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National Association of Federally-Insured Credit Unions

B. Dan Berger
President & Chief Executive Officer

July 20, 2022

Larry Fazio, Executive Director
Eugene Schied, Chief Financial Officer
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Mid-Session Budget

Dear Mr. Fazio and Mr. Schied:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in regard to the National Credit Union Administration's (NCUA) mid-year budget review. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 131 million consumers with personal and small business financial service products. NAFCU appreciates the NCUA's regulatory relief efforts and its commitment to financial transparency. As the NCUA conducts its mid-year budget analysis, NAFCU recommends that the agency continue to work to find cost-saving efficiencies while ensuring sufficient resources are devoted toward the programs that will best assist credit unions in serving their members and communities.

The NCUA's mid-session budget review plays an essential role in fostering transparency regarding how credit unions' valuable dollars are being used. As credit unions and consumers continue to cope with the economic disruptions stemming from the COVID-19 pandemic, NAFCU asks the NCUA to carefully evaluate how it plans to utilize remaining resources in 2022 and revisit its 2023 draft budget, which included a 13.5 percent increase to the Operating Budget in anticipation of an increased staffing level and greater travel expenditures. Given the track record of success with less travel and more remote activity during the pandemic, we do not see the need for such an increase. We believe credit unions would be better served by the agency building off the changes and efficiencies made during the pandemic to keep costs down. For example, NAFCU appreciates the NCUA's reallocation of 2021 budget funds to the 2022 Operating Budget as the result of a continued reduction in travel expenses in 2021.

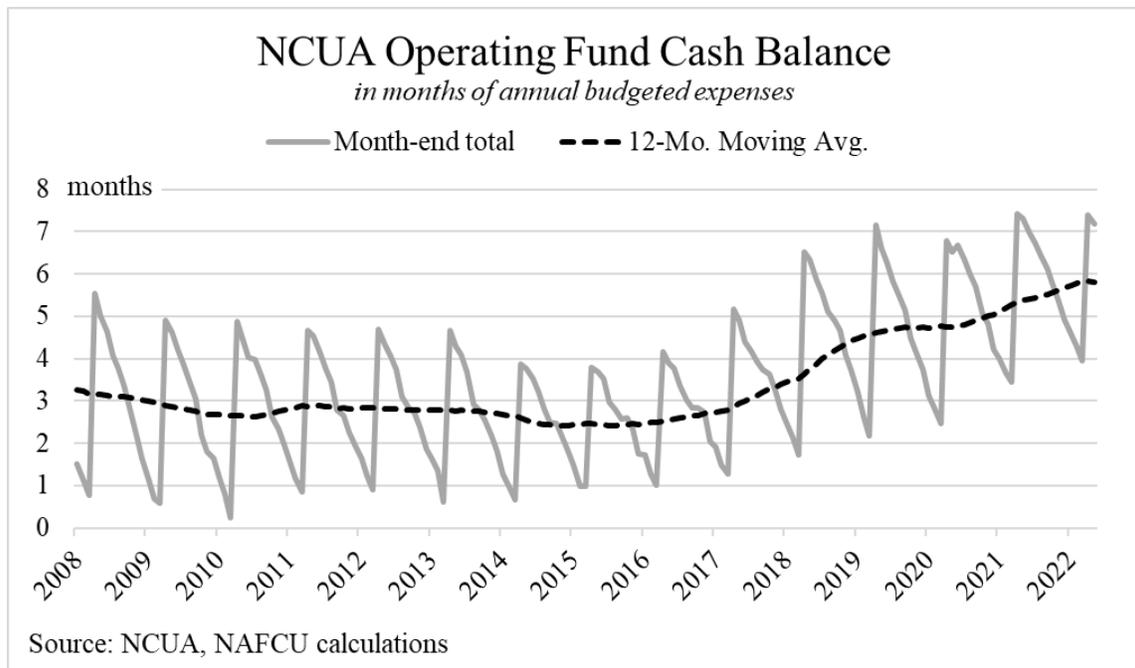
Given the difficult economic realities facing credit unions across the country, the NCUA should judiciously manage its budget for the remainder of the year and beyond. NAFCU has consistently urged the NCUA to identify various cost-savings opportunities, best achieved through examination modernization and the further utilization of hybrid and virtual examinations. As of the end of May 2022, NCUA cash balances rose to \$191.8 million, which is slightly higher than 12 months earlier.¹

¹ See NCUA, "Share Insurance Fund Quarterly Report" (Mar. 31, 2022), available at <https://www.ncua.gov/files/agenda-items/share-insurance-fund-board-briefing-20220526.pdf>.

Conversely, NCUA operating expenses for the first five months of 2022 were \$48.3 million, exactly the same as the prior year.

The NCUA must recognize that every dollar that credit unions spend funding agency operations are ones that will not go towards investments in the credit union or expanding the credit union's membership. NAFCU appreciates the NCUA's recent decision to decrease operating fees by an average of 23.7 percent in 2022, which was a result of the agency applying a \$15 million credit from operating fees that remained unspent in 2021. To the extent that the NCUA has cash in excess of its operating expenses this year, it should avoid the temptation to repurpose those funds and instead the NCUA should consider again returning those dollars to credit unions.

With the reduction in this year's operating fee, the cash balance in the Operating Fund has begun to plateau after a notable rise from 2016 through 2021. However, NAFCU notes that the cash balance has still doubled in that span, even after scaling to the size of the overall Operating Budget. NAFCU once more calls on the NCUA to scrutinize its cash needs to determine whether these funds are truly necessary, and if so, why the agency's cash needs have risen so dramatically in such a short period of time.



A review of year-to-date spending trends and an opportunity to update projections in light of current economic conditions will allow stakeholders throughout the credit union industry to evaluate modernization efforts and prepare for the NCUA's future funding needs. NAFCU appreciates the NCUA's commitment to transparency and looks forward to reviewing this year's revised budget and updated estimates for 2023.

NAFCU and its member credit unions applaud your leadership and commitment to ensuring a safe and sound credit union system. NAFCU encourages you to continue to make investments in

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innovative programs that will help credit unions serve their members in the increasingly competitive marketplace for consumer financial services. The mid-year review of the budget is an important time to reflect and identify areas for additional growth and opportunity. Providing more opportunities for direct feedback from credit unions and their members, whether during the budget process or otherwise, fosters accountability and transparency that helps strengthen the credit union system.

I look forward to continuing the conversation on finding the most efficient use of resources to provide the NCUA with the tools necessary to safeguard the credit union system and enable its responsible growth. If you have any questions or concerns, please do not hesitate to reach out to me directly, or Ann Petros, NAFCU's Vice President of Regulatory Affairs, at (703) 842-2212 or apetros@nafcuh.org.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is stylized with a large initial "B" and a long horizontal stroke extending to the right.

B. Dan Berger
President & CEO