused examination process and substantially increasing consumer examination-related expenditures is simply not warranted.

Credit union members need no significant additional investment of NCUA resources to protect them from the institutions they own. Rules, regulations, *and* examinations should be tailored so they are not overly burdensome on credit unions. Consumers lose when one-size-fits-all rules and burdensome examinations force credit unions to pull back safe and affordable options from the market, pushing consumers into the arms of unregulated entities engaged in the very activity that the NCUA hopes to curtail.

NCUA existing exam staff are keenly focused on any hint of anti-consumerism and they take their jobs very seriously.

Accordingly, we specifically oppose the hiring of 13 specialists and an increase in examination time for financial protection reviews equivalent to 11 examiners. And we urge the agency to reevaluate and scale back its perceived needs in this space.

Climate-Related Financial Risks

We recognize—and appreciate—that the Budget Justification does not address climate-related financial risk. However, we are mindful that the Strategic Plan 2022-2026 includes climate-related financial risk as a *Longer-Term Risk*.² As CUNA has raised on several prior occasions, credit unions continue to have significant concern about any agency activity on this front, particularly since this is an issue of interest to the current NCUA Board.

While we agree that climate risk is an area of risk for the agency to monitor, we wholeheartedly oppose any related regulatory activity that would establish mandatory reporting procedures for credit unions or to otherwise prevent credit unions—directly or indirectly—from continuing to make independent business decisions as they deem most appropriate in order to serve their members.

² *Supra* note 2.

The NCUA is not and should not be a climate regulator. The NCUA should continue to work with the other Financial Stability Oversight Council (FSOC) members to monitor climate risk; however, in short, we believe that the NCUA and other regulators should not take action without Congress acting first in this area.

Cybersecurity

We recognize the dramatic increase and ingenuity of cyber-attacks and the systemic risks they pose to the system. We applaud the NCUA's commitment to partnering with credit unions to combat these threats and by providing valuable resources to credit unions to support them in this fight.

Minority Depository Institutions and Small Credit Unions

We fully support the agency's recognition of the key role credit unions can and should play in helping families achieve financial freedom by building generational wealth, helping entrepreneurs to get their small businesses off the ground, and helping to create jobs and strengthen communities.

We support many aspects of the Small Credit Union and MDI Support Program as detailed in the Budget Justification. For example:

- We support the NCUA's ongoing commitment to MDI preservation and creation will help ensure MDI credit unions have the resources and supports needed to continue to serve their communities effectively.
- We support the budget proposal to dedicate a \$1.1 million investment related to process-automation for CURE. And, we fully support agency efforts to improve the field of membership (FOM) application process generally. We ask the agency to finalize a proposed rulemaking issued earlier this year that, among other things, would amend the FOM rules to streamline application requirements and clarify procedures.³
- We also encourage the agency to continue its efforts to support small credit unions. We appreciate the NCUA's recognition small credit union challenges and its willingness to work with the industry to ease pressure where it can. The creation the current expected credit loss (CECL) tool was well received by smaller credit unions in particular – and is an important example of these efforts.

Conclusion

On behalf of CUNA and our 138 million members, thank you for the opportunity to share our concerns regarding the agency's 2024-2025 draft budget. Please let me know if you would like any additional information regarding these comments or to discuss them further.

³ 88 Fed. Reg. 12,606 (Feb. 28, 2023).