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National Association of Federally-Insured Credit Unions

July 11, 2019

Larry Fazio
Director, Office of Examination and Insurance
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Update on Examination Modernization Initiatives

Dear Mr. Fazio:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in regard to the status of the National Credit Union Administration's (NCUA) examination modernization initiatives. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 117 million consumers with personal and small business financial service products. NAFCU and its member credit unions support the NCUA's efforts to streamline examination processes and leverage new and emerging technologies, while balancing cybersecurity and data security concerns, to make examinations more efficient and transparent. NAFCU also strongly supports Chairman Rodney Hood's commitment to continued transparency at the agency and is hopeful the NCUA will continue to update credit unions regarding the status of its exam modernization efforts and solicit public comment as it develops its various initiatives.

These changes have the potential to reduce regulatory burden for credit unions and create cost-savings for both the industry and the NCUA. But credit unions still have many questions regarding exam modernization efforts. Considering several initiatives are already well underway and target implementation dates are fast approaching, credit unions are interested in hearing more about the following initiatives to ensure they can sufficiently prepare to phase-in new processes:

1. The NCUA's Office of National Examinations and Supervision (ONES) data-driven continuous supervision model.
2. The Enterprise Solution Modernization (EMS) program, including:
 - a. Modernization of the collection of loan, deposit, and investment data (as described in the NCUA's 2017 request for information); and
 - b. Replacement of the Automated Integrated Regulatory Examination System (AIRES) with the Modern Examination and Risk Identification Tool (MERIT) by 2021.

The NCUA has made significant strides in its examination modernization initiatives, and NAFCU encourages the NCUA to forge ahead with its efforts to streamline the examination process and reduce regulatory burden on credit unions while providing periodic updates and opportunities for

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credit union feedback and engagement. If you have any questions or concerns, please do not hesitate to contact me at (703) 842-2212 or akossachev@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann Kossachev". The signature is fluid and cursive, with the first name "Ann" and last name "Kossachev" clearly distinguishable.

Ann Kossachev

Director of Regulatory Affairs