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**National Association of Federally-Insured Credit Unions**

December 1, 2017

Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

RE: NCUA 2018-2022 Draft Strategic Plan

Dear Mr. Poliquin:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing in regard to the National Credit Union Administration's (NCUA) Draft Strategic Plan for 2018 through 2022. NAFCU and its member credit unions support the NCUA's three broad strategic goals and initiatives, as outlined in the draft plan, and encourage the agency to make every effort to find efficiencies and cost-savings in pursuit of these goals and initiatives. In particular, NAFCU supports efforts to (1) implement a more flexible and effective examination process; (2) place increased focus on cybersecurity issues; (3) work with other federal and state agencies to craft a more sensible regulatory framework that recognizes the credit union difference; and (4) promote increased diversity and inclusion in the NCUA workforce.

### **General Comments**

In developing its strategic goals, the NCUA focused on the following core values: integrity, accountability, transparency, inclusion, and proficiency. Strategic goals must be formulated with an eye toward the nation's economic outlook, including projected economic growth, the unemployment rate, interest rates, and annual inflation. The NCUA has identified several economic, market, and demographic factors as "key risks" to credit union operations and growth; more specifically, the expanding financial landscape and emerging technologies as well as generational shifts in consumer preferences. Considering these external factors, the NCUA has outlined the following three strategic goals in this draft strategic plan for 2018 through 2022: (1) ensure a safe and sound credit union system; (2) provide a regulatory framework that is transparent, efficient and improves consumer access; and (3) maximize organizational performance to enable mission success.

NAFCU generally supports the NCUA's plans to improve both the agency and the credit union system as a whole through the aforementioned strategic goals. Many of the strategies listed under each broad goal are sufficiently specific to reassure NAFCU and its member credit unions that

the NCUA will take concrete steps to pursue these objectives. NAFCU encourages the NCUA to, among other things, continue its initiatives regarding examination flexibility, work closely with other agencies to address cybersecurity risks, approach every rulemaking with a focus on minimizing regulatory burden and creating tailored regulations, and find ways to increase diversity and inclusion in light of changing demographics.

### **Strategic Goal 1: Ensure a safe and sound credit union system**

#### *Examinations*

The two objectives listed under this strategic goal are (1) maintain a strong Share Insurance Fund (SIF); and (2) provide high-quality and efficient supervision. Both of these objectives include initiatives related to examination processes and procedures, therefore, to fully accomplish this strategic goal, the NCUA must improve its examination of credit unions as a whole. NAFCU has long advocated for extended examination cycles for well-managed, low risk credit unions as well as a move to more offsite examination procedures to save credit unions time and money. The NCUA's 2017-2021 Draft Strategic Plan did not include plans or even a mention of such changes, so NAFCU is pleased to see the inclusion of these initiatives in this draft strategic plan.

NAFCU and its member credit unions see examination reform as an opportunity to create significant cost-savings and regulatory relief while also ensuring a safe and sound credit union system. A strong SIF requires more effective and efficient examinations, including methods for remote monitoring and offsite examination procedures, better trained examiners, and increased use of emerging technologies that enhance the quality of examinations. With regard to examiners, many of NAFCU's member credit unions have complained of (1) an overreliance on guidance and best practices as opposed to actual regulatory requirements; (2) an absence of sufficient notice – sometimes as little as two weeks – before an examination date; and (3) a profound lack of consistency in the application of regulatory requirements across examiners.

The NCUA must continue to work toward a more streamlined process and increased transparency in examination procedures to solve these issues. Additionally, as the industry and technology changes, the NCUA should make the best use of credit union funds by investing in new technologies for virtual data processing, risk monitoring, and risk evaluation reports in addition to refining its examination methodologies to funnel resources to their most appropriate use. NAFCU and its member credit unions look forward to continuing to engage the NCUA in its efforts to improve the examination process.

#### *Cybersecurity*

NAFCU fully supports the NCUA's objective to strengthen cybersecurity through the use of better tools to integrate industry-accepted practices in the credit union system. While working toward this goal, NAFCU urges the NCUA to coordinate with other federal agencies and task forces charged with advancing cybersecurity initiatives, including the National Institute of Standards and Technology (NIST). This should be enumerated as a specific strategy necessary to achieve Strategic Goal 1. Without a coordinated effort, the NCUA and the credit union industry

cannot achieve the requisite level of assurance in current cybersecurity measures to offset the ongoing and ever-increasing threat of a cyber-attack.

The NCUA also has yet to heed NAFCU's previous request to acknowledge the need for scalable and nimble solutions that can be adopted on both an institutional level and an industry-wide basis. NAFCU requests that the NCUA formally acknowledge the need to constantly adapt cybersecurity systems to ward off hackers who continually become more sophisticated and can adapt to overcome security systems at an increasingly faster rate. NAFCU is optimistic that with strong cybersecurity tools from the NCUA, credit unions may stay one step ahead of hackers, but it is also important that credit unions are not subject to excessively burdensome cybersecurity standards, which will only work to hamper their efforts to defeat cyber-attacks. Striking the appropriate balance between these two interests is essential to success in the area of cybersecurity.

**Strategic Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access**

NAFCU would like to thank the NCUA for its focus on developing a transparent and efficient regulatory framework through targeted reforms. In accordance with the Trump Administration's efforts to reduce regulatory burden, the NCUA has taken steps to loosen burdensome regulatory requirements on credit unions and should continue to take such steps. This is especially true in the context of capital requirements and examination procedures, given the recent report released from the Office of Financial Research, titled "Size Alone is Not Sufficient to Identify Systemically Important Banks," which concludes that greater asset size alone does not necessarily correlate to increased risk. The NCUA should use this report as a guiding principle in crafting regulations moving forward. Evaluating credit unions holistically is a better approach to determining risk; therefore, the NCUA should strive to develop regulations that do so and eliminate those that do not.

NAFCU and its member credit unions strongly support the NCUA's strategy to work with other federal agencies and standard setting boards to ensure regulations and guidance recognize the credit union difference and are narrowly-tailored to that effect. Credit unions are not banks and should not be treated as such in the financial regulatory landscape. Collaboration with other regulatory bodies can help to broadcast this message and clarify that credit unions are in need of regulatory reform across the board. NAFCU is encouraged by the NCUA's recognition that some level of regulatory reform must start from within.

NAFCU also supports the agency's goals to support credit unions' financial education programs. Credit unions pride themselves on providing the highest quality financial services to their members and working to expand financial literacy at every turn. Many of NAFCU's credit union members offer extensive financial literacy classes and training. The NCUA should provide regulatory flexibility and even incentives to credit unions providing such services to their members to encourage them to continue to shape a financially healthy America.

Efforts aimed at helping small credit unions through various grants and loans as well as partnership opportunities should also be expanded. The NCUA should do more to support credit unions' initiatives to reach the unbanked and underbanked portions of the population by providing resources specifically geared toward that purpose. NAFCU is eager to work with the agency to create policies and develop resources to achieve this end.

**Strategic Goal 3: Maximize organizational performance to enable mission success**

Diversity and inclusion is an essential aspect of any workforce that seeks to affect change. Attracting highly-skilled staff to participate in an inclusive environment that values their input and feedback is critical to the continued success of the NCUA and the credit union industry. NAFCU continues to support increased diversity and inclusion in the agency's workforce, especially in light of an aging American population and the unique preferences and needs of the millennial generation. The agency must also ensure that it has training measures and procedures in place to transfer institutional knowledge from retiring staff to newly-hired staff and their management teams.

**Conclusion**

NAFCU supports the NCUA's draft strategic plan for 2018 through 2022 and appreciates the opportunity to provide comments. If you have any questions or concerns, please do not hesitate to contact me at [akossachev@nafcu.org](mailto:akossachev@nafcu.org) or (703) 842-2212.

Sincerely,



Ann Kossachev  
Regulatory Affairs Counsel