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November 22, 2019

Rendell Jones  
Chief Financial Officer  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Re: Comments on NCUA 2020-2021 Proposed Budget

Dear Mr. Jones,

The Ohio Credit Union League (OCUL) welcomes the opportunity to submit comments regarding the National Credit Union Administration's (NCUA) draft proposed budget for 2020-2021.

OCUL represents the collective interests of Ohio's 261 credit unions and their nearly 3 million members. Of those 261 credit unions, 143 are federally-chartered; 68 state-chartered, federally-insured; and, 50 state-chartered, privately-insured. Thus, a supermajority of Ohio's credit unions fund NCUA's budget and expect the agency to act as a sound and prudent steward of these funds. As such, we are concerned with NCUA's historical trend of budget increases which demonstrates a significant funding escalation over a long-term period.

First and foremost, OCUL appreciates NCUA's responsiveness and collaborative changes to make the agency's budget process more accessible and transparent. Specifically, holding a public hearing on the NCUA budget and receiving oral and written public comment on the proposed budget increases transparency, stakeholder engagement, and industry and public confidence. This has been a significant and positive change. Further, we echo our appreciation for the regulatory changes focused on creating an efficient and effective operating environment while providing flexibility to credit unions in serving their diverse memberships. This includes positive regulatory developments such as recent changes to the bylaws, payday alternative loan programs, and risk-based capital rules. Beyond the positive changes and the improved stakeholder process, we hope to see a different outcome than continued year-over-year budget cycle increases coupled with major spending increases as evidenced over the previous decade.

In recent years, the proposed budgets issued by NCUA have been offered with emphasis on year-over-year increases which appear to be reasonable in isolation rather than the instructive perspective of longer spans of time. OCUL, as we have previously, urges NCUA to better factor in the aggregate budget change over longer periods of time. Doing so is revealing.

The proposed operating budget for 2020 is \$316.2 million. The operating budget in 2010 was \$201 million. The increase in budgeted NCUA spending in the years following 2010 through the proposed budget is over \$115 million (a 57% increase in funding over the period, an increase we note is far greater than the inflation rate over the period).<sup>1</sup> We see it as cause for concern across

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<sup>1</sup> The budget calculation is based on internal historical data.



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the credit union community. We believe rationalized smaller annual percentage increases obscure a larger problem that longer spans of time plainly reveal; a large and ongoing increase in credit union funding for ever-expanding NCUA spending.

While the agency has reorganized and restructured, in addition to exploring remote technology for examination purposes, this has not yet led to an actual decrease in the budget, which is what must occur to counter large and sustained historical increases. The Board should critically examine all agency spending. NCUA should concentrate on creating meaningful, new efficiencies which will actually reverse the long-term trend of major spending increases.

Additionally, we would like to stress the importance of NCUA's budget remaining segregated from the appropriations process. Should the agency's budget ever become subject to the appropriations process, the independence of NCUA would be significantly jeopardized. As credit unions directly fund NCUA, those credit union funds should not be considered as or commingled with taxpayer funds. Moving forward, we appreciate NCUA's continued work with Congress to articulate why it is not necessary or beneficial to bring the agency under the appropriations umbrella.

OCUL and Ohio's credit unions look forward to further collaborating with the agency, which is a direct result of the current Board's openness and willingness to garner stakeholder involvement on all topics, including the proposed budget. We highly value NCUA's efforts to serve as a progressive regulator and its commitment to being a transparent agency. If you have further questions or would like to discuss OCUL's comments in more detail, please feel free to contact us at 800-486-2917.

Respectfully,

A handwritten signature in black ink, appearing to read 'Paul L. Mercer'.

Paul L. Mercer  
President

A handwritten signature in black ink, appearing to read 'Miriah Lee'.

Miriah Lee  
Regulatory Counsel



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