



Credit Union National Association

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cuna.org

January 17, 2014

National Credit Union Administration
Attn: OED Strategic Planning
1775 Duke Street
Alexandria, VA 22314

To Whom It May Concern:

This letter represents the views of the Credit Union National Association on the National Credit Union Administration Board's proposed Strategic Plan for 2014-2017. CUNA is the largest credit union advocacy organization in the country, representing state and federal credit unions, which serve approximately 99 million members.

CUNA appreciates the opportunity to provide our comments on the agency's proposed plan, and we urge the Board to incorporate the improvements we are presenting before it adopts the plan.

The Process Provided For Review of the Plan Has Not Been Adequate

Before addressing substantive issues, we feel it is important to highlight NCUA's process for review of the plan by the credit union system, which we feel has been inadequate. While the agency allowed less than 30 calendar days for comments, a number of which coincided with a major holiday period, we think a much more important issue is the insufficient time that has been allotted for the agency to review comments.

The agency's January 23, 2014 agenda indicates that the Board will be considering the plan at the upcoming meeting. In light of this approach, we seriously question whether input from stakeholders will be considered sufficiently, given the short time for agency staff to review comments and address key changes with the Board, particularly since next week is a short work period. We urge the Board not to proceed with adopting the plan until it has reviewed comments thoroughly and adjusted the plan to reflect reasonable and material concerns as well as recommendations.

Certain Office of Management and Budget Directives Have Not Been Met

It is our understanding that NCUA's Strategic Plan is designed to be consistent with standards established by the Office of Management and Budget in Circular No. A-11, under the Government Performance and Results Modernization Act and related statutes. We question whether the NCUA plan fully reflects OMB's principles and



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directives. While there was not sufficient time to review NCUA's proposed plan thoroughly for consistency with the OMB standards, it is clear that OMB expects strategic plans to address how each agency will reduce costs, which NCUA has not done for the last five years. Also, the OMB Circular directs that agencies will allow stakeholders sufficient input into the process, including engaging stakeholders early in the development of the strategic plan, which was not the case for NCUA's current proposed plan. We urge NCUA, even if not strictly required to do so, to revise its plans to mirror more closely the OMB's directives, which seek to set parameters for higher performance and improved accountability within the federal government.

The Vision Statement Is Not Fully Consistent with the FCUA

NCUA's proposed Strategic Plan includes a vision statement that includes the phrase that the agency "will protect consumer rights." While the protection of consumers is laudable, we do not think that is NCUA's primary statutory role, particularly in light of the establishment under the Dodd-Frank Act of the Consumer Financial Protection Bureau. The Federal Credit Union Act (FCUA), which is not always explicit about the agency's role, focuses primarily on chartering and regulating federal credit unions, under Title I, administering the National Credit Union Share Insurance Fund and supervising federally insured credit unions under Title II, and administering the Central Liquidity Facility under Title III. The agency does have a role to ensure member deposits and shares under the Act and to enforce fair lending and other consumer protection laws. However, the vision of the agency should be focused on credit unions, consistent with its primary roles under the FCUA. We urge the Board to amend the Vision Statement as indicated below, which will reflect a more accurate depiction of NCUA's role and would result in financial protection for credit union members.

"NCUA will regulate federal credit unions fairly, administer the National Credit Union Share Insurance Fund effectively, and supervise the safety and soundness of federally insured credit unions efficiently and in the least obtrusive manner possible, coordinating with state regulators as appropriate."

NCUA's Plan to Provide Regulatory Relief to Credit Unions Should be Addressed

The current strategic plan of the Office of the Comptroller of the Currency calls for the agency to develop a flexible legal and regulatory framework that will allow banks to compete in the financial marketplace. This is a critical objective and should be reflected more directly in NCUA's Strategic Plan.

NCUA's Strategic Goal No. 3 does mention the regulatory environment and the goal overview states that NCUA tried to "manage the balance between regulatory flexibility and responsible oversight," but does not articulate a clear objective to reduce credit unions' regulatory burdens whenever appropriate. We feel such an objective is fully consistent with the OMB guidelines and should be included in the Strategic Plan.

We also think that the agency should include under Goal No. 3 references to its overall plans for regulatory relief for the period covered in the report. Steps such as allowing

more latitude for well-managed credit unions and additional authority to avoid non-statutory requirements such as under the member business loan rule are but two examples that should be part of regulatory relief noted in the Strategic Plan. We provided a number of recommendations in our November 13, 2013 letter to NCUA that we believe should be encompassed under regulatory relief in the Strategic Plan. In addition, the agency is planning to issue a major proposal on risk based net worth and others are pending, such as a rule on stress testing for the largest credit unions, and on home-based credit unions. We urge the agency to include in the Strategic Plan a directive that it will assess the overall regulatory environment and burdens facing credit unions, including from the Consumer Financial Protection Bureau, the total cost of regulations on the credit union system and how additional rules the agencies may be considering will impact credit unions.

NCUA Efforts to Improve the Examination Process Should be Addressed

Some credit unions remain seriously concerned about the examination process, such as examiners directing the adoption of their solutions instead of allowing a credit union to develop and implement its own approach to addressing problems. (CUNA is again conducting its national examination survey and will be sharing aggregate results with the NCUA in the coming months.)

While there have been improvements in a number of areas regarding examinations, including the issuance of new guidance in October, more improvements are needed to address continuing concerns regarding poor communications from examiners and overreaching. We urge the agency to include in the Strategic Plan objectives for improving the examination process, such as the establishment of an agency working group on examinations that includes credit unions of all asset sizes and from all regions. We also again urge NCUA to tailor its rules and examination directives to well-documented problems and that this objective be included in the Strategic Plan.

The Strategic Plan Should Address Cost Containment and How the Agency's Budget Correlates with the Strategic Plan

NCUA's operating budget has increased appreciably over the last five years, despite the fact that credit unions' financial performance has improved and the number of credit unions has declined. While CUNA supports adequate resources for the agency to perform its primary goals set by Congress, we do not think the agency has provided sufficient data to justify its growing budget or that increases in expenses have directly correlated with increases in credit union safety and soundness. Credit unions are recovering from the financial crisis because they are working hard to serve their members effectively and prudently, not because the agency continues to increase its expenditures. We urge NCUA in 2014, not only to contain the operating budget but also to find ways to reduce costs, consistent with the OMB's directive to enhance agencies' efficiencies. We also think the agency should address in the Strategic Plan how the agency's strategic goals correlate with budget expenditures and priorities and what costs are allocated to the attainment of which goals.

Overall Communications Plan Should be Addressed More Directly

Under Strategic Goal No. 3, the plan includes an objective to enhance the agency's communications with credit unions. We applaud that but feel it needs to be more specific in terms of how communications will be improved.

Credit unions remain concerned that directives are imposed on them, often without much warning. For example, while the agency did include a reference to penalties for late filings of call reports in the October 13, 2013 letter regarding electronic filing, the full significance of that action, including the possibility of \$1 million per day or higher fees, was not emphasized to credit unions until the agency released its Letter 14-CU-03 this week. We urge the agency to make it a strategic priority to develop and maintain better advance communications with the credit union system on all major actions, including directives that will impact their operations.

Technology, Data Security, Payments

The proposed plan under Strategic Goal No. 4 includes an objective to enhance agency efficiency and effectiveness through the use of technology. CUNA supports this objective but the plan should also address how the use of such technology will affect the agency's budget and that steps will be taken to contain costs associated with new technology.

With the recent data breaches at Target and other retail establishments, there is increasing concern about data security. NCUA's proposed Strategic Objective 1.4 states that the agency should be prepared for and promote awareness of critical risk issues but the plan should have a few more details, such as the agency's efforts to coordinate with other regulators to protect the interests of credit unions and other financial institutions when massive breaches have occurred. We also think NCUA should partner with state credit union regulators and federal bank regulators to support federal legislation that will help to shield financial institutions from additional risks when retailers have not done their part to prevent fraud or other causes of data breaches. In addition, the Strategic Plan should specifically reference the agency's objective to educate and train its staff regarding major payments systems issues so that examiners and others can keep up with developments in this area.

Conclusion

NCUA's Strategic Plan is a very significant document for the agency and for credit unions, as it outlines the priorities and directions NCUA will take over the next few years. The objectives reflected in the plan are critical for credit unions as they continue to recover from the financial crisis.

Credit unions need and deserve a regulatory environment that will allow them to serve their members as their boards direct without undue interference from the government. We urge the agency to consider fully the recommendations we are presenting in this letter to provide credit unions with regulatory relief and to promote regulatory fairness based on supervision that is reasonable and targeted.

Thank you for consideration of our concerns and recommendations. Please feel free to contact me if you have any questions or would like further information about this letter.

Sincerely,

A handwritten signature in cursive script that reads "Mary Mitchell Dunn".

Mary Mitchell Dunn
CUNA Senior Vice President and
Deputy General Counsel