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National Association of Federal Credit Unions | [www.nafcu.org](http://www.nafcu.org)

November 06, 2014

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

RE: NCUA 2015 Operating Budget

Dear Chairman Matz, Vice Chairman Metsger and Board Member McWatters:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions (FCUs), I am writing to you regarding the National Credit Union Administration's (NCUA) 2015 operating budget.

As you know, NCUA's budget is funded exclusively by the credit unions it regulates and insures. This fact has been clearly stated in NCUA's *Strategic Plan 2014-2017* and in the NCUA's *Annual Performance Plan 2014*. As such, every single dollar spent by NCUA starts as a dollar from a credit union somewhere in the United States, and any NCUA expenditure has a direct impact on the daily operations of all regulated and insured credit unions. As the costs of regulatory burden rise, every dollar becomes that much more important. This is particularly true given the current regulatory environment, as credit unions of various sizes and complexities expend significant financial and human resources to bring their systems and procedures into compliance with new requirements. Accordingly, NCUA's budget process is of the utmost and ever-increasing importance to NAFCU's membership and the credit union industry.

As the NCUA moves to approve its fiscal year 2015 budget, NAFCU again strongly urges the NCUA Board to look at each line item of the budget with the explicit goal of achieving cost-savings. NCUA, as the steward of credit unions' dollars, must ensure that it charges credit unions the least amount possible for its operations. As we have noted previously and discussed, every dollar saved by NCUA in its operating expenses enables credit unions to better serve their members. NAFCU strongly objects to any increase in the budget over fiscal year 2014.

In that regard, NAFCU encourages NCUA to look carefully at what works within the agency and reprioritize any current resources that can be used more effectively. Credit unions themselves are still in the process of recovering from the economic downturn and are finding ways to trim and retool their staffing. NAFCU and our members would like to see NCUA's budgeting for the year demonstrate the same cost savings measures.

NAFCU does not support spending credit union resources to expand NCUA's examination authority into non-credit union third parties. While NCUA contends that examination and enforcement authority over third party vendors will provide regulatory relief for the industry, NAFCU and our members firmly believe that such authority is unnecessary and will require considerable expenditure of the agency's resources and time. NAFCU disagrees with the assertion that third party vendor examination and enforcement authority will provide any significant improvement to credit union safety and soundness. Instead, we believe that such authority will require an additional outlay of agency resources, which will in turn necessitate higher costs to credit unions. A better use of credit union resources in the examination space would be to appropriately train and educate examiners so that examinations are conducted consistently in all Regions.

Further, NAFCU believes that credit unions deserve clearer disclosures of how the fees they pay the agency are managed. As NAFCU has stated in previous communications to the agency, NCUA is charged by Congress to oversee and manage the National Credit Union Share Insurance Fund (NCUSIF), the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), the Central Liquidity Fund (CLF), and its annual operating budget. These funds are comprised of monies paid by credit unions. NCUA is charged with protecting these funds and using its operating budget to advance the safety and soundness of credit unions.

Because these funds are fully supported by credit union assets, NAFCU and our members strongly believe that credit unions are entitled to know how each fund is being managed. Currently, NCUA publicly releases general financial statements and aggregated balance sheets for each fund. However, the agency does not provide non-aggregated breakdowns of the components that go into the expenditures from the funds. For example, NCUA's 2013 Annual Report notes that the NCUSIF incurred \$148.3 million in "operating expenses," but provides no detail or breakdown of what these expenses entail. Also, the 2013 Annual Report states that NCUA's Operating Fund incurred \$69.8 million in "employee wages and benefits" expenses, but it fails to describe how these staffing costs were allocated over the agency. Similarly, the 2013 audited statement for the TCCUSF notes \$3.9 million in "administrative expenses," but does not offer any information about these costs. As each of these dollars derive from credit union assets, NAFCU believes that NCUA should provide more detailed breakdowns of the costs being paid by insured credit unions.

NAFCU urges the agency to exercise greater transparency by releasing non-aggregated balance sheets for each fund. Additionally, we believe that NCUA should provide a list of

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the rules whose implementation and examination are funded out of the NCUSIF, and a list for those that are funded out of the operating budget. NAFCU also urges the agency to release information detailing the costs associated with implementing these rules.

Finally, I would again note NAFCU's considerable concern that in 2014, for the fifth year in a row, NCUA released and approved its annual budget without a formal hearing, thereby depriving the credit union industry and its membership, from which the agency receives its total funding, of the opportunity to formally comment on the agency's budget. NAFCU wholeheartedly objects to this continued practice and renews its call for the agency to be transparent in the budget process.

We look forward to continuing to work with NCUA to address ways that the agency could streamline and refine its operating costs in order to more effectively grow and support the dynamic credit union industry. 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, NAFCU's Senior Vice President of Government Affairs and General Counsel at (703) 842-2234 or by e-mail at [chunt@nafcu.org](mailto:chunt@nafcu.org).

Sincerely,



B. Dan Berger  
President/CEO