Credit Union National Association
CUNA

WASHINGTON, D.C.

99 M Street SE
Suite 300
Washington, D.C. 20003-3799

Phone: 202-638-5777
Fax: 202-638-7734

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–2023–0117

Dear Ms. Conyers-Ausbrooks:

On behalf of America's credit unions, I am writing regarding the National Credit Union Administration's (NCUA) 2024 draft budget. The Credit Union National Association (CUNA) represents America's credit unions and their 138 million members.

We commend the agency for continuing to provide comprehensive budget information as well as rationalization of the budget and agency expenditures in the context of a well communicated strategic plan. Though required by statute,[1] providing budget items in advance, holding an open briefing where stakeholders are invited to present, and soliciting written comment is good public policy and reflects the agency's commitment to government transparency.

As we have noted previously, we recognize that the NCUA is the only federal financial regulatory agency that has embraced this level of transparency and engagement. As advocates, our ability to see these details and connections helps us better articulate to our member-credit unions exactly what the agency is doing and why it is doing it. Given their unique ownership structure, credit unions deserve to know how and where their members' money is being spent.

Credit unions deserve to see the link between those expenditures and their mission of improving financial well-being for all. And they deserve to weigh-in (directly or indirectly) when they perceive a significant disconnect in spending plans and priorities when compared to their core mission.

---

[1] Per the Federal Credit Union Act, the NCUA Board must "make publicly available and publish in the Federal Register a draft of the detailed business-type budget," and "hold a public hearing, with public notice provided of the hearing, during which the public may submit comments on the draft of the detailed business-type budget[.]" 12 U.S.C. 1789(b)(1)(A), (B).

We, once again, find the NCUA's Budget Justification document to be clear, comprehensive, and well-developed. The proposed activities and expenditures described generally align with strategic initiatives[2] that the agency has previously detailed and that CUNA has analyzed, discussed, and broadly encourages and supports.

The NCUA's proposed 2024 budget reflects a 9.5 percent increase in expenditures overall compared to the 2023 Board-approved budget. Although the requested Capital Budget reflects a decrease and the Share Insurance Fund Administrative Budget reflects a minimal increase, the Operating Budget (which accounts for 97 percent of total agency expenditures) reflects an increase of 11.0 percent. While an increase is unsurprising in today's economic environment, CUNA is concerned with the extent of this proposed increase, as described in detail below.

The increases are proposed against a backdrop of elevated financial pressure at the nation's credit unions—with operating expenses and funding costs rising rapidly and a variety of income sources under increasing pressure. CUNA estimates that net income will decline by roughly 20 basis points in 2023 and by an additional 20 basis points in 2024. Many economists believe the Federal Reserve's aggressive policy moves will likely put the nation into recession—which would only serve to magnify these current financial challenges. Even if the so-called "soft landing" can be delivered, the Federal Reserve has acknowledged the likelihood that well over one million consumers may be joining the rolls of the unemployed in the coming months. These trends suggest the agency should be laser-focused on budgetary discipline, just as credit unions are in an environment where costs are increasing across the board.

<u>Operating Budget</u>

Employee Pay and Benefits

The proposed 11.0 percent increase in the Operating Budget is dominated by increases in Employee Pay and Benefits, which account for 77 percent of proposed expenditures within the Operating Budget. This increase totals $26.2 million (or 9.8 percent) in 2024.

We recognize the lack of flexibility the agency has regarding the primary drivers of increased costs related to Pay and Benefits. As noted in the Budget Justification, these are:

- Merit and locality pay increases in accordance with the agency's Collective Bargaining Agreement and merit-based pay system.
- Contributions for employee retirement to the Federal Employee Retirement System, which are set by the Office of Personnel Management (OPM).
- Contributions for employee health insurance, which are also set by OPM.

[2] NCUA Strategic Plan 2022-2026, https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf.

Within the category of Pay and Benefits, the proposed increase in the Operating Budget reflects a net increase of 28 positions compared to 2023 staffing levels. This includes 11 new positions and 17 existing, unfunded positions.

While, as noted above, the NCUA has limited flexibility regarding the primary drivers of the increased costs associated with Pay and Benefits, the agency does have greater latitude in the number of new positions it creates and existing vacancies it fills. The first-year cost of the proposed 28 net new positions is estimated to be $5.9 million.

According to the Budget Justification, the majority of these proposed positions were recommended by a 2021 agency working group that conducted an internal review to "determine the appropriate level of specialist positions required to ensure compliance with the Bank Secrecy Act (BSA) and consumer financial protection laws and regulations."[3] "The 2021 review recommended that the agency develop BSA and consumer compliance specialist programs. The proposed 2024 budget supports the second phase of this effort by adding 27 new regional examination staff—including specialists and supervisory positions."[4]

We support the addition of certain positions, such as the proposed additional staff in the Office of Credit Union Resources and Expansion (CURE). However, as discussed below, we have significant concerns with the level and focus of proposed additional staff, including regional specialists to focus on consumer financial protection. In the spirit of transparency, we urge the NCUA to share publicly the report developed by the 2021 agency working group—or an abbreviated version of the report appropriate for public release. Allowing the industry to fully understand why the agency is pursuing such significant increases in staff will allow for proper assessment of and comment on the agency's proposed budget.

In addition, starting in January 2023, the threshold for supervision by ONES increased from $10 billion to $15 billion in assets. As such, credit unions with up to $15 billion in assets are now supervised by their regional office. To account for this shift, noting that supervising regional large credit unions with between $10 billion and $15 billion in assets requires additional resources for the regions, the proposed budget calls for the equivalent of five additional examiner positions to account for the enhanced examination and supervision needs for these institutions related to size, scale, and scope. This appears to be a reasonable request, given that both the total assets and number of credit unions within or approaching the $10-$15 billion threshold has increased by 10 percent over the year ending June 2023.[5] However, consistent with a risk-focused approach, the agency's call for additional examiners for these large credit unions should be met with a reduction in examiner focus on small credit unions, providing relief in the form of examination flexibility.

[3] 88 Fed. Reg. 75,040, 75,049 (Nov. 1, 2023).

[4] *Id.*

[5] Based on NCUA data, the number of credit unions increased by five during this period, accounting for an increase of $40 billion in assets.

Travel Expenses

Travel expenses, which would account for roughly 6 percent of Operating Budget expenditures are proposed to decrease by $5,000. We appreciate the agency's efforts to avoid an increase in travel-related expenses, including by employing a combination of in-person and virtual staff training during the upcoming year.

However, we believe there is greater opportunity to utilize offsite examinations. The agency continues to stress the importance of focusing the examination on certain aspects of operations, especially in the context of larger, more complex credit unions. Further, the NCUA has indicated the importance of having examiners onsite to effectively collaborate with credit union staff in order to thoroughly understand their operations. We do not disagree with this approach. Though, we do believe the agency can increase its offsite/hybrid examination posture for smaller, less complex credit unions. As was evidenced during the pandemic, cost savings in the area of travel is certainly possible, and does not generally result in any increase in risk to the credit union system.

Consumer Financial Protection

Credit Unions are Different

Today, the credit union movement unambiguously stands out as consumers' best choice for financial services. Member-ownership, not-for-profit status (with the absence of quarterly earnings calls), and substantially less focus on variable compensation based on financial performance compared to banks results in a wide range of pro-consumer credit union behaviors and substantial pro-social outcomes that are too-often absent in the for-profit sector.

There is a large, measurable "transformative power" associated with cooperative finance. Structure matters. Incentives matter. Systemic abuse of vulnerable consumers—often seen in the for-profit financial services arena—simply does not exist in the credit union movement. For example, credit unions did not participate in the glaring, widespread excesses in housing finance during the build-up to the Financial Crisis. And they were not responsible for the widespread consumer harm those abuses produced.

Similarly, unlike for-profit financial services providers, credit unions are not contributors to what appears to be an emerging crisis in the abuse of sub-prime automobile borrowers. By all measures these behaviors are confined to for-profit players. Media reports of "auto lending delinquencies at an all-time high" are accurate. However, CUNA's analysis of Equifax data shows a strong divergence in the for-profit and not-for-profit (credit union) sectors. Auto finance company 60+ day delinquencies are at an all-time high (30 percent higher than the rate reported during the Great Recession), and the banking industry is nearing all-time highs (now equal to Great Recession highs) but credit union rates are 30 percent lower than those seen in the Great Recession—and near long-run norms.

Additional contemporary differences are being uncovered by academics from University of Connecticut and the University of Arizona who have examined Equifax data. Their recently completed working paper “Student Loan Forbearance and Consumer Financial Decision-Making: Evidence from COIVD-19 CARES Act” found that consumers essentially viewed the forbearance program as a windfall, compelling many individuals in the treatment group towards more risky financial decisions, such as greater borrowing.[6] Those who were borrowers in for-profit firms increased indebtedness by an average of 25 percent - 30 percent, while credit union members in forbearance only reflected an increase of approximately eight percent. Importantly, the researchers find “CARES Act student loan forbearance program, ex-post, increased the leverage of individuals who are ex-ante more financially vulnerable, as reflected in their lower credit scores. Past due amounts and delinquencies in discretionary accounts similarly impacted individuals with high credit scores to a lower degree. Second, we find that compared to credit unions, national banks and credit card companies were the biggest debt suppliers to consumers in the treatment group. Delinquency rates (90 days past due) increased significantly for national banks and credit card institutions but did not significantly change for credit unions.”[7]

Favorable outcomes among credit union members arise from more affordable loans and a more consultative approach to lending and navigating consumer financial disruptions.

The implosion of the Federal Savings and Loan Insurance Corporation (FSLIC) in the wake of the de-mutualization of savings and loans and the fact that the Federal Deposit Insurance Corporation (FDIC) has operated in the red twice over the past 30 years provide broad, overwhelming evidence of these fundamental differences.

<u>Delivering Big Financial Benefits</u>

CUNA conservatively estimates that in year ending June 2023, credit unions delivered a total of $20.3 billion in direct financial benefits to their members—arising from the combination of lower loan interest rates, higher savings yields and fewer/lower fees compared to for-profit banks. Furthermore, credit union presence in the marketplace also compels for-profit firms to price in more consumer-friendly ways. CUNA estimates that in the year ending June 2023, these indirect financial benefits, which accrue to bank customers totaled nearly $8 billion. Others have estimated even higher non-member financial benefits.[8]

These member and nonmember benefits are obvious over time—totaling nearly $245 billion since 2007 according to CUNA estimates. Importantly, these benefits exceed the value of the credit union federal tax expenditure by a factor of roughly ten on average.

---

[6] Student Loan Forbearance and Consumer Financial Decision-Making: Evidence from COVID-19 CARES Act (Sept. 5, 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4557111.
[7] *Id.*
[8] Economic Benefits of the Credit Union Tax Exemption to Consumers, Businesses, and the U.S. Economy (Jan. 2017), https://www.nafcu.org/sites/default/files/uploads/Data%20&%20Tools/Tax%20Study/2017%20NAFCU%20Tax%20Exemption%20Study%20Full%20Report.pdf.

An Obvious Mission Focus

The value credit unions deliver is disproportionately obvious among those who really need help. For example, CUNA's analysis of mid-year 2023 Equifax data now shows that deep subprime auto borrowers who finance at credit unions save in excess of $10,000 over the life of a typical 72-month auto loan. Mortgage borrowers who finance at credit unions now save roughly $50,000 over the life of a typical 30-year mortgage loan. Importantly, research by the Consumer Financial Protection Bureau (CFPB) finds that differences in default rates do not fully account for the differences in financing rates.[9]

Today, the nation's credit unions remain mission-focused: promoting financial well-being, delivering outstanding value, and providing helpful advice, especially to those of modest means. The just-released Federal Reserve Survey of Consumer Finances, for example, shows that net worth in the consumer sector rose by a record 34 percent in the three years ending 2022.[10] As a group, bank customer households now reflect mean net worth of $1.3 million and median net worth of $220,000; totals that are respectively 140 percent and 23 percent higher than the comparable measures within credit union member households.

Credit unions clearly do not cater to those of "immodest means."

Diverse and Inclusive

Democratic ownership and control ensures that credit unions represent their membership. For example, CUNA research reveals that women executives are remarkably more common at credit unions than at other financial institutions. A majority (51.8 percent) of credit union CEOs are women. This is nearly 14 times the rate observed at publicly traded banks (3.7 percent). Likewise, representation of women on the boards of depository financial institutions is more common at credit unions than banks. In our sample of banks, 23.3 percent of board members were women in 2022, compared to 36.5 percent of credit union board members.

In short, within credit union membership generally—and *especially* within groups we consider to be of "modest means"—members are *far* better off than consumers who are not credit union members across a long list of performance metrics.

Credit Union Members Notice

Not surprisingly, credit union members view their credit unions much more favorably than nonmembers view their banks and other service providers across a wide range of key performance indicators related to financial well-being. The differences arise from credit

[9] CFPB Data Point: Subprime Auto Loan Outcomes by Lender Type (Sept. 2021), https://files.consumerfinance.gov/f/documents/cfpb_subprime-auto_data-point_2021-09.pdf.
[10] Federal Reserve: Survey of Consumer Finances (Oct. 24, 2023), https://www.federalreserve.gov/econres/scfindex.htm.

unions' more consultative approach, more consumer-friendly pricing, thoughtful products and services, and the overall sense of trust they foster.

Credit union members are 1.6 times more likely than nonmembers to say they have received personalized financial education/counseling. And they have acted on the advice they received; those who do not use credit unions are 1.6 times more likely than credit union members to say that they have *not* established a financial buffer to meet unexpected expenses. Those two metrics—planning and establishing a modest "rainy-day" fund—are the two biggest drivers of financial health according to experts at the Financial Health Network.

It should come as no surprise that overall 92 percent of credit union members say their credit union has improved their financial well-being. Credit union members are 1.5 times more likely than nonmembers to say they are "very positive" their financial institution has improved their financial well-being. Compared to nonmembers, they are likewise 1.5 times more inclined to say they trust their financial institution (*i.e.*, credit union). CUNA-sponsored research conducted by Fredrick Polls details similar differences across ten other dimensions related to financial well-being, including those related to trust, service provision, and community focus.

The results are consistent across time and across all demographic groups—including those in the nation's most financially vulnerable populations: women, people of color, lower-income consumers, and those who reside in rural areas.

Credit unions care deeply about the NCUA budget because they are firmly focused on maximizing these large and diverse member benefits and want to pass as much of their income through *to members* as they possibly can.

In that regard, most believe that policy makers should embrace and promote the credit union difference rather than attack credit unions as anti-consumer and bank-like. Sowing the seeds of mistrust does a disservice to all consumers—both credit union members *and* potential members. Saddling credit unions with an expensive layer of consumer financial protection is unneeded and counterproductive. Consumers do not need protection from the institutions they own.

Proposed Consumer Financial Protection-related Expenditures

The NCUA has enhanced its focus on consumer financial protection over the past several years. For example, one of the strategic goals of the NCUA Strategic Plan 2022-2026 is to "[e]nsure a safe, sound, and viable system of cooperative credit that protects consumers."[11] A strategic objective within this goal is to "[e]nsure compliance with and enforcement of federal consumer financial protection laws and regulations in credit unions."[12] Further, consumer financial protection is included in this year's Supervisory Priorities, which states that the NCUA will continue to review compliance with consumer

[11] *Supra* note 2, at 18.
[12] *Supra* note 2, at 20.

financial protection laws and regulations that are under the agency's supervision authority.[13]

As such, it is unsurprising that the Budget Justification addresses consumer financial protection. It is also unsurprising, given the focus of the Board on consumer financial protection, that the draft budget seeks additional examination staff to address the issue. However, we are surprised at the *level* of the proposed increase in examiners and examination time dedicated to consumer financial protection and fair lending laws. Specifically, the draft budget includes 13 additional regional consumer compliance specialists and an increase in examination time for consumer financial protection reviews equivalent to 11 examiners to "increase the agency's review of consumer financial protection and fair lending laws and regulations, especially at institutions with greater consumer impact or indications of potential violations."[14]

We disagree with such a significant investment of resources dedicated solely to examination of credit unions regarding consumer financial protection issues. NCUA examiners are keenly focused on any hint of anti-consumerism and they take their jobs very seriously. Credit union members need no significant additional investment of NCUA resources to protect them from the institutions they own. Rules, regulations, *and* examinations should be tailored so they are not overly burdensome on credit unions. Consumers lose when one-size-fits-all rules and burdensome examinations force credit unions to pull back safe and affordable options from the market, pushing consumers into the arms of unregulated entities engaged in the very activity that the NCUA hopes to curtail. As such, we urge the agency to reevaluate its needs in this space. While the possible addition of a few regional consumer compliance specialists might be warranted, particularly given the Board's focus in recent years, we strongly oppose the hiring of 13 specialists and an increase in examination time for consumer financial protection reviews equivalent to 11 examiners.

Further, for several years, the NCUA Board has been contemplating a dedicated consumer compliance examination program for large credit unions not yet examined by the CFPB. As we have raised previously, we have significant concern around expanding the agency's consumer protection examination activity without sufficient reason to do so. While we agree with the agency that fair and equitable access to credit is vital to the credit union system and members of credit unions, altering the agency's risk-focused examination process and substantially increasing consumer examination-related expenditures is simply not warranted.

National Credit Union Share Insurance Fund

The National Credit Union Share Insurance Fund (SIF) remains strong. The SIF's equity ratio stands at 1.27 percent. Though below the Normal Operating Level (NOL) of 1.33

[13] NCUA's 2023 Supervisory Priorities, Letter to Credit Unions 23-CU-01 (Jan. 2023), https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncuas-2023-supervisory-priorities.
[14] *Supra* note 3, at 75,050.

percent, it is above the 1.20 percent threshold that would require the Board to institute a formal SIF restoration plan. The NCUA staff expects the ratio to remain at 1.27 percent when it is next officially updated at year-end.

Given the overall health of credit unions, the health of the SIF and its historically favorable performance, we strongly object to any suggestion that the NCUA should consider charging a premium to increase the equity ratio and/or that statutory changes to the SIF funding guidelines are needed.

Every dollar spent over-insuring the SIF is a dollar that is not being used to the benefit of credit union members. We believe any changes to the SIF are unwarranted and counterproductive. Credit union members need their credit unions in the market working to improve their financial well-being and advancing the communities they serve. Please do not take money out of credit union members' accounts to over-insure a fund that historically has performed exceedingly well.

Lastly, since the SIF is capitalized by federally insured credit unions, it is critical that its investment strategy, as determined by the NCUA's Investment Committee, reflect the current economic environment to ensure it is performing properly. Thus, we urge the agency to update the investment strategy as appropriate.

Climate-Related Financial Risks

We recognize—and appreciate—that the Budget Justification does not address climate-related financial risk. However, we are mindful that the Strategic Plan 2022-2026 includes climate-related financial risk as a *Longer-Term Risk*.[15] As CUNA has raised on several prior occasions, credit unions continue to have significant concern about any agency activity on this front, particularly since this is an issue of interest to the current NCUA Board.

Earlier this year, the NCUA issued a request for information on climate-related financial risk, focusing on current and future climate and natural disaster risks to credit unions, related entities, their members, and the SIF.[16] While we agree that climate risk is an area of risk for the agency to monitor, we wholeheartedly oppose any subsequent regulatory activity that would establish mandatory reporting procedures for credit unions or to otherwise prevent credit unions—directly or indirectly—from continuing to make independent business decisions as they deem most appropriate in order to serve their members. The NCUA is not and should not be a climate regulator. The NCUA should continue to work with the other Financial Stability Oversight Council (FSOC) members to monitor climate risk; however, in short, we believe that the NCUA and other regulators should not take action without Congress acting first in this area.

[15] *Supra* note 2.
[16] 88 Fed. Reg. 25,028 (Apr. 25, 2023).

Minority Depository Institutions and Small Credit Unions

We fully support the agency's recognition of the key role credit unions can and should play in helping families achieve financial freedom by building generational wealth, helping entrepreneurs to get their small businesses off the ground, and helping to create jobs and strengthen communities. Further, we appreciate the NCUA's recognition of the important role of the agency in making sure credit unions can support overlooked or underserved areas. We encourage the agency to work with the industry on initiatives aimed at fostering small, low-income-designated and minority depository institution (MDI) credit unions to succeed.

We support aspects of the Small Credit Union and MDI Support Program as detailed in the Budget Justification, as these are critical to increasing the likelihood of growth among these important credit unions. Further, the agency notes additional benefits expected in the Program:

- Building greater awareness of the unique needs of small credit unions and MDIs and their role serving underserved communities.
- Expanding opportunities for these credit unions to receive support through NCUA grants, training, and other initiatives.
- Furthering partnerships with organizations and industry mentors that can support small credit unions and MDIs.

We ask the agency to commit to including each of these important elements in the Program.

MDI preservation is critical to ensuring continued access to fair and affordable financial services in communities of color. Although the market size for the credit union industry in the United States has grown 5.2 percent per year on average between 2017 and 2022, until recently, the share of MDI credit unions had been steadily declining. From 2012–2021 the number of MDI credit unions dropped by 38 percent, a result of decades of underinvestment combined with a more difficult process for new charters. Recently, the number of MDIs has stabilized at about 500 institutions, and the NCUA's ongoing commitment to MDI preservation and creation will help ensure MDI credit unions have the resources and supports needed to continue to serve their communities effectively.

Because MDIs focus on serving the communities whose residents have been systematically denied opportunities to build generational wealth, MDI credit unions are under-resourced when compared to similarly situated non-MDI credit unions and face many of the same structural and institutional barriers their members face. The size of the average MDI credit union clearly illustrates this disparity. The average MDI credit union had $128 million in assets in 2022, compared to the average low-income designated credit union's more than $410 million in assets. The typical MDI's small size and role serving an under-resourced community presents numerous operational challenges. In addition, many MDI credit unions are subject to restrictive state or local policies that, for example, prohibit credit unions from accepting state or municipal deposits, eliminating a key source of non-member deposits for MDI credit unions that banks regularly take advantage of. Although state and local policy is outside of the NCUA's purview, it is important that NCUA staff and leadership be aware of the pervasive structural barriers MDI credit unions face.

Despite these challenges, MDI credit unions achieve deep impact in their communities by opening accounts for people who have been excluded from the mainstream financial system, offering innovative, personalized products and services to meet their members' needs, and maintaining deep ties with their communities. They are often the only source of safe and affordable credit for their membership and excel at helping their members refinance high-cost predatory debt. MDI credit unions regularly lend to members with credit scores far below prime (often less than 540) and "credit invisibles," those without credit scores or thin files. MDIs help their members build credit and access a broad range of financial products and services.

Given the crucial role MDI credit unions play in their communities, we are encouraged by the NCUA's increased and vocal commitment to supporting and preserving MDI credit unions. As the NCUA builds on its efforts to date, the agency should increase its support for MDI credit unions by deepening its engagement with MDI credit unions and the organizations that support them, improving the accessibility and usefulness of its key MDI programming efforts, and continuing to improve the examination process and compliance support for MDIs. In addition, the NCUA should play an active role in promoting MDI credit unions and ensuring they have the opportunity to participate fully in and on equal footing with MDI banks in both federal and private initiatives designed to support MDIs.

In addition, the proposed budget includes a $1.1 million investment related to process-automation for CURE. We fully support agency efforts to improve the field of membership (FOM) expansion application process generally. As noted in the Budget Justification, the $1.1 million investment would be used to begin the process of developing an external facing portal for FOM and new charter requests. CUNA is increasingly hearing from credit unions that FOM expansion applications are ballooning in size and with regard to the timeline for review and approval. Reportedly, requests for additional statistical data is expanding FOM applications into multi-hundred-page packages. Many credit unions also report that prioritization on statistical data comes at the expense of consideration of narrative information. CUNA urges the NCUA to ensure that FOM decisioning is focused on providing appropriate service to communities and establishing the common bonds between human beings that form a community. Statistics are a useful tool, but common bonds are not statistical in nature—they are human and organic. CUNA is concerned that an overreliance on statistical information and an unwillingness to ascribe weight to subjective narratives can result in decisions that seem nonsensical within the communities that credit unions serve. Ultimately, if credit union FOM expansion applications continue in this direction, it will result in the devaluation of the federal charter, particularly the community common-bond charter. We further ask the agency to finalize a proposed rulemaking issued earlier this year that, among other things, would amend the FOM rules to streamline application requirements and clarify procedures.[17]

---

[17] 88 Fed. Reg. 12,606 (Feb. 28, 2023).

Lastly, we encourage the agency to continue its efforts to support small credit unions. As the NCUA is keenly aware, credit unions continue to struggle with increasing pressures (*e.g.,* regulatory compliance, capital, and growth). While not alone, such pressures are particularly challenging for small credit unions, which often are less able to adapt to changing environments than are their larger counterparts. We appreciate the NCUA's recognition over the past several years of these challenges, and its willingness to work with the industry to ease pressure where it can. For example, the creation of the current expected credit loss (CECL) tool was well received by smaller credit unions in particular. We are encouraged by efforts across the agency to meet with the industry—including CUNA's Small Credit Union Committee—to understand the unique challenges facing small credit unions and to collaborate on solutions that reduce the regulatory burdens that disproportionately impact these institutions. We urge the agency to continue these efforts going forward.

<u>Conclusion</u>

On behalf of CUNA and our 138 million members, thank you for the opportunity to share our concerns regarding the agency's 2024-2025 draft budget. Please let me know if you would like any additional information regarding these comments or to discuss them further.

Thank you,

Mike Schenk

Mike Schenk
Deputy Chief Advocacy Officer & Chief Economist