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NCUA Media Advisory

NCUA Board Approves 2010 Budget to Strengthen Supervision

Additional Resources Provide for Annual Exam Cycle, Consumer Protection, and Economic Forecasting

November 19, 2009 Alexandria, Va. – The NCUA Board today unanimously approved a 2010 budget designed to strengthen supervision as troubled credit unions are projected to continue growing both in number and size.

The 2010 budget of \$200 million represents an increase of \$23 million over the 2009 budget and \$11 million over last year's projections for 2010. The vast majority of new dollars will fund programs supporting credit unions' safety and soundness.

The budget authorizes 74 new positions – 57 will contribute directly to examining federally insured credit unions on an annual cycle rather than every 18 months.

"I realize that these increases in dollars and staff are extraordinary – but we are living in extraordinary times," stated NCUA Chairman Debbie Matz. "These increases are necessary due to the current state of the credit union industry and past budget reductions."

During today's National Credit Union Share Insurance Fund report, the NCUA Board heard that CAMEL codes 3, 4 and 5 increased to 1,977 credit unions representing over 18% of all insured shares – the most shares at risk in over a decade.

To put NCUA's 2010 budget into perspective, Matz pointed out, "From 2002-2007, the budget was virtually flat. In two of those years, the budget actually decreased. Staff was cut by 91 full-time employees. This meant fewer examiners and fewer exams; instead of examining each credit union every 12 months, the exam cycle was relaxed for most credit unions to 18 months."

"The convergence of these extraordinary trends has now dictated that for the second year in a row, we need to compensate for past budgetary decisions in order to do our jobs effectively," Chairman Matz asserted.

In fact, Chairman Matz revealed, "the 2010 budget will simply get us back to the budget trajectory and staffing levels where the agency should have been all along. If NCUA had simply increased its budget at 4% per year for the past 10 years, the budget for 2010 would be exactly what we're proposing today. And our staffing level for 2010 will be the first to compare favorably with the workforce we had in the year 2000."

In addition to equipping the workforce to return to an annual exam cycle, Chairman Matz said, “Our examiners will be better trained. All current and new examiners will receive state-of-the-art training to deal with current issues and trends. We’ve moved up our Regional Conferences from the summer to the spring to give our field staff intensive training as soon as possible.”

The 2010 budget also includes several new initiatives that Chairman Matz said “will help take this agency to the next level.”

Office of Consumer Protection

The new Office of Consumer Protection (OCP) is intended to make certain that NCUA:

- Thoroughly applies all relevant consumer protections;
- Reviews every NCUA regulation for consumer friendliness;
- Promotes helpful tools for consumers such as financial education;
- and encourages credit unions to reach out to serve all eligible consumers.

OCP plans to organize these functions into two divisions:

- The Division of Consumer Protection will focus on:
 - Consumer compliance policies and rulemaking;
 - Fair lending exams;
 - Consumer calls and correspondence;
 - Inter-agency liaisons for consumer issues;
 - and financial education.

“This would be the first time that NCUA has dedicated staff to help consumers achieve financial literacy,” Chairman Matz announced.

- The Division of Consumer Access will be able to more efficiently process:
 - Field of membership expansions;
 - Conversions;
 - New charters;
 - Bylaw amendments;
 - and low-income designations.

On field of membership applications, Chairman Matz envisions, “The Division of Consumer Access would consolidate multiple levels of review. In the process, we would draw on the experience of staff in the field who are familiar with the local credit unions and the communities they are trying to serve.”

Office of the Chief Economist

“While examiners are focusing on individual credit union issues, our exam program would benefit by having a team of experts looking at the big picture,” Chairman Matz reasoned.

NCUA’s new Office of the Chief Economist will be designed to “take the macro view, watch for leading indicators, identify economic trends, and alert examiners to potential problems in credit unions before they appear on call reports as red flags.”

Outreach Efforts

Another key to success, according to Chairman Matz, will be to “ensure that communications flow in all directions – not just from the top down, but also from the NCUA Regions to the Central Office and between the agency and credit union stakeholders.”

As a result, she explained, “This budget will allow NCUA to expand outreach efforts that

encourage exchanges of ideas and innovations: Town Hall meetings, webinars, Regional Conferences, and media campaigns.”

“When we put it all together,” Chairman Matz concluded, “this budget was produced to be as strong and efficient as possible. 73 cents of every budgeted dollar will go directly toward ‘boots on the ground.’ We are building stronger lines of defense against systemic risk throughout the credit union industry. We are providing the tools this agency needs to uphold credit unions’ safety and soundness and protect over 93 million credit union members.”

[Chairman Matz’ statement on NCUA’s 2010 approved budget](#) is attached.

NCUA is the independent federal agency that regulates, charters and supervises federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of nearly 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.