



November 29, 2021

Eugene H. Schied
Chief Financial Officer
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: NCUA 2022–2023 Proposed Staff Budget

Dear Mr. Schied,

The Ohio Credit Union League (OCUL) represents the collective interests of Ohio's 237 credit unions and their more than three million members. Of those 237 credit unions, 129 are federally-chartered; 62 state-chartered, federally-insured; and 46 state-chartered, privately-insured, with an average asset size of \$172 million. OCUL appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) 2022-2023 Proposed Staff Budget (Budget).

OCUL appreciates the NCUA's commitment to a transparent budgeting process, and overall, we are happy to support the NCUA's continued desire to decrease overall spending to realize greater operating efficiencies in the last several years relative to the size of the credit union system. However, we are disappointed in the agency's decision to propose an overall increase in this Budget; specifically, with large increases in staffing and travel. This Budget, in total, is \$345.3 million, or 1.2 percent higher than the 2021 budget; the proposed 2022 capital budget is \$13.1 million, or 30.7 percent lower than in 2021; and the proposed Share Insurance Fund administrative budget is \$6.2 million, or 21.7 percent lower than in 2021.¹

OCUL applauds the positive direction that the NCUA continues to take its budget. Some of the positive highlights from the 2022-2023 Budget are as follows:²

- The 2022 Capital Budget is \$5.8 million less than the preliminary 2022 funding level approved by the Board in December 2020.
- The 2022 Share Insurance Fund Administrative Budget is \$1.5 million less than the preliminary 2022 funding level.
- The budget for rent, communications, and utilities decreases by \$2.0 million in 2022, or 28.2 percent.
- Administrative expenses decrease by \$0.2 million in 2022, or 4.0 percent.
- Contracted services expenses decrease by \$11.6 million in 2022, or 23.9 percent.

As Board Member Hood stated during the November 18, 2021 NCUA Board Meeting, it should be the goal of the NCUA to be good stewards of this money as it comes directly from the very credit unions it regulates, and the goal should be to reduce costs year over year.³ The decreases noted above represent that very

¹ NCUA Posts 2022-2023 Proposed Budget, Sets Dec. 8 Public Briefing, <https://www.ncua.gov/newsroom/press-release/2021/ncua-posts-2022-2023-proposed-budget-sets-dec-8-public-briefing>.

² STAFF DRAFT: 2022 – 2023 Budget Justification, pg. 1. <https://www.ncua.gov/files/publications/budget/budget-justification-proposed-2022-2023.pdf>.

³ NCUA Board Member Rodney E. Hood Statement on the Board Briefing, Share Insurance Fund, Quarterly Report, <https://www.ncua.gov/newsroom/speech/2021/ncua-board-member-rodney-e-hood-statement-board-briefing-share-insurance-fund-quarterly-report>.

sentiment and show the regulated community that the NCUA takes pride in cultivating efficient processes, protecting the marketplace, and doing so without unnecessary financial cost to credit unions.

However, and most concerningly, the proposed operating budget is \$326.6 million, which is 3.6 percent higher than in 2021. Increasing the overall Budget unnecessarily during an unprecedented economic climate, during a global pandemic, and amid a national labor shortage, seems contrary to not only the NCUA's own goals, but also to Board Member Hood's perspective, and seemingly disregards credit unions experiencing ever-increasing pressure to tighten their belts to survive.

First, we are concerned that the NCUA is hiring additional examiners and other staff at a time when the number of credit unions is decreasing and the ability of examiners to work remotely has increased staff efficiency. Specifically, in 2019 (pre-pandemic) the NCUA's total staffing was 1,182, and this Budget seeks to grow to 1,247. The NCUA's own justification summary asserts the increase is mainly due to the proposed staffing of critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues. We implore the NCUA to reevaluate the processes currently being used due to the pandemic and consider retaining these as permanent as it can hardly be argued that the NCUA is "an ineffective federal financial regulator". If these areas were not deficient in 2019, 2020, or 2021, then 2022 should be no different.

Second, the NCUA is increasing its travel budget by \$8.5 million in 2022, or 69.7 percent.⁴ Again, the NCUA alleges the large increase in travel does not represent a typical annual travel adjustment because the 2021 budget was unusually low due to restricted travel during the pandemic. However, Board Member Hood stated there is, "so much money remaining in the 2020 budget for travel."⁵ Perhaps the NCUA should consider reallocating those realized savings to keep travel expenses down in the coming year. It is understandable that the NCUA plans to hold more internal and external meeting events in 2022 than in the pandemic-restricted environment of 2021; however, the agency should explore hybrid engagement opportunities that blend in-person connection with virtual optimization to effectively serve NCUA constituents while mindfully controlling costs. The NCUA states that in future budgets, it will determine how such adjustments to its examination approach will help mitigate growth in travel costs.⁶ We strongly urge the NCUA to see that the time to do so is now. With the ongoing remote examination success witnessed during the pandemic, it would be prudent for the agency to continue optimizing remote examinations into the future to increase efficiencies and control unnecessary travel costs.

Third, while OCUL appreciates that the NCUA budget as compared to overall credit union size indicates a steady trend towards decreased spending, it cannot look past the overall continued increase in the budget that has taken place for over a decade. Specifically, the operating budget in 2010 was \$201 million as compared to this proposed operating budget of \$326.5 million. While the 2022 operating budget may only be a 3.6 percent increase compared to 2021, it is 62.4 percent increase over a dozen years (an increase that is far greater than the inflation rate over the period). These year-over-year small increases are only the tip of the iceberg that indicates a larger problem in which longer spans of time plainly reveal; a large and ongoing increase in credit union funding for ever-expanding NCUA spending.

Lastly, OCUL encourages NCUA to continue looking for inefficiencies when it comes to its budget, and to eliminate them, as the proposed increases do not reflect the realities of today. Throughout the pandemic, credit unions and supervision authorities have learned that much examination work can be done virtually, remotely, or from a distance, without losing credibility or integrity.

⁴ Supra note 1, pg. 1

⁵ Id.

⁶ Supra note 1, pg. 4.



Thank you again for the opportunity to comment on the Budget. We greatly value NCUA's efforts to serve as a progressive regulator and its commitment to being a transparent agency. If you have further questions or would like to discuss OCUL's comments in more detail, please feel free to contact us at (800) 486- 2917.

Respectfully,

A handwritten signature in black ink, appearing to read "Paul L. Mercer".

Paul L. Mercer
President

A handwritten signature in black ink, appearing to read "Sean M. Brown".

Sean M. Brown, Esq.
Director, Regulatory Affairs