



December 10, 2020

Mr. Gerard Poliquin  
Secretary of the NCUA  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Re: Comments on the NCUA Draft 2021–2022 Budget Justification

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the NCUA's draft 2021-2022 budget justification. The ICUL member credit unions represent 99% of assets and members of Indiana's federally and state-chartered credit unions, with those memberships totaling more than 2.6 million consumers. ICUL appreciates the NCUA Board's efforts for making the process more transparent and seeking comments.

As outlined in the Budget Justification document, the 2021 budget is smaller largely because examiner travel will continue to be restricted in 2021, and when travel is expected to resume in 2022, the budget shows a significant increase over both 2020 and 2021. As the number of credit unions continues to decline and remote exams are being performed, NCUA needs to implement an increasingly efficient and effective examination process, building on steps already taken, that reduces costs and NCUA's budget. The pandemic has shown that remote examinations can be effectively performed by examiners. We encourage NCUA to continue to streamline the exam process by performing as much of the exam as possible remotely. As has been seen in 2020, remote examinations result in significant cost savings to NCUA.

As an organization that represents both federally and state-chartered credit unions, we are strong proponents of a fair and equitable system to determine the overhead transfer rate (OTR) so that neither group will be unduly burdened or disadvantaged. We represent both state-chartered credit unions and federally chartered credit unions in the state of Indiana. More analysis on the nature of NCUA's insurance-related work and transparency of the OTR justification would provide welcome insights to the credit union industry and would offer an opportunity for more dialogue.

ICUL also has concerns about expanding consumer protection examination activity without industry input. NCUA exists to ensure the safety and soundness of the credit union system, and its examination program should remain focused on that objective. In addition, the agency already has a risk-focused examination process to further evaluate a credit union's consumer compliance program.

More examination of credit unions' consumer protection activities is not needed. Credit unions live the mission of consumer protection due to their member focus, member ownership and the fact that they are democratically controlled. In addition to being unnecessary, the result of such a change would increase expenses and add more layers to examinations, which would take time and resources away from credit

unions that could be better used serving their members. We firmly believe that NCUA should remain focused on safety and soundness of the credit union system, and that the examination process should focus on maintaining that objective.

There has been a great deal of discussion on the funding of the National Credit Union Share Insurance Fund (NCUSIF). The credit union industry as whole is in a very strong financial position. As of September, the average credit union's net worth is 10.44%, down from 11.38% at year-end 2019 because of unprecedented deposit growth resulting from the pandemic and stimulus efforts. That 10.44% is still higher than 2009 average that dipped because of the Great Recession and stabilization assessments. Furthermore, delinquency and net charge off ratios are at or near 10-year lows. Also, during the last insurance fund update, NCUA reported that the number of CAMEL 3, 4 and 5 credit unions only represented 2.9% of all credit union assets. The point is credit unions are well positioned. Historically, credit unions have weathered financial situations without dropping below 1.20% NCUSIF ratio. In addition, they have been able to meet the demands of special share insurance assessments even when those assessments were over-inflated. It is an area that needs monitoring, but we strongly believe it is not an area that needs fixed.

We appreciate the opportunity to comment on NCUA Draft 2021–2022 Budget Justification. We ask the NCUA to consider our comments as discussed above. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,

A handwritten signature in cursive script that reads "John McKenzie".

John McKenzie  
President, Indiana Credit Union League