Defense Credit Union Council Testimony
Regarding the National Credit Union Administration's Proposed 2026-27 Budget
November 5, 2025

The Defense Credit Union Counsel (DCUC) appreciates the opportunity to give testimony on the National Credit Union Administration's (NCUA) proposed budget for 2026-2027. We would like to thank the NCUA for providing this forum for stakeholders. As the established voice of defense and veteran credit unions that serve our nation's military members, veterans, and their families, DCUC is committed to insuring a strong and independent NCUA that effectively regulates the industry and protects the Share Insurance Fund. Our comments today are for the NCUA Board to consider before finalizing its budget.

An effective budget is made from strategic choices. Even in times of streamlining, the question should be where reductions will be made, as opposed to how much the reductions will be. We appreciate that the NCUA is providing a more streamlined budget for the next two years, which will save credit unions that must pay for the agency's operations and the Share Insurance Fund. But there are ways these budget decreases can be more strategic.

First, we believe that fewer credit unions automatically warrant a proportional decrease in supervisory expenses, regardless of any directive to streamline expenses.
As of June 30, 2025, the NCUA supervised 163 fewer federally insured credit unions compared to the same time last year. This change alone saves time and money and should be reflected in the budget.

Second, as examination staff and resources presumably decrease in the next two years, we encourage the NCUA to lengthen its periods between supervisory examinations further, for additional savings. Periods can be extended for CAMELS 1 and 2 credit unions, ensuring effective supervision and protection of the Share Insurance Fund while freeing resources for higher-risk credit unions and priorities.

NCUA's recent investments in technology and process improvements should enable longer examination cycles for qualifying credit unions. And the NCUA should be able to capitalize on its $1.7 million investment in 2025 to update its Modern Examination and Risk Identification Tool, or MERIT, examination system, as well as its additional requested investment for 2026 currently proposed at $2.9 million.

Third, we believe travel expenses can be decreased further. The NCUA stated that the budget is reduced for 2026 due to a 23 percent reduction in staffing, a 24 percent reduction to contracted services budgets, but only 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—DCUC believes more supervisory interactions can be conducted virtually.

Similarly, the $1.1 million allocation for state examiner travel to NCUA-sponsored training classes can be reduced by half, as virtual training continues to prove effective. DCUC encourages the NCUA to reexamine its budgeted travel and training expenditures as we believe more savings are achievable.

Fourth, DCUC is concerned that one of the largest proposed budget reductions—an 82 percent cut— is to 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 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.

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.

Fifth, we are concerned about the 30 percent reduction in budget and 22 percent reduction in staff within the Office of Credit Union Resources and Expansion, or CURE, 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 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.

Noting our concerns with the budget and staff reductions for CURE and OEAC, we urge the NCUA to offset investments in those divisions with further budget reductions to the Office of Consumer Financial Protection. 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 nonbanks due in part to the significant reduction in examination staff. Regulatory parity means that oversight should align with systemic risk.

We recommend the NCUA reduce the OCFP budget further to:

- Focus its consumer protection resources on higher-risk institutions;

- Direct resources to less costly financial education initiatives; and

- Ensure proportional consumer compliance supervision for credit unions with under $10 billion in assets.

DCUC appreciates the NCUA's collaboration and commitment to efficiency, transparency, and mission alignment. We thank the Board for the opportunity to provide this feedback and look forward to continued outreach from the agency.