



December 4, 2017

Mr. Gerard Poliquin
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NASCUS Comments on the NCUA 2018 - 2022 Draft Strategic Plan

Dear Secretary Poliquin:

The National Association of State Credit Union Supervisors (“NASCUS”), the professional association of the state credit union regulatory agencies and the nation’s state credit union system, submits the following comments in response to the National Credit Union Administration’s (“NCUA”) 2018 – 2022 Draft Strategic Plan.

That NCUA makes its draft Strategic Plan available to stakeholders for review and comment is commendable. NASCUS also acknowledges that NCUA has initiated several initiatives to improve the joint supervisory relationship between NCUA and state regulators which should result in a less burdensome examination process for state credit unions. NASCUS supports efforts to mitigate regulatory burden, identify supervisory efficiencies, and strengthen the credit union system. We offer the following comments on NCUA’s 2018 – 2022 draft Strategic Plan to further those efforts.

Credit Union System Key Risks

NCUA deftly identifies several key risks facing the credit union system related to demographic trends, technological changes, fluctuating regional economies, and shifting consumer preferences. NASCUS shares NCUA’s concerns with these, and other, challenges that face the credit union system. We believe the draft Strategic Plan provides a sound roadmap to address the supervisory aspects of future challenges.

Strategic Goal 1: Ensure a Safe and Sound Credit Union System

NCUA’s draft Strategic Plan is intended to provide for a strong share insurance fund and efficient supervision by leveraging numerous strategies related to the exam program and examiner preparedness. NASCUS supports the implementation of a flexible examination schedule. We remain committed to continuing our work to improve the shared supervision program of federally insured state chartered credit unions (FISCUs).

With respect to examiner training, NASCUS recommends NCUA work with state regulators to identify new course material needed to prepare examiners for the

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supervisory challenges of the future. We also recommend NCUA work with NASCUS to improve the administration of the share insurance fund training of state examiners.

Strategic Goal 2: Provide a Regulatory Framework that is Transparent, Efficient, and Improves Consumer Access

One of the most substantial steps NCUA could take to achieve the agency's strategic goal of delivering a transparent and efficient legal framework is to reorganize its share insurance rules to co-locate rules applicable to FISCUs in one section, or contiguous sections, of the Rules and Regulations. The current organization of NCUA's rules is unnecessarily convoluted, confusing, and opaque. A FISCU must spend an inordinate amount of time researching NCUA's rules to merely identify whether a particular provision applies. For example, NCUA recently finalized changes to the structure and operation of the agency's Supervisory Review Committee (SRC). The SRC, to which a material supervisory finding may be appealed, applies to FISCUs and is incorporated in Part 746 (Subpart A) of NCUA's rules. However, there is no mention of the new Part 746 Subpart A in Part 741. This is problematic because Part 741 is identified, by NCUA, as containing *all* the rules applicable to a FISCU. And this is but one example of many.

Co-locating FISCU applicable share insurance rules would substantially improve the transparency and efficiency of NCUA's regulatory framework.

Strategic Goal 3: Maximize Organizational Performance to Enable Mission Success

NCUA's third strategic goal focuses on the agency's systems, staffing and governance and correctly identifies the critical challenges related to mission success and proposes sound strategies with which to meet those challenges. While NCUA establishes risk tolerances for the agency as a chartering authority and deposit insurer, overall supervisory risk tolerance should be developed in conjunction with state regulators as the prudential regulators of FISCUs. NASCUS will continue to work with NCUA and state regulators to ensure productive coordination and cooperation between the state and federal supervisory systems.

NCUA's governance would benefit from an expanded NCUA board and consistent representation of the state regulatory system. NASCUS continues to work with Congress on these issues in the spirit of enhancing agency governance.

Thank you for the opportunity to comment on NCUA's draft Strategic Plan. NASCUS supports NCUA's enterprise wide review of its supervisory program. We would be happy to discuss our comments in more detail at your convenience.

Sincerely,

- signature redacted for electronic publication -

Brian Knight
Executive Vice President and General Counsel