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DEFENSE CREDIT UNION COUNCIL

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October 16, 2025

The Honorable Kyle S. Hauptman
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Proposed NCUA 2026-2027 Budget [NCUA-2024-0543]

Dear Chairman Hauptman:

On behalf of the Defense Credit Union Council (DCUC),[1] thank you for the opportunity to comment on the National Credit Union Administration's (NCUA) proposed 2026-2027 Budget.[1] DCUC represents credit unions that serve active-duty military, veterans, and their families, and our comments reflect both the unique needs of these members and the broader credit union system.

We appreciate the NCUA's continued commitment to transparency and stakeholder engagement in the budget process, particularly during a year of significant transition and reorganization. We also recognize that the agency's staffing and structural adjustments are consistent with the February 2025 directive from the Office of Management and Budget (OMB) and Office of Personnel Management's (OPM).[1] DCUC looks forward to participating in the NCUA's budget hearing where the draft budget will be further discussed and deliberated.

According to the notice, the proposed 2026 budgets total $313.8 million, which is $105.7 million, or 25.2 percent, lower than the $419.5 million 2026 funding level approved by the NCUA Board last year. The three proposed 2026 budgets combined are $81.6 million, or 20.6 percent, lower than the $395.4 million budget in 2025. DCUC commends the NCUA for developing a more streamlined and cost-effective budget than what was approved in 2024. We believe these savings, if achieved without compromising agency effectiveness, will help federally insured credit unions better manage their own budgets and resource planning.

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[1] The Defense Credit Union Council represents more than 200 defense-affiliated credit unions and over 40 million members—including active-duty servicemembers, Guard and Reserve personnel, veterans, Department of Defense civilians, and military families.
[2] Section 212 of the Economic Growth, Regulatory Relief, and Consumer Protection Act amended 12 U.S.C. 1789(b)(1)(A) to require the NCUA Board to "on an annual basis and prior to the submission of the detailed business-type budget make publicly available and publish in the Federal Register a draft of the detailed business-type budget." The NCUA is providing the entire proposed staff budget to fulfil the agency's operations for 2026 and 2027 for Board consideration and public comment. 3
[3] Office of Mgmt. & Budget & Office of Pers. Mgmt., *Memorandum for Heads of Executive Departments and Agencies: Guidance on Agency RIF and Reorganization Plans Requested by "Implementing the President's 'Department of Government Efficiency' Workforce Optimization Initiative"* (Feb. 26, 2025).

Below are DCUC's specific observations and recommendations for the agency's consideration.

1. Fewer Credit Unions Warrant a Proportional Decrease in Examinations

As of June 30, 2025, the NCUA supervised 4,370 federally insured credit unions with approximately 144 million members, compared to 4,533 federally insured credit unions with 141.0 million members at the same time last year—a reduction of 163 credit unions.[1] This continuing consolidation trend justifies a proportional reduction in examination resources and expenses regardless of any directives by the Administration.

As examination staff and resources presumably decrease in the next two years, we encourage the NCUA to lengthen its timeframes between examinations further, going beyond the NCUA Board's approved changes in April 2025.[1] Timeframes between examinations can be further extended for CAMELS 1 and 2 credit unions, ensuring effective supervision and protection to the Share Insurance Fund (SIF) while freeing agency resources for higher-risk credit unions and strategic priorities.

NCUA's recent investments in technology and process improvements should also enable longer examination cycles for qualifying well-run credit unions. In particular, NCUA should be able to capitalize on its $1.7 million investment in 2025 to update its Modern Examination and Risk Identification Tool (MERIT) examination system, as well as its additional requested investment for 2026 currently proposed at $2.9 million.[1]

2. The NCUA's Travel Budgets Should Be Reassessed Given Technology Gains

The NCUA described three main drivers that contribute to its reduced proposed 2026 budget compared to its approved 2025 budget— a 23 percent reduction in staffing, a 24 percent reduction to contracted services budgets, and a 13 percent reduction in budgets for employee travel.

Given the agency's 23 percent staff reduction and increased reliance on digital examination tools such as MERIT—which will receive an additional $2.9 million in investments—DCUC believes that more supervisory interactions can be conducted virtually, decreasing travel expenses further than what is being proposed in the staff draft budget.

Similarly, the $1.1 million allocation for state examiner travel to NCUA-sponsored training classes could be reduced by half, as virtual training continues to prove effective. DCUC encourages the NCUA to reexamine its budgeted travel and training expenditures to ensure alignment with modern, technology-driven supervision, as we believe more savings are achievable. Not only do these tools save money, but they save time and resources that credit unions must commit to onsite examinations.

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[4] National Credit Union Administration quarterly call report data, second quarter 2025 and second quarter 2024.
[5] *See* National Credit Union Administration, *The 2026-2027 Staff Draft Budget,* 90 Fed. Reg. 46640 (Sept. 29, 2025)(assuming examination timeframes will continue on the schedule approved in 2025).
[6] *See id*.; *see also* National Credit Union Administration, *NCUA Board Action Memorandum, 2025-2026 Budget,* approved Dec. 16, 2024.

3. Preserving the Office of External Affairs and Communications (OEAC)

DCUC is concerned that one of the largest proposed budget reductions—an 82 percent cut—affects the Office of External Affairs and Communications (OEAC). According to the staff proposal, OEAC will go from having 16 staff members in 2025 to only 3 in 2026 and 2027. While a part of this reduction is likely the result of reorganizing functions in different divisions, the decrease is still dramatic. Given the agency's ongoing transformation, this is the wrong time to diminish a function that ensures open communication with industry stakeholders, Congress, and other regulators. The OEAC plays a critical role in:

- Representing the credit union model in interagency rulemakings, including under the GENIUS Act requirements where NCUA's subject-matter expertise is essential.
- Providing technical assistance to Members of Congress and their offices as they consider credit union-related legislation that could be helpful or detrimental to the industry.
- Producing annual reports to Congress, required by statute, on agency operations.
- Facilitating outreach to, and engagement with, national trade associations, leagues, stakeholders, and credit unions—the sign of NCUA's accessibility and transparency.

Furthermore, OEAC uniquely reports to the Chair of the NCUA, and not the Executive Director or the entire Board, which ensures the agency's external communications align with the Chair's priorities and objectives. Curtailing its resources could inadvertently reduce the Chair's ability to set the tone of the agency and its outreach strategy. DCUC strongly encourages the NCUA to preserve and prioritize OEAC as it finalizes its budget, further reorganizes, and fills vacancies.

4. Reductions in the Office of Credit Union Resources and Expansion (CURE)

DCUC is similarly concerned about the 30 percent reduction in budget and 22 percent reduction in staff within the CURE office—a vital office supporting chartering, field of membership expansion, and assistance for low-income and minority credit unions. As CURE manages the Community Development Revolving Loan Fund (CDRLF) programs and training opportunities, reductions in staffing and funding could slow these processes and limit credit unions' access to necessary resources. DCUC urges the agency to prioritize and preserve CURE's capacity as it implements further organizational changes. This office is particularly important for credit unions.

5. The Office of Consumer Financial Protection (OCFP) Budget Can Be Reduced Further

DCUC urges the NCUA to reexamine the proposed budget for OCFP for additional cost savings. For example, we are concerned with the proposed OCFP budget decrease of only 28 percent, given the significant budget and staffing reductions at the Consumer Financial Protection Bureau (CFPB). Other regulatory agencies—particularly the CFPB—are not conducting examinations of larger institutions and fintechs with the same frequency or intensity as what credit unions are experiencing from the NCUA, due in part to the significant reduction in examination staff.[1] Regulatory parity means that oversight should align with systemic risk.

We therefore recommend that the NCUA reduce the OCFP budget further to:

- Focus its consumer protection resources on higher-risk institutions, based on complaint data and other indicators;
- Direct resources instead to less costly financial education initiatives that empower members to make informed decisions; and
- Ensure proportionality regarding consumer compliance supervision for credit unions with under $10 billion in assets.

DCUC obviously supports the supervision of financial institutions but does not uphold an uneven playing field where credit unions are subjected to regular and extensive supervisory examinations when larger banks and fintechs, that pose the greatest systemic risk, are not. Budget savings from the OCFP reductions can be reallocated to more critical offices such as CURE and OEAC.

Furthermore, DCUC would like to see greater transparency regarding the $1 million expense to upgrade the customer relationship management system used by OCFP to track consumer inquiries and formal complaints against credit unions, to better understand the large additional expense.

6. Increase in NCUA's 2026 Capital Budget

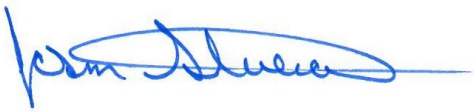
The draft budget includes $10 million for the NCUA's implementation of its reorganization plan and investment in systems and process improvements that align with government efficiency goals and other Administration priorities. DCUC looks forward to reviewing the NCUA's plan for a new organizational structure and revised business processes and hopes this will be completed before the end of 2025. We encourage the NCUA to engage with the industry for feedback as it develops these improvements.

The NCUA also lists "enterprise computer refresh" expenses of $3.2 million. We strongly encourage the agency to maximize this investment to increase its data security and cybersecurity and protect against growing cyber threats.

DCUC appreciates the NCUA's ongoing collaboration and commitment to efficiency, transparency, and mission alignment. We thank the NCUA for the opportunity to provide this feedback and look forward to the forthcoming public budget briefing and further discussion.

If you have any questions, please do not hesitate to email me at jstverak@dcuc.org or contact me via the phone at 202.557.8528.

Sincerely,



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[7] *See* e.g., Evan Weinberger, CFPB to Slash Exams for Biggest Banks Amid Staffing Shortages, **Bloomberg Law** (May 30, 2025).