November 21, 2023

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NCUA Staff Draft 2024-2025 Budget Justification - NCUA-2023-01178

Dear Ms. Conyers-Ausbrooks:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on NCUA's Draft 2024-2025 Budget Justification. The ICUL member credit unions represent 99% of assets and members of Indiana's credit unions, with those memberships totaling more than 2.8 million consumers. We appreciate the NCUA's efforts to make this process transparent and for providing the opportunity to comment. Our comments focus primarily on how resources are being prioritized and how they can be applied as efficiently as possible.

We recognize that inflation can lead to an increase in the agency's budget, much the way that credit unions and their budgets are being dramatically impacted by inflation. We also appreciate that two components of the proposed budget, the Capital Budget and the Share Insurance Fund Administrative Budget, reflect minimal increases. However, we are concerned with the 9.5% increase in the total expenditures, and the 11% increase in the Operating Budget which represents 97% of total expenditures. Even as the number of credit unions to be examined and supervised continues to decline, NCUA's expenditures are substantially increasing which is troubling. Further, the Agency should be mindful that credit unions are facing an uncertain economic environment and downward pressure on net income, and each budget dollar increase is potentially a dollar not being used by credit unions to improve the financial wellbeing of members.

We are concerned with the net increase of 28 positions compared to 2023 staffing levels. This includes 11 new positions and 17 existing, unfunded positions. That is estimated to be a $5.9 million expenditure. While we support additional resources for the Office of Credit Union Resources and Expansion (CURE) to support credit unions, the Agency should look to maximize efficiencies. It seems counterintuitive that the regulator continues with substantial increases while credit unions look for efficiencies to remain profitable. We believe offsite examinations are an opportunity to create efficiencies and reduce travel expenses. In today's environment and with the availability of NCUA's portal, virtual examinations should be more of a priority.

Part of the staffing increase is for specialists to ensure compliance with the Bank Secrecy Act and consumer financial protection laws and regulations. We are deeply concerned about the NCUA significantly expanding into consumer protection examinations without providing more evidence that it is needed. With the Consumer Financial Protection Bureau extremely active in the consumer protection role, additional regulatory pressure from the NCUA in this area is not warranted. Consumer protection laws and rules have primarily been created as a result of wrongdoing, and credit unions have not been the wrongdoers. With a member-focused approach, credit unions are not the consumer risk deserving of added regulatory pressure and emphasis by NCUA. Every new law and regulation comes at a cost regardless of the credit union size. The increased regulatory costs remain a significant concern for credit unions. When regulatory requirements are added, credit unions bear the cost of staff training, potential forms costs, core system changes, implementation process changes, internal and external audit necessities, etc. Additional examination emphasis takes time and the focus away from credit unions helping their members.

In addition, the proposed budget includes a $1.1 million investment related to process-automation for CURE. We fully support the Agency's general efforts to improve the field of membership (FOM) expansion application process. However, the FOM expansion application requirements are increasing significantly (e.g., requiring additional statistical information). Due to complicated regulatory requests, many credit unions are employing third parties to assist with expansions. NCUA should reevaluate regulatory expectations for expansions. Streamlining the process even further may reduce the need for automated investment.

Last, we encourage NCUA to find creative ways to assist and support credit unions, especially smaller credit unions. The number of credit unions continues to decline in part because of increased regulatory pressures. We believe in working with the credit union industry to help reduce the regulatory burden that disproportionately impacts credit unions.

The ICUL appreciates the opportunity to comment. If you have any questions about our comments, please do not hesitate to contact me at johnm@icul.org or (317) 594-5320.

Sincerely,

John McKenzie

John McKenzie, President
Indiana Credit Union League