

## **NCUA Chairman Debbie Matz Statement on 2014 Operating Budget**

Thank you for all your diligence in preparing this budget.

It's important to emphasize how our zero-based budgeting process works: Instead of rolling over budget levels from prior years, every region and every office started with zero authorized funds. Each office went through thorough reviews, and ultimately justified every line item.

Every expense in this budget is intended to fulfill two statutory responsibilities:

- 1) Protecting the safety and soundness of the credit union industry; and
- 2) Seeking comparability in pay and benefits for NCUA employees compared with federal bank regulators.

To ensure we have the resources needed to protect safety and soundness, we must follow a fundamental principle: As credit unions grow, the NCUA budget needs to grow as well. In particular, as credit unions grow larger and more complex, their exam hours will increase.

In addition, credit unions are requesting new powers that will require enhanced supervision – like derivatives, member business loan expansions, and even asset securitization. It would be easy to “just say no” to requests for powers that may involve new or increased risks. But getting to “yes” takes additional resources.

We need specialized examiners with state-of-the-art training. Large and complex credit unions will see examiners with expertise in their lines of business. This includes specialists who will work with credit unions to adapt to new mortgage market standards, specialists with expertise in hedging interest rate risks, protecting cybersecurity, and so on.

We're doing all of this by reallocating resources, rather than increasing staff. That's because we continue to reduce hours spent in small credit unions, so we can spend more time in the larger and more complex credit unions. In fact, NCUA staffing has remained constant for the last several years while credit union assets continue to grow.

So NCUA is more efficient now than in the past, when the ratio of staff to industry assets was considerably higher. Stakeholders may also be surprised to see our budget as a share of credit union assets is lower now than in the year 2000.

However, next year when the federal pay freeze is lifted, we will finally be able to provide a pay increase to the staff who have worked so hard to help credit unions recover from the worst financial crisis of our lifetimes. NCUA bargaining unit employees and most non-bargaining unit employees have received no base salary increases for two years. Senior managers have received no base salary increases for three years. A pay increase is long overdue.

We need to properly compensate staff who keep NCUA running and keep credit unions safe and sound. We also need to achieve pay comparability with all federal financial agencies, so we can attract and retain qualified employees. This budget is intended to meet all of these objectives.

We take stewardship of the NCUA budget very seriously. Our 2014 budget reflects the demands of a \$1 trillion industry, a changing regulatory environment, and our determination to fulfill NCUA's mission while making prudent use of available resources.

We have done our due diligence to ensure that the budget is a sound investment for credit unions. It's an investment that will pay off, by minimizing losses to the Share Insurance Fund, and by protecting over 95 million consumers who put their hard-earned money in credit unions.