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DEFENSE CREDIT UNION COUNCIL

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Defense Credit Union Council (DCUC) Testimony Regarding the National Credit Union Administration's (NCUA) Proposed 2025 Budget

Introduction

The Defense Credit Union Council (DCUC) appreciates the opportunity to provide testimony on the National Credit Union Administration's (NCUA) proposed budget for 2025. As the established voice of defense and veteran credit unions that serve our nation's military members, veterans and as importantly their families, DCUC is committed to ensuring a strong and independent NCUA that operates efficiently and responsibly. We submit these comments and questions to address concerns about the growth in the NCUA's budget and staffing levels, as well as to emphasize the critical importance of maintaining the NCUA's independence as a regulator.

A review of the proposed budget raised a few top-line observations that I would like to raise on behalf of our members:

- The proposed combined 2025 budget is \$433 million, which is a 12% increase from the 2024 budget.
- An increase of 14 positions as compared to the 2024 budget.
- An increase of \$25.9 million in funding for contracted services in the proposed 2025 budget compared to the 2024 budget.

Concerns with Budget Growth

The proposed 2025 budget reflects a substantial increase compared to prior years, with significant growth in both operational costs and staffing levels. While DCUC recognizes that inflationary pressures and regulatory needs necessitate some budget adjustments, the magnitude of the proposed increase raises serious questions about its necessity and sustainability.

- **Operational Expenses:** The proposed budget's operational cost increases appear disproportionate to the growth in the credit union industry and the risks facing credit unions. DCUC respectfully requests a detailed explanation of these increases and whether they align with the core mission of the NCUA to ensure safety and soundness.
- **Staffing Growth:** The budget includes a substantial increase in staff positions. While we understand the need for specialized expertise to address emerging risks, such as cybersecurity and financial technology, it is unclear whether these additions represent a prudent use of credit union resources. DCUC urges the NCUA to provide a transparent cost-benefit analysis to justify these new positions, particularly in light of current economic uncertainties affecting credit unions and their members.

Serving Those Who Serve Our Country

- **Return-to-Office Policies:** Credit unions have successfully navigated the challenges of the pandemic by balancing flexibility with a commitment to in-person collaboration. DCUC encourages the NCUA to adopt similar practices by facilitating a gradual return to the office for its employees. This will enhance efficiency, communication, and oversight capabilities, aligning with how the credit union industry has managed its workforce.

Impact on Credit Unions

The funding for the NCUA's operations ultimately comes from credit unions, which are already navigating a challenging economic environment. Rising costs associated with compliance, inflation, and economic uncertainty make it imperative that the NCUA exercise fiscal restraint. Defense credit unions, in particular, face unique challenges in serving military communities, and their ability to provide affordable financial services must not be hindered by excessive regulatory costs.

- **Inflationary Pressures on Credit Unions:** Credit unions are grappling with increased costs in their operations due to inflation. The NCUA's budget should reflect a similar commitment to operational efficiency and cost management.
- **Proportionality of Growth:** The NCUA's proposed budget growth should be commensurate with the growth of the credit union system it oversees. The credit union industry's overall asset growth and risk profile should guide the scale of regulatory expenditures.
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Importance of Independence

An independent NCUA is vital to the stability and growth of the credit union system. As the sole regulator for federally insured credit unions, the NCUA must operate free from undue external influences that could compromise its mission or effectiveness.

- **Guarding Against Overreach:** Budget increases must not pave the way for overreach in regulation that could stifle innovation or burden credit unions unnecessarily. DCUC supports a balanced approach that addresses genuine risks while allowing credit unions to thrive.
- **Focus on Core Mission:** The NCUA must prioritize its core mission of ensuring the safety and soundness of credit unions without drifting into areas that duplicate other regulatory bodies or create unnecessary costs.

Budget questions for NCUA Board Members and Staff

1. Has the proposed budget incorporated flexibilities that may have to be implemented if remote work/telework agreements are modified?
2. Will a more expansive "return to office" policy affect locality pay options, and if so what budget impacts will that new policy have?
3. Does the Board believe that NCUA can adjust its workforce requirements in a timely fashion or are you expecting the current telework regime to remain in place for the duration of 2025?
4. Throughout the budget process what tradeoffs were made to arrive at the current proposal? What programs were eliminated or downsized? What need proposals were not funded at all?

Recommendations

DCUC respectfully offers the following recommendations to the NCUA:

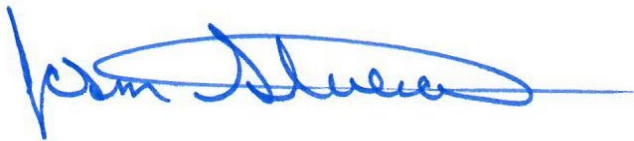
1. **Justify Budget Increases:** Provide detailed justifications for the proposed increases in operational expenses and staffing. This should include specific examples of how these funds will address emerging risks or improve regulatory outcomes.
2. **Commit to Efficiency:** Explore opportunities to improve operational efficiency and reduce unnecessary expenditures. Leverage technology and process improvements to achieve regulatory objectives without imposing excessive costs on credit unions.
3. **Ensure Transparency:** Establish clear reporting mechanisms to demonstrate how the budget aligns with the NCUA's strategic goals and benefits the credit union system.
4. **Preserve Independence:** Reaffirm the importance of the NCUA's independence as a regulator and avoid initiatives that could compromise its focus on safety and soundness.
5. **Facilitate Return to Office:** Encourage NCUA employees to return to in-person work environments where feasible. This aligns with practices already adopted by credit unions and enhances collaboration, operational efficiency, and stakeholder engagement.
6. **Engage Stakeholders:** Enhance stakeholder engagement to ensure that budgetary decisions reflect the needs and perspectives of the credit union community.

Conclusion

DCUC strongly supports the NCUA's mission and recognizes the critical role it plays in maintaining the health and stability of the credit union system. However, the proposed 2025 budget raises concerns about fiscal prudence and its potential impact on credit unions and their members. By addressing these concerns and committing to efficiency and transparency, the NCUA can ensure that its operations remain aligned with the needs of the credit union community.

We thank the NCUA for considering our comments and stand ready to assist in further discussions to achieve a balanced, effective and transparent budgetary process approach on behalf of the credit union system.

Sincerely,



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