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**United States Senate**  
COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS  
WASHINGTON, DC 20510-6075

March 1, 2021

The Honorable Todd M. Harper  
Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Chairman Harper:

Congratulations on becoming the next Chair of the National Credit Union Administration (NCUA) and I look forward to working with you during this session of Congress. I am writing to request information about three important matters concerning the NCUA: the Modern Examination and Risk Identification Tool (MERIT), the Virtual Examination Project, and the National Credit Union Share Insurance Fund (NCUSIF).

First, I am writing to inquire whether the broader rollout of NCUA's MERIT program will occur this year. While COVID-19 made it difficult for in-person examiner trainings to take place as the agency intended in 2020, it is important that NCUA move forward with a successful and full implementation of MERIT as soon as possible, even if training is done virtually. A new resource for credit union examinations is long overdue as the financial services marketplace has drastically changed since the system was last updated over 25 years ago. In addition, my understanding is that over \$40 million has been spent on developing MERIT since 2015. After such a considerable investment of time and money, it is reasonable to ask when this initiative will finally come to fruition.

Second, I urge NCUA to accelerate its agency-wide digital efficiency initiative, the Virtual Examination Project. Created and funded in 2017, this project was expected to deliver a report in 2020 discussing alternative methods to remotely analyze aspects of the financial and operational condition of credit unions.<sup>1</sup> While last year's public request for information regarding strategies for future examinations and supervision utilizing digital technology was encouraging, NCUA adopting efficiencies and off-site examination capabilities is as important as ever.

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<sup>1</sup> Federal Register, *The NCUA Staff Draft 2020-2021 Budget Justification*, <https://www.federalregister.gov/documents/2019/11/01/2019-23856/the-ncua-staff-draft-2020-2021-budget-justification>, Nov. 1, 2019.

I believe both MERIT and the Virtual Examination Project, if successfully implemented and managed, would provide credit unions flexibility and simpler examinations without sacrificing safety and soundness. I request that you provide an immediate update as to the above two initiatives in order to ensure continued progress.

Third, I understand at the NCUA's February 18, 2021 board meeting you said, "[I]t is increasingly clear the question is no longer if we have to assess a Share Insurance Fund premium, but when and how much."<sup>2</sup>

To provide more information about the NCUA's actions on these matters, please provide answers to the following questions by March 19, 2021.

- When does the NCUA plan to officially launch MERIT or will the launch be delayed again?
- How much did NCUA anticipate this project would cost and has the budget increased since the announcement of the project? If so, why?
- Given NCUA's unique budgeting and contracting authority,<sup>3</sup> how was the vendor selected for MERIT?
- How much of the NCUSIF covers operational expenses of the agency and how has this evolved since the inception of the NCUSIF? Likewise, how much covers actual losses of failed credit unions?
- At the NCUA's February 18, 2021 board meeting, you mentioned that you want to change the NCUSIF and work with Congress to do so.<sup>4</sup> Please provide detail about any statutory changes and actions Congress would need to take.

Thank you for your work as NCUA Chairman. If you have any questions, please contact Ken Acuña on my staff.

Sincerely,



Pat Toomey  
Ranking Member

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<sup>2</sup> CU Today, *NCUA's Harper: Premium Likely Coming. Fellow Board Members: Not So Fast*, <http://www.cutoday.info/Fresh-Today/NCUA-s-Harper-Premium-Likely-Coming.-Fellow-Board-Members-Not-So-Fast>, Feb. 18, 2021

<sup>3</sup> 12 U.S.C § 1766.

<sup>4</sup> *Id.*