



November 7, 2025

Ms. Melane Conyers-Ausbrooks  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

RE: NCUA Staff Draft Budget 2026-2027  
(Docket # NCUA-2025-0543)

Dear Ms. Conyers-Ausbrooks,

On behalf of its member credit unions, the Cooperative Credit Union Association, Inc. ("Association") appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) NCUA Staff Draft Budget 2026-2027. The Association is the state trade association representing approximately 170 state and federally-chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island, which further serve over 4.4 million consumer members. This letter supplements the Association's oral and written comments delivered at the NCUA Board Public Budget Hearing on November 5, 2025.

### **The Association's High-Level Comments**

- The Association commends the Board for proposing budgets that would be 20.6 percent lower in 2026 compared to 2025, as well as 12.8 percent lower in 2027 versus NCUA's 2025 combined budgets.
- These savings should be added to the National Credit Union Share Insurance Fund's reserves to reduce the likelihood of Share Insurance Fund premiums being due when credit unions would also likely face increased loan loss expenses due to Current Expected Credit Losses (CECL).
- Once the Fund's reserves exceed its normal operating level, the Board should authorize a dividend from the Fund paid to all federally-insured credit unions.
- The Board should allocate examination resources based on each federally-insured credit union's risk to the Share Insurance Fund. Smaller credit unions generally do not present materials risks to the Fund, and whether a larger credit union presents materials risk depends on its unique operations and balance sheet as well as its size relative to the Fund.
- NCUA should retain staff who are knowledgeable about credit unions so that examinations and policymaking focus on material safety and soundness, Bank Secrecy Act, or consumer protection risks. Supervision of smaller credit unions should focus on technical assistance and coaching. Larger, more complex credit unions should be assigned examiners who understand these institutions' operations and allow their managers sufficient leeway to run their credit unions as they see fit within applicable rules.

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## **The Association's Detailed Comments**

### **1. Reduced Operating Costs Should Increase Share Insurance Fund Reserves**

The Association commends the Board for proposing budgets that would be 20.6 percent lower in 2026 compared to 2025, as well as 12.8 percent lower in 2027 versus NCUA's 2025 combined budgets. These savings should be used to increase the National Credit Union Share Insurance Fund's reserves. If the Fund later becomes overcapitalized, the Board should at that time issue a dividend to increase federally-insured credit unions' institutional net worths.

Doing so would reduce the likelihood of a double-whammy of Share Insurance Fund premiums levied on federally-insured credit unions at a time when those institutions would also likely face increased loan loss expenses due to the Current Expected Credit Losses (CECL) accounting standard.

A Share Insurance Fund dividend—which could occur next year if economic conditions hold—would also be an equitable way for all federally-insured credit unions to directly benefit from the agency's budgetary savings because the Fund's distributions flow equally pro rata to federal credit unions and state-chartered federally-insured credit unions. Reduced NCUA operating costs proposed in the 2026-2027 Budgets should therefore be used to reduce the Overhead Transfer Rate so that these savings flow to the reserves of the Share Insurance Fund and help protect federally-insured credit unions from future potential Share Insurance Fund premiums in an economic downturn.

Based on the NCUA's most recent Share Insurance Fund report issued in September, as of June 30th the Share Insurance Fund's equity ratio was 1.28 percent, which was 8 basis points above the statutory minimum level of 1.20 percent, but 5 basis points lower than the Fund's Normal Operating Level set by the Board at 1.33 percent.<sup>1</sup> The Fund's current equity ratio is largely the result of increases in insured shares over the past few years, but also because a significant portion of the Fund's interest income has been used to fund NCUA operations.

The Federal Credit Union Act requires the Board to levy a Share Insurance Fund premium when the Fund falls below a 1.20 percent equity ratio. This can result in so-called "procyclicality," which bank supervisors define as a causal feedback loop by which the financial system amplifies the business cycle, possibly leading to increased financial instability.<sup>2</sup>

In other words, when financial conditions deteriorate like they did during the Global Financial Crisis fifteen-plus years ago, federally-insured credit unions can get hit with multiple high costs at once, including not only Share Insurance Fund premiums but also increased loan loss expenses.

While Section 202 of the Act makes CECL mandatory for federally-insured credit unions above \$10 million in assets, the Board should take into account that CECL increases the potential for this type

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<sup>1</sup> NCUA, *National Credit Union Share Insurance Fund Financial Overview and Performance: 2025 – Second Quarter* (Sep. 18, 2025), available at <https://ncua.gov/analysis/ncusif-financial-overview-performance>.

<sup>2</sup> See, e.g., Basel Committee on Banking Supervision, *Working Paper 39: The procyclicality of loan loss provisions: a literature review* (May 2021), available at <https://www.bis.org/bcbs/publ/wp39.htm>; Ryan Hess & Jennifer S. Rhee, *The Procyclicality of FDIC Deposit Insurance Premiums*, FDIC Working Paper Series No. FDIC CFR WP 2022-10 (Nov. 2023), available at <https://www.fdic.gov/analysis/cfr/working-papers/2022/cfr-wp2022-10.pdf>.

of procyclical feedback loop because CECL focuses on expected credit losses instead of incurred losses, and it also factors in macroeconomic conditions. This means that a negative macroeconomic forecast could result in increased loan loss expenses for a federally-insured credit union even if that institution has not experienced increased loan delinquency, let alone increased defaults.

In a financial crisis, when it rains, it pours, and CECL will make it pour harder. The Board should reduce the chances of procyclical Share Insurance Fund premiums by using budgetary savings to increase the Fund's reserves.

When the Fund's reserves eventually exceed its normal operating level, the Board should then authorize a dividend to all federally-insured credit unions. This would also protect the Fund by increasing credit unions' institutional net worth ratios, which stand in front of the Fund's potential liabilities.

## **2. NCUA Staff Expertise in Credit Union Operations and Technical Assistance**

The Association urges the Board to ensure that NCUA retains staff who are knowledgeable about credit unions so that examinations and policymaking focus on material safety and soundness, Bank Secrecy Act, or consumer protection risks. We recognize that many long-tenured NCUA staff members have recently departed the agency, depleting it of human capital.

As member-owned financial cooperatives that exist not for profit, not for charity, but for service, credit unions need examiners who understand how credit unions typically operate. Ideally, small credit unions' examiners and the Office of Credit Union Resources and Expansion (CURE) should be able to provide technical assistance and coaching to help improve small credit unions' operations and strengthen those institutions instead of taking an enforcement approach. We urge the Board to ensure sufficient funding and staffing levels for CURE both to help small credit unions with technical assistance and grant funding as well as to ensure that CURE's administrative processing times for credit union field of membership and chartering applications are not elongated.

Larger, more complex credit unions should be assigned examiners who understand these institutions' operations. The Office of National Examinations and Supervision (ONES) should also have sufficient staff expertise to distinguish whether or not materials risks exist in a very large credit union's balance sheet or operations.

Regardless of the credit union's asset size, supervisors should allow credit union managers sufficient leeway to run their credit unions as they see fit so long as the institution remains compliant with applicable regulations.

Regarding the examination process itself, the Association support the agency's examination quality control procedures such as having draft examination reports reviewed by subject matter specialists before being sent to the credit union, however, our members inform us this has sometimes resulted in exams not being finalized for weeks or months. We urge the Board to ensure that the agency's reduced staffing level does not result in it taking longer for examinations to be finalized. Machine learning-based artificial intelligence could be one way for NCUA to speed up this quality control process without reducing its effectiveness.

## **3. NCUA Should Focus Examination Resources Based on Insurance Risk**

Lastly, we urge the Board to focus its examination resources based on the potential risk that a federally-insured credit union presents to the Share Insurance Fund. Small credit unions generally do not present material risks to the Fund and larger credit unions do not necessarily present material risks to the Fund unless they are engaged in complex, excessively risky operations or investments.

As of June 30th, there were 2,589 federally-insured “small credit unions” below \$100 million in assets, which collectively had total assets of approximately \$77 billion dollars.<sup>3</sup> This was significantly less than the total assets of Navy Federal Credit Union alone, which had approximately \$192 billion in total assets on that date.<sup>4</sup>

All small credit unions combined represent less than 4 percent of the approximately \$2.4 trillion in total assets of federally-insured credit unions.<sup>5</sup> While size is not always a measure of complexity, small credit unions, even as a group, do not present a material risk to the Fund. Supervision of these institutions should therefore concentrate on technical assistance and coaching. Examination resources should instead be focused on the institutions presenting the biggest risks to the Fund.

Thank you for the opportunity to comment on the NCUA’s Staff Draft Budget 2026-2027. If you have any questions or desire further information, please do not hesitate to contact the Association at (508) 481-6755 or govaff-reg@ccua.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron McLean", written in a cursive style.

Ronald McLean  
President/CEO  
Cooperative Credit Union Association, Inc.  
rmclean@ccua.org

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<sup>3</sup> NCUA, *Quarterly Credit Union Data Summery - 2025 Q2*, at 9, available at <https://ncua.gov/files/publications/analysis/quarterly-data-summary-2025-Q2.pdf>.

<sup>4</sup> Navy Federal Credit Union, *Call Report: Form 5300*, at 2 (June 30, 2025).

<sup>5</sup> NCUA, *Quarterly Credit Union Data Summery - 2025 Q2*, at 1.