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December 2, 2019

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NCUA Proposed 2020-2021 Budget, Consumer Compliance Exam Proposal

Our credit union appreciates the opportunity to comment on the proposal to create a dedicated consumer compliance exam for large, complex credit unions. I am responding on behalf of a state chartered, federally insured credit union in Virginia with over \$3 billion in assets and over 250,000 members.

Virginia Credit Union (“VACU”) understands the Administration’s desire to protect consumers by creating a dedicated consumer compliance exam for large credit unions. However, we must address the negative implications adding such an exam would have. Our credit union has a small but dedicated Compliance Department responsible for managing regulatory compliance over all VACU’s operations. Our Compliance Department is staffed with three highly competent individuals with significant industry experience and is exclusively dedicated to compliance. Even with a full-time Compliance Department, it can be challenging to keep up with our current regulatory and audit demands, along with supporting credit union operations and managing regulatory change. Within various production departments there are also stakeholders that share responsibility for continual compliance monitoring. Despite being a relatively large credit union, our organization feels the financial strain of regulatory compliance. The Credit Union National Association (“CUNA”) completed a recent study of the financial impact of regulatory compliance on credit unions. CUNA’s 2017 Regulatory Burden Study reports that the regulatory burden costs each Virginia credit union household \$111 per year.¹ This amount would certainly increase with an additional exam imposed upon our and other large credit unions.

At VACU, consumer compliance review is currently incorporated into annual exams by both our state regulator and NCUA’s insurance exam. As part of the NCUA exam, VACU receives a CAMEL rating for compliance, encompassing consumer protection regulations. If there are concerns about inadequacy of these reviews, we believe they are better addressed through revision to the current exam process rather than adding an additional exam.

In addition, our mortgage lending department, which has one of the most significant consumer compliance burdens, has oversight from HUD, the GSEs and private investors. These entities review individual loans and can perform audits to evaluate the department’s overall business processes and compliance efforts. The mortgage department is also required to monitor compliance constantly through the mortgage quality control review which involves external and internal review of a percentage of loans originated, denied and closed each month.

Adding an additional exam will burden our credit union. An exam of the kind proposed would require significant dedicated time from the Compliance staff to respond to requests, meet with examiners, review findings, etc. Our Compliance Department is fully engaged with supporting operations of the credit union, including member service and product development. Requiring additional exam support from our team would divert time and attention from providing this support or would require increasing headcount,

¹ CUNA 2017 Regulatory Burden Financial Impact Study, State-By-State Financial Impact of Regulation on US Credit Unions, Virginia, https://www.cuna.org/About-Credit-Unions/Reg-Burden-Flyer_VA/.

adding to the financial cost of regulatory compliance. The proposed exam will also require more time away from operations that directly serve our members by the departments being reviewed. Adding additional staff to compensate not only increases salary and benefit costs but also requires funds for sufficient training to maintain staff expertise on technical and frequently changing regulations. As a member-owned institution, all costs associated with an increased regulatory burden directly impact a credit union's ability to give back to our member-owners through competitive rates, dividends and financial education programs.

Our credit union strives to achieve compliance with consumer protection regulations not only to result in satisfactory exam results but also to protect and serve our members. We believe our current dual exam from NCUA and our state regulator thoroughly evaluates our compliance position. We feel it is necessary to express how adding an additional examination would detrimentally impact our ability to serve our members who ultimately bear the financial burdens imposed on credit unions.

Thank you for the opportunity to provide input on this proposal. Please contact me if you have any questions about our comments.

Sincerely,

A handwritten signature in cursive script that reads "Jessica Barile".

Jessica Barile

VP/Compliance Officer & Corporate Counsel