



Americans for Financial Reform Education Fund

Via email to BudgetComments@ncua.gov

December 2, 2019

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear NCUA Budget Committee,

Americans for Financial Reform Education Fund (“AFR Ed Fund”) is a nonpartisan, nonprofit coalition of more than 200 civil rights, community, consumer, labor, small business, investor, faith-based, and civic groups. AFR Ed Fund submits these comments on the National Credit Union Administration (“NCUA”)’s proposed 2020-2021 budget.

We write in strong support of Board Member Todd Harper’s call for dedicated consumer compliance exams and the addition of three full-time employees in the NCUA’s Office of Consumer Financial Protection to develop and launch a consumer compliance program for large, complex credit unions.

Strong consumer protections and robust supervision of financial institutions are vitally important, both for individual borrowers and for the health of the whole economy. Like banks and other financial institutions, credit unions are required to comply with the consumer protections that Congress put in place to protect families from the predatory practices, discriminatory lending, and unscrupulous behavior.

The NCUA has the primary role in working with credit unions with assets less than \$10 billion to ensure that they are meeting their consumer financial protection responsibilities. The bulk of the business conducted by credit unions is consumer lending, yet there is currently no dedicated process to evaluate how well credit unions are meeting their consumer protection obligations. Dedicated consumer compliance exams will provide consistency for consumer financial protection supervision of all credit unions under the NCUA’s jurisdiction and establish a framework for evaluating compliance.

Dedicated consumer compliance exams will also bring the NCUA in conformity with prudential regulators in their approach to consumer compliance supervision. The Federal Reserve Board (“FRB”), Federal Deposit Insurance Corporation (“FDIC”), and the Office of the Comptroller of the Currency (“OCC”) all have distinct consumer compliance examination processes and regularly evaluate their institutions specifically for consumer compliance. It is critical for the NCUA to establish its own dedicated consumer compliance examination to ensure that members

of a credit union are equally protected from harm as consumers who bank at other financial institutions.

We also encourage the NCUA to develop its own rating system that specifically rates a credit union's performance with regard to its consumer protection requirements. The FRB, FDIC, and OCC all assign consumer compliance ratings to the institutions they regulate that are separate from the CAMEL process. All consumers deserve the same level of protection and the same attention to consumer protection from the regulator of their respective financial institutions. By creating a dedicated consumer compliance exam and rating system, NCUA's consumer compliance processes will be more uniform with the other regulators in this space.

To meaningfully examine and regulate for consumer compliance, the NCUA will need staff specifically dedicated to consumer compliance. It is insufficient to relegate consumer compliance supervision to current examiners, whose focus and expertise is on safety and soundness evaluations. We urge the NCUA to hire staff specifically assigned to the process of creating and implementing an NCUA consumer compliance exam, and start by hiring for the 3 positions Board Member Harper has asked to add to the staff in the NCUA 2020-2021 budget. In the meantime, as the consumer compliance program is being developed, we ask the NCUA to prioritize consumer compliance and fair lending examinations in its ongoing supervision of credit unions.

We urge the NCUA to incorporate the important proposal to create a dedicated consumer compliance exam for large, complex credit unions and set aside the resources necessary to effectively implement this program in the 2020-21 budget and future years.

If you have any questions, please feel free to contact Linda Jun, Senior Policy Counsel, at (202)715-8919 or linda@ourfinancialsecurity.org.

Sincerely,

Americans for Financial Reform Education Fund