

December 2, 2019

National Credit Union Administration
Rendell Jones, Chief Financial Officer
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BudgetComments@ncua.gov

Re: Comments on the NCUA Draft 2020-2021 Budget Justification

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the National Credit Union Administration (NCUA) Draft 2020-2021 Budget Justification.

HCUA reviewed the Budget Justification document and the proposed budget includes a 3.9% increase, which we find reasonable in the context of approximately 2% inflation and with an increase in credit union operating expenses. We also applaud NCUA's efforts to modernize the agency's Information Technology systems and cybersecurity concerns. Also, the budget aligns with vetted strategic initiatives including Examination Flexibility Initiatives, remote examinations, and data analytics.

As we understand NCUA's focus on cost savings and efficiency in consolidating regions, we commend the agency to focus on smooth transitions with little disruption. This allows for increased communication and consistency during the transitions related to realignment because of regional consolidation.

As you are aware, credit unions remain eligible for an 18-month examination cycle only if their asset level is below \$1 billion. In December 2018, the federal banking agencies issued a final rule to implement a provision giving banks holding under \$3 billion in assets an examination only once every 18 months, leaving credit unions on an uneven playing field. Congress has delegated authority to NCUA to set the frequency of examinations for credit unions and we urge NCUA to extend the credit union asset threshold from \$1 billion to \$3 billion.

HCUA appreciates the lowering of the Normal Operating Level and we strongly support NCUA to issue additional share insurance fund distributions wherever possible with the expectation that the initial increase in the Normal Operating Level was temporary. We commend NCUA's commitment to review the Normal Operating Level each year and we look forward to the possibility of any additional distributions depending on NCUA's analysis.

A supplement to the official budgetary process proposed the expansion of the agency's Office of Consumer Financial Protection with the goal of creating a dedicated consumer compliance examination program for "large, complex credit unions." While this proposal may be well-intentioned, HCUA believes altering the agency's risk-focused examination process and substantially increasing examination-related expenditures is not warranted. There is no supplementary evidence to suggest credit union consumer compliance management has become a risk area warranting an increased expenditure of agency resources. As such, this proposal could be viewed as a solution in search of a problem. Rather than developing and implementing a new, costly examination procedures, HCUA recommends the NCUA build upon the consumer compliance resources currently available to credit unions through the agency, and further improve examiner training to ensure examinations are more efficient and less invasive.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,



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