



3138 10th Street North
Arlington, VA 22201-2149
P: 703.842.2215 | 800.336.4644
F: 703.522.2734
dberger@nafcu.org

B. Dan Berger
President & Chief Executive Officer

National Association of Federal Credit Unions | nafcu.org

July 15, 2016

The Honorable Richard Metsger, Chairman
The Honorable Mark McWatters, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: NCUA 2016 Mid-Year Budget Review

Dear Chairman Metsger and Board Member McWatters:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the National Credit Union Administration's (NCUA) 2016 mid-year budget review. First and foremost, I would like to thank you both for your commitment to a transparent budget process.

General Comments

It is well-known that NCUA's budget is funded exclusively by the credit unions it regulates and insures. Every dollar spent by the agency begins as a dollar from a credit union somewhere in the United States, and all NCUA expenditures have a direct impact on the daily operations of regulated and insured credit unions. In the current financial landscape, these dollars become even more significant as credit unions are forced to expend substantial sums of financial and human capital bringing their policies and procedures into compliance with the sea of new regulatory requirements. Accordingly, NCUA's budget process is a topic of significant interest to NAFCU's membership, the entire credit union industry, and Congress.

Increased Transparency

In the past year, NAFCU has recognized the agency's positive steps towards greater budget transparency and continued to urge NCUA to voluntarily reintroduce the practice of conducting public budget hearings. That is why we appreciated and welcomed the announcement by Chairman Metsger during NAFCU's 2016 Annual Conference that the

agency would release the details of its 2017-2018 budget plans and subsequently hold a public budget briefing in October 2016. Moreover, credit union stakeholders will have an opportunity to offer comments during the briefing. This move by the agency promises to introduce a level of budget transparency the industry has not seen in years. NAFCU and our members strongly support this decision as we believe public budget briefings are an indispensable opportunity for the industry to provide thoughtful input on the agency's expenditures.

In anticipation of this important event, NAFCU encourages the agency to provide details on the proposed budget well in advance of the scheduled briefing so that stakeholders have sufficient time to thoroughly review and analyze the information. Specifically, we recommend that the agency release the budget documentation no less than 60 days prior to the October briefing. This 60-day timeframe would mirror the length of a typical comment period for a proposal published in the *Federal Register*. In addition, we urge the agency to announce, in coordination with the documentation release, the manner in which they will accept comments from the public. NAFCU believes the agency should adopt an approach that would permit the maximum number of stakeholders to provide feedback.

Increased Efficiency

As NCUA conducts its annual mid-year budget review during the July 21, 2016 Board Meeting, NAFCU once again strongly urges the Board to look at each line item of the budget with the express goal of increasing efficiency. NCUA, as the steward of credit unions' dollars, must ensure that it charges credit unions the minimal amount needed to effectively conduct its operations. As NAFCU has stressed in previous discussions related to the budget, the entire credit union industry benefits by NCUA conducting its operations in a manner that is both efficient and expedient. Unfortunately, it appears this may not be the case since, in November of last year, the agency approved a 4.1 percent budget increase for its 2016 operating budget to \$290.9 million and another 4.1 percent increase to \$302.9 million in 2017 – for a total increase of \$23.4 million over two years.

NAFCU encourages NCUA to look carefully at what works within the agency and find cost savings wherever possible to mitigate costs for credit unions. We hope the agency uses the mid-year budget review as an opportunity to promote the responsible administration of credit union dollars, increase spending efficiencies, and reduce line item budgets where possible.

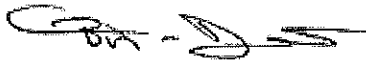
Conclusion

NAFCU and its members greatly appreciate the agency's decision to hold a public budget briefing and permit all industry stakeholders to provide thoughtful input. We continue to look forward to working with NCUA to find ways that the agency could streamline its operating costs with an eye towards greater efficiency. I look forward to hearing from you regarding this important matter. Should you have any questions or would like to discuss these issues further, please feel free to contact me, or Carrie Hunt, Executive Vice

The NCUA Board
July 15, 2016
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President of Government Affairs and General Counsel, at (703) 842-2234 or
chunt@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is stylized and somewhat cursive, with a horizontal line extending to the right.

B. Dan Berger
President/CEO

cc: Mr. Mark A. Treichel, Executive Director
Mr. Rendell L. Jones, Chief Financial Officer