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B. Dan Berger
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July 13, 2015

The Honorable Debbie Matz, Chairman
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 Mid-Year Budget Review

Dear Chairman Matz, Vice 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) 2015 mid-year budget review.

General Comments

NCUA's budget is funded exclusively by the credit unions it regulates and insures. 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. In the current regulatory environment, every dollar becomes that much more important 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, the credit union industry, and Congress.

Mid-Year Budget Review

As NCUA conducts its annual mid-year budget review in anticipation of the July 23, 2015 Board Meeting, 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 union's dollars, must ensure that it charges credit unions the least amount possible for its operations. As we have noted previously, every dollar saved by NCUA in its

operating expenses enables credit unions to better serve their members. Unfortunately, the agency continues to increase its operating budget year over year, even though the number of credit unions has decreased. In November 2014, the agency released its 2015 operating budget of \$279.5 million, a significant 4.2% increase from the 2014 budget.

NAFCU encourages NCUA to look carefully at what works within the agency and reprioritize any current resources that can be used more effectively. We hope the agency takes this opportunity to promote stewardship of agency funds, increase efficiencies, and reduce line item budgets where possible.

Increased Transparency

While NAFCU recognizes that NCUA has taken positive steps towards greater budget transparency by posting Fact Sheets on its website, we firmly believe the agency must do more. 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.

Congress has also recognized the importance of transparency in NCUA's budgeting process, as well as the value in public budget hearings. We have seen the *NCUA Budget Transparency Act* (H.R. 1176), introduced in February, to require the GAO to study ways to improve the agency's budget transparency. Legislation to require NCUA to hold a public hearing and seek comment on its budget, the *National Credit Union Administration Budget Transparency Act* (H.R. 2287, S. 924), continues to gain support in both Houses of Congress and was included in a regulatory relief package that has already passed the Senate Banking Committee (S. 1484, the *Financial Regulatory Improvement Act of 2015*). It is with this in mind that NAFCU urges NCUA to voluntarily hold these hearings before Congress mandates them to implement this practice.

Further, NAFCU believes that credit unions deserve clearer disclosures of how the fees they pay the agency are managed. NCUA is charged by Congress to oversee and manage the National Credit Union Share Insurance Fund, the Temporary Corporate Credit Union Stabilization Fund, the Central Liquidity Fund, and its annual operating budget. Because these funds are comprised of monies paid by credit unions, NAFCU has long advocated the agency to exercise greater transparency by releasing non-aggregated balance sheets for each fund. In 2013 and 2014, NAFCU submitted several requests under the Freedom of Information Act (FOIA) seeking disclosure of information detailing the full accounting, disbursement and/or allocation of monies from the funds. Unfortunately, NCUA has failed to release this information. NAFCU and our members strongly urge the agency to exercise transparency about the expenditures among NCUA, the National Credit Union Share Insurance Fund, the Temporary Corporate Credit Union Stabilization Fund, and the Central Liquidity Facility.

The NCUA Board

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Third-Party Vendor Authority

Finally, 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.

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 Alicia Nealon, NAFCU's Director of Regulatory Affairs at (703) 842-2266 or anealon@nafcu.org.

Sincerely,



B. Dan Berger
President/CEO

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