



April 4, 2016

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on NCUA 2017–2021 Draft Strategic Plan

Dear Mr. Poliquin:

In response to the National Credit Union Administration's (NCUA) request for comments on its 2017-2021 Strategic Plan (Plan), the Ohio Credit Union League (OCUL) offers the following feedback, which we believe represents the best interests of Ohio's 308 credit unions and their 2.8 million members.

The burden of increased regulation weighs heavily on credit unions. NCUA has the ability to construct regulations that minimize burdens on credit unions but has less control over other regulatory agencies and the marketplace. However, NCUA is singularly placed to reduce one regulatory burden carried by credit unions – the time and resources spent on annual examination, especially for well-capitalized, well-run credit unions.

NCUA should develop a stated goal of reducing credit unions' time dedicated to the supervision process, develop a way to measure success, and then strive to meet this goal by holding staff accountable to it. To streamline the examination process and lessen the regulatory burden for federally-insured credit unions, OCUL offers the following suggestions:

- NCUA should implement an 18-month examination cycle for well-run, well-capitalized credit unions as soon as possible.
- NCUA should coordinate examinations with state regulators to reduce the impact of dual examinations on state-chartered, federally-insured credit unions.
- NCUA should increase usage of available technology to decrease the number of examiner-hours spent on site.

Move to 18-Month Examination Cycle

During the last recession, as many credit unions experienced difficulties related to increased delinquencies and slow loan growth, NCUA instituted the 12-month examination cycle. Since that time, financial conditions have greatly improved. At the same time, counterintuitively, the duration of an examination of an individual credit union has increased, rather than being reduced.

Combined, the shorter 12-month examination cycle and the longer stretch of time spent on each visit increasingly strain the resources of credit unions. Time spent preparing and then undergoing a supervisory examination is one of the most easily quantifiable impacts of the increased regulatory burden under which credit unions must now operate; it is also



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the portion of this burden completely under the control of NCUA and the state supervisory agencies (SSAs).

The banking regulators recently acknowledged the improved performance of the financial institutions under their supervision by increasing the number of banks eligible for an extended 18-month examination cycle. With credit unions' improved financial performance, the time has come to move back to the extended examination cycle as an element of decreasing the credit union regulatory burden. This adjustment would free up supervisory resources, both at the NCUA and state level, to focus on problem institutions and emerging areas of supervisory concern, such as cybersecurity.

Although the agency may not feel comfortable implementing the extended exam cycle immediately, it is time to publicly commit to the extended exam cycle in the strategic plan and set an implementation date. As the board leadership transitions, it will be important that the Plan explicitly include the extension of the exam cycle.

Coordinate Examinations with State Regulators

NCUA Regulations Part 741.1 states in part: *"To the maximum extent feasible, the NCUA Board will utilize examinations conducted by state regulatory agencies."* However, current practice is that NCUA conducts a separate annual examination for a significant percentage of state-chartered, federally-insured credit unions. In many cases, examiners from both NCUA and the SSA are on-site simultaneously during an examination. This dual presence leads to unnecessary and duplicative oversight of routine regulatory matters. Better coordination between state and federal regulators will reduce the number of regulatory personnel necessary for each credit union examination, reducing the costs incurred by NCUA, the SSAs, and credit unions. NCUA should change its own allocation of supervisory resources to take advantage of SSA expertise whenever possible through better coordination of examinations. Additionally, NCUA should set efficiency goals for dual examination and work with state regulators to achieve those measures.

Increase Usage of Available Technology

At the March 2016 board meeting, NCUA detailed plans to revamp its IT systems into a new Enterprise Systems Management (ESM) Program. As these applications are being developed, it will be important to keep in mind insuring an ability to reduce the time on-site by NCUA personnel by using remote reporting and other contact technologies. These tools will increase employee efficiency, particularly as it relates to field personnel who spend large portions of time traveling to different locations. Although there is value in having NCUA staff personally visit credit unions, the number of examiners who actually visit can be significantly decreased through the use of technology.

Tracking the progress of implementing the new ESM system is easily measurable and reportable to all stakeholders, including the credit unions subject to NCUA examinations. Setting the date by which the new systems will be in place should be a part of the Plan. The agency should also set measurable efficiency goals for NCUA staff and credit unions using each software package.

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While the new ESM is being developed, NCUA examiners should be encouraged to use the low-cost remote communication tools currently available. For example, interviews could be conducted by video conference (via Skype or similar services) or by telephone and documents could be loaded into secure data rooms to be transmitted to examiners working off-site. Reducing the amount of time spent by examiners on-site represents a significant step in lessening the regulatory burden on credit unions.

OCUL aggressively seeks a regulatory environment that promotes safety and soundness while allowing Ohio's 308 credit unions to adequately serve their 2.8 million members. We offer these suggestions in an effort to improve the efficiency of NCUA as a prudential regulator and partner for Ohio credit unions in providing affordable financial services safely and soundly. We are available to provide additional comments or information upon request. If you have any questions, please do not hesitate to contact me at (800)486-2917, ext. 212, or at pharris@ohiocul.org.

Sincerely,



Patrick Harris

Vice President, Government Affairs

cc: Stan Barnes, OCUL Chair
Barry Shaner, OCUL Government Affairs Committee Chair
Elizabeth Eurgubian, Credit Union National Association