

Open Board Meeting

July 23, 2015

**NCUA Chairman Debbie Matz
Statement on 2015 Mid-Session Budget**

Thanks to Rendell Jones and Peggy Sherry, and to all the NCUA staff who worked so diligently to identify substantial cost savings.

We began this year with the lowest budget increase in eight years—4.2 percent. If this Board approves the proposed \$1.3 million return to credit unions, the 2015 budget will be even lower.

I hope today's action will send a positive message: For the sixth straight year, our mid-year budget review has yielded more than \$1 million in savings which NCUA will return to credit unions.

The savings reflect a concerted effort by every NCUA office to reduce line-item budgets and achieve efficiencies wherever possible.

The savings also allow us to incorporate time-sensitive expenditures without spending new funds or adding new staff positions. More than 86 percent of the new expenditures are necessary to keep up with rapidly evolving cybersecurity and technology standards.

Rendell mentioned that about \$475,000 will be spent this year to implement certain provisions of the new Collective Bargaining Agreement with the National Treasury Employees Union. It should be noted that compared to extending the previous three-year CBA, the new CBA will lock in cost savings of \$17.5 million over the next five years.

NCUA's budget needs to provide the resources to not just keep up with the industry, but to stay ahead of it. As credit unions have been growing in size and complexity, I have often said NCUA should not be holding credit unions back.

NCUA remains committed to providing the flexibility and sophisticated tools that credit unions need to stay competitive in the complex financial services industry.

We're granting credit unions derivatives authority to hedge interest rate risk, greater autonomy to determine their own levels of fixed assets, and the freedom to establish their own member business lending policies without prescriptive regulatory limits. These are just a few recent examples of our Regulatory Modernization Initiative, which permits credit union officials to truly run their credit unions and make decisions that were previously prescribed by regulation.

As NCUA eases regulatory burdens and anticipates emerging risks, NCUA must have the qualified staff and resources to supervise effectively. Effective regulation goes hand-in-hand with the success of the credit union system.

This budget will ensure NCUA continues to move forward as we supervise a rapidly growing system which now exceeds \$1.1 trillion in assets. And this budget represents just 0.02 percent of those assets in federally insured credit unions.

Nonetheless, we take stewardship of the budget very seriously. Members who trust their life savings to credit unions can rest assured that NCUA will protect every penny of their federally insured deposits.

We will continue to provide transparency on our budget. The Board Action Memorandum we're posting this morning provides detailed narratives under each category of spending increases and decreases. Our budget priorities continue to be based on NCUA's Strategic Plan for 2014 through 2017. The full plan is posted on our website, [here](#).

In fact, NCUA leads financial institution regulators in budget transparency. Our website contains a dedicated [budget resource center](#) that includes:

- Independent audits of all NCUA funds;
- Spending plans for all 21 offices—including breakdowns by category according to pay & benefits, travel, contracted services, administration, rent, communications and utilities;
- Answers to frequently asked questions;
- Fact Sheets detailing the budget process; and
- A host of other budget information, exceeding what other financial regulators disclose.

We are proud of our efficient and transparent budget—and most importantly, we are proud of our results as a regulator and insurer. We will continue working to uphold the safety and soundness of credit unions, on behalf of the 100 million account holders who count on NCUA to protect their hard-earned money.