November 27, 2024

Chairman Harper and the Board of Directors
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314–3428

RE: Staff Draft 2025-2026 Budget Justification
Docket No. NCUA-2024-0135; Federal Register No. 2024-25568

On behalf of Americans for Financial Reform Education Fund and the six undersigned organizations with missions to further financial inclusion and racial and climate justice, we appreciate the opportunity to comment on the National Credit Union Administration (NCUA)'s staff proposed 2025-2026 budget.

Effective financial regulation depends on regulators having adequate resources to monitor their supervised institutions and tackle emerging risks, like climate change. We appreciate the budget's inclusion of climate-related financial risk as an area for the NCUA to continue to "strengthen and mature analytic capabilities and capacity." Credit unions are deeply exposed to risks in the housing and property insurance markets, and increasing climate-related financial risk (CRFR) in these markets will require NCUA action to address them. For these reasons, the staff's proposed budget increases are reasonable and should be approved to include research, staffing, and other capacity to address CRFR and green investment opportunities.

For the NCUA to accomplish its mission[1] and address growing CRFR to credit unions, it must have adequate resources to: (1) promote safety and soundness and consumer and fair lending compliance of its supervised institutions; (2) serve as a central hub of information, resources, and tools to support risk management and compliance for green lending needs for credit unions and their members across the country; and (3) maintain ongoing solvency of the Share Insurance Fund (SIF) in the midst of growing CRFR vulnerability within the credit union system. To do so

[1] The NCUA plays a critical role as the independent federal agency created by Congress to regulate, charter and supervise federal credit unions, protect the system of cooperative credit and its member-owners, as well as operate and manage the National Credit Union Share Insurance Fund (SIF): "Mission and Values," *National Credit Union Administration*. https://ncua.gov/about/mission-values

effectively, the NCUA should tailor its approach to climate-related financial risks and opportunities based on credit union size and capacity, and should also recognize that credit unions have expertise and local knowledge of the needs and risks within their own communities and act in partnership with them.

Climate-related Financial Risks: Credit Unions, Insurance, and Mortgage Markets

In the NCUA's 2023 CRFR request for information, the agency acknowledged that, "the physical effects of climate change along with associated transition costs pose significant risks to the U.S. economy and the U.S. financial system," and that "weaknesses in how a credit union identifies, measures, monitors, and mitigates physical and transition risks could adversely affect a credit union's safety and soundness."[2]

Unfortunately, the NCUA's 2024 Supervisory Priorities letter to federally insured credit unions did not outline how credit unions should manage their exposure to CRFR or to climate- or weather-related impacts.[3] And in 2024, NCUA needed to respond to new and ongoing harms from climate-related disasters that created devastation across many parts of the United States — from wildfires in Hawaii in 2023[4] to inland flooding in Vermont[5] and the hurricanes and severe flooding in the Southeast following Hurricanes Helene and Milton. Almost 1,000 credit union branches were located in the federally designated disaster areas following Hurricane Helene and in the path of Hurricane Milton, which struck within just two weeks during late September and early October of this year.[6] Credit unions serve as essential pillars for communities recovering from disasters,[7] and their ability to continue serving that critical role will depend, in part, on longer term climate financial risk assessments and resilience planning.

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[2] National Credit Union Administration (NCUA). "Climate-Related Financial Risk - Request for Information" *Federal Register*, June 15, 2023. https://www.federalregister.gov/d/2023-08715

[3] Chairman Todd Harper, "NCUA's 2024 Supervisory Priorities," *NCUA*, January 23, 2024, https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncuas-2024-supervisory-priorities

[4] "Agencies Take Temporary Action on Appraisal Requirements in Area Affected by Hawaii Wildfires," *NCUA*, March 13, 2024, https://ncua.gov/newsroom/press-release/2024/agencies-take-temporary-action-appraisal-requirements-area-affected-hawaii-wildfires; "Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by the Hawaii Wildfires," *NCUA*, August 17, 2023, https://ncua.gov/newsroom/press-release/2023/federal-and-state-financial-regulatory-agencies-issue-interagency-statement-supervisory-practices

[5] "Guidance to Help Financial Institutions and Facilitate Recovery in Areas of Vermont Affected by Severe Storms, Flooding, Landslides, and Mudslides," *FDIC*, September 27, 2024, https://www.fdic.gov/news/financial-institution-letters/2024/guidance-help-financial-institutions-and-facilitate-25; "NCUA Working With Credit Unions in Flooded Areas of Vermont," *NCUA*, August 1, 2023, https://ncua.gov/newsroom/press-release/2023/ncua-working-credit-unions-flooded-areas-vermont

[6] DuPlessis, Jim, "Back-to-Back Hurricanes Impact Credit Unions, *Credit Union Times*, October 10, 2024, https://www.cutimes.com/2024/10/10/back-to-back-hurricanes-impact-credit-unions/?slreturn=20241011100837

[7] "Southeastern Credit Union donates $100K to relief efforts," *Valdosta Today*, October 29, 2024, https://valdostatoday.com/news-2/local/2024/10/southeastern-credit-union-donates-100k-to-relief-efforts/; "JetStream Federal Credit Union rallies support for hurricane relief efforts," *CU Times*, October 23, 2024, https://www.cuinsight.com/press-release/jetstream-federal-credit-union-rallies-support-for-hurricane-relief-efforts/

Financial regulatory agencies have issued statements during disasters and disaster recovery periods on supervisory practices for affected financial institutions, and the Office of the Comptroller of the Currency continues to host a major disaster news webpage.[8] NCUA has its own webpage on Hurricane and Disaster Information which primarily provides information on access to the SIF, warns of email phishing scams during disasters and recovery, and urges all federally insured credit unions to perform periodic routine reviews of their disaster preparedness and response plans.[9] Climate-related hazards will continue to worsen across the country,[10] and it is critical that the NCUA's supervision and the resources provided for credit unions help them to prepare and become more climate-resilient, not merely provide emergency guidance after disaster strikes.

The NCUA's Office of the Chief Economist found that 25 percent of credit unions are in communities at "relatively high" or "very high" risk of experiencing negative outcomes from natural hazards and that this accounted for 34 percent of NCUA systemwide assets, or approximately $750 billion, at the end of 2021.[11] Climate risk is increasing across all regions,[12] so even those institutions currently located in the "low" to "relatively low" risk categories should monitor their exposure to climate risk. All 11,000 credit union branches in 668 counties across the U.S. face potential physical risk related to ongoing climate disasters and chronic conditions; however, the risk is not distributed equally.[13] Black, Indigenous, and people of color (BIPOC), low-income, immigrant, and Indigenous communities are disproportionately burdened by and vulnerable to climate disasters in ways that can directly or indirectly impact borrowers' ability to repay their loans.[14]

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[8] "Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Hurricane Helene," *The Federal Deposit Insurance Corporation, the Federal Reserve Board, the National Credit Union Administration, the Office of the Comptroller of the Currency, and state financial regulators*, October 2, 2024, https://www.occ.gov/news-issuances/news-releases/2024/nr-ia-2024-112.html; "OCC's Major Disaster News Center," *OCC*, https://www.occ.gov/topics/supervision-and-examination/bank-operations/major-disaster-news-center/occs-major-disaster-news-center.html

[9] "Hurricane and Disaster Information," *NCUA*, https://ncua.gov/regulation-supervision/manuals-guides/hurricane-disaster-information

[10] Crimmins, A.R., C.W. Avery, D.R. Easterling, K.E. Kunkel, B.C. Stewart, and T.K. Maycock, Eds, "Fifth National Climate Assessment," *U.S. Global Climate Change Research Program*, 2023, https://nca2023.globalchange.gov/

[11] "Estimating Credit Union Exposure to Climate-Related Physical Risks," *NCUA*, April 2023. https://ncua.gov/news/publication-search/climate-financial-risk/estimating-credit-union-exposure-climate-related-physical-risks

[12] Jonathan Woetzel et al., "Climate Risk and Response: Physical Hazards and Socioeconomic Impacts," *McKinsey Company*, January 16, 2020, https://www.mckinsey.com/capabilities/sustainability/our-insights/climate-risk-and-response-physical-hazards-and-socioeconomic-impacts.

[13] Hofheimer, George, Taylor C. Nelms, and Jim Scott. "The Changing Climate for Credit Unions" *Filene Research Institute,* 2022, https://filene.org/learn-something/reports/the-changing-climate-for-credit-unions

[14] "Memo: Climate Vulnerability and the Community Reinvestment Act (CRA) Regulations," *Americans for Financial Reform Education Fund and the Greenlining Institute*, January 2023, https://ourfinancialsecurity.org/2023/01/climate-vulnerability-and-banking/

Since the NCUA's 2023 climate-related physical risks assessment,[15] addressing CRFR has become more important as risk signals grow from the property insurance markets faltering in the wake of the 2024 wildfires, severe storms and flooding, and catastrophic hurricane season. It's likely that credit unions will face increasing losses in their retail and commercial portfolios,[16] with flooding being the most salient issue in the near term.[17] For example, flooding can cause structural damage to physical commercial real estate assets as well as direct and indirect commercial impact, such as business interruption and lost revenue.[18] If borrowers are not able to obtain affordable or sufficient coverage, or experience disasters not predicted and therefore not covered for their geography—such as flooding outside of a special flood hazard area[19]—the repair costs and economic disruptions may impact borrower's ability to repay[20] and result in borrowers missing payments, becoming delinquent, or even defaulting on loans, which affects the finances of their lenders. Climate risk also puts credit union collateral directly at risk of damage — such as homes or cars that are flooded, damaged by wind and trees, or burned in wildfires — that could increase a credit union's loss given default. Unfortunately, the problem will continue to get worse year after year due to a worsening outlook on climate sensitivity and still rising global greenhouse gas emissions that are driving increasingly severe and costly climate impacts. Additionally, credit unions may face increased CRFR as larger financial institutions reallocate or offload their exposure to high risk sectors, and credit unions fill in the gaps.[21]

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[15] "Estimating Credit Union Exposure to Climate-Related Physical Risks," *NCUA*, April 2023, https://ncua.gov/news/publication-search/climate-financial-risk/estimating-credit-union-exposure-climate-related-physical-risks

[16] Retail portfolios involve financial services to individual consumers and can include mortgages, auto loans, personal loans, checking and savings accounts, and credit cards. Commercial real estate loans are backed by office buildings, hotels, apartments and other types of commercial real estate, and has been on the rise for credit unions. See e.g., "Commercial Real Estate Lending Headwinds, the 2024 Regulatory Focus on Credit Risk and Liquidity, and What You Need to Know," *Credit Union Business News*, February 2, 2024, http://creditunionbusiness.com/details/1343/Commercial-Real-Estate-Lending-Headwinds

[17] "Climate impact on mortgage credit losses: A portfolio example," *Moody's*, March 8, 2023, https://www.moodys.com/web/en/us/insights/climate-risk/climate-impact-on-mortgage-credit-losses-a-portfolio-example.html

[18] "Flooding Costs the U.S. Between $179.8 and $496.0 Billion Each Year," *Joint Economic Committee Democrats*, June 20, 2024, https://www.jec.senate.gov/public/index.cfm/democrats/2024/6/flooding-costs-the-u-s-between-179-8-and-496-0-billion-each-year

[19] Toan Phan, "Hurricane Helene: Exposing Gaps in Flood Risk and Insurance," *Federal Reserve Bank of Richmond* October 15, 2024, https://www.richmondfed.org/research/national_economy/macro_minute/2024/hurricane_helene_flood_risk_and_insurance_20241015

[20] Caroline Ratcliffe et al., "From Bad to Worse: Natural Disasters and Financial Health," *Journal of Housing Research* Vol. 29 S1, S25–S53, 2020, https://www.tandfonline.com/doi/epdf/10.1080/10527001.2020.1838172?needAccess=true&role=button

[21] "Climate Change Regulations: Bank Lending and Real Effects," *World Bank Group*, December 2022, https://documents1.worldbank.org/curated/en/099439412272229612/pdf/IDU04c8901a60c3dc04fb60a008036d83009b76f.pdf

Households and small businesses are likely to feel the negative impacts of climate change soonest.[22] A September 2024 survey of small businesses found that 84 percent of small businesses respondents believe that climate-related events could lead to increased expenses. Half of respondents said they already are seeing climate-related impacts and financial consequences, 63 percent of them have seen increased insurance premiums, 53 percent have experienced higher energy costs for cooling or heating, and 50 percent have experienced a business interruption and revenue losses due to climate change.[23]

As noted recently by the Federal Housing Finance Agency — an agency, in part, responsible for oversight and supervision of more than half of the housing market[24] — extreme weather events can affect business and operational resiliency. Rising sea levels and changing temperatures can also degrade or destroy properties and community infrastructure that are instrumental to business and operations.[25] Many credit union loan assets are supported by collateral assets such as homes whose value may materially decrease due to events triggered or exacerbated by climate change. For many credit unions, real estate-secured credit is the single largest balance sheet item. A report studying the effects of flooding on Florida's real estate market found that knock-on effects could also greatly increase costs and even be more significant than direct physical impacts.[26] This should be particularly concerning for NCUA because about half of credit union loan assets are in real estate, primarily residential.[27]

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[22] "The Impact of Climate Change on American Household Finances," *U.S. Department of the Treasury*, September 29, 2023, https://home.treasury.gov/system/files/136/Climate_Change_Household_Finances.pdf&sa=D&source=docs&ust=1731600722194553&usg=AOvVaw3k2W7Ooi0gC6KkOq4qKfZB

[23] "Beyond the Forecast: Climate Costs Hit Small Business Bottom Lines," *Small Business for America's Future*, October 10, 2024, https://www.smallbusinessforamericasfuture.org/beyond-the-forecast--climate-costs-hit-small-business-bottom-lines85e8ea0f

[24] This wide view on the housing market is due to its conservatorship of Fannie Mae and Freddie Mac which buy mortgages across the country and issue mortgage-backed securities. On portion of market: Dehan, Andrew, "Fannie Mae vs. Freddie Mac: What's the difference?," *Bankrate*, January 19, 2024, https://www.bankrate.com/mortgages/fannie-mae-vs-freddie-mac/?tpt=a

[25] "Advisory Bulletin: Federal Home Loan Bank System Climate-Related Risk Management," *FHFA*, September 30, 2024, https://www.fhfa.gov/sites/default/files/2024-10/AB-2024-04_FHLBank-System-Climate-Related-Risk-Management.pdf

[26] "Will mortgages and markets stay afloat in Florida?" *McKinsey Global Institute*, April 2020, https://www.mckinsey.com/~/media/mckinsey/business%20functions/sustainability/our%20insights/will%20mortgages%20and%20markets%20stay%20afloat%20in%20florida/mgi_climate%20risk_case%20studies_florida_may2020.pdf

[27] "Quarterly Credit Union Data Summary: 2024 Q2," *NCUA*, June 30, 2024, https://ncua.gov/files/publications/analysis/quarterly-data-summary-2024-Q2.pdf

Climate-related Financial Risk Management, Climate Resilience, & Climate Investments

In order to fulfill its mandate, the NCUA should tailor its approach to climate-related financial risks and opportunities — recognizing the needs and capacities from its smallest institutions all the way to its largest.[28] The banking regulators jointly released Principles for Climate-Related Financial Risk Management for Large Financial Institutions in 2023[29] that recognized that "financial institutions, regardless of size, may have material exposures to climate-related financial risks." Those principles are intended for the largest banks, those with over $100 billion in total consolidated assets — a threshold that, were it a bank, Navy Federal Credit Union would meet with $178 billion in assets in 2024.[30]

While the largest credit unions each have over $10 billion in assets,[31] a significant portion of institutions are much smaller with limited staff and resources to address emerging risks to their members and the often vulnerable communities they serve. The NCUA should continue to build capacity to support credit unions of all sizes and minority depository institutions under their remit in mitigating their climate-related risk while building resilience for them and their communities to continue operating safely, soundly, and fairly.

The NCUA can also support credit unions in seeking green lending opportunities for their members. For example, thanks to resources made available by the Inflation Reduction Act, the Environmental Protection Agency awarded Inclusiv $1.87 billion through the Greenhouse Gas Reduction Fund (GGRF) Clean Communities Investment Accelerator (CCIA). Inclusiv will use these funds to provide grants to 300 to 400 credit unions to offer green lending programs that serve low-income and disadvantaged communities (LIDACs).[32] In supporting credit union expansion of green product offerings, NCUA must provide guidance on how consumer protections apply to existing and emerging green lending products in order to prevent potential fraud and predatory practices as well as unsustainable lending resulting in debt traps and loans that consumers cannot reasonably repay.[33]

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[28] A recent Filene report highlights four credit unions - ranging from $285 million to $8.6 billion in assets - that have implemented successful CRFR strategies to support their communities. "How Credit Unions can Respond to Disasters and Build Community Resilience," *Filene*, October 8, 2024, https://www.filene.org/how-credit-unions-can-respond-to-disasters-and-build-community-resilience

[29] "Principles for Climate-Related Financial Risk Management for Large Financial Institutions," *Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; and Federal Deposit Insurance Corporation*, 88 Fed. Reg. 74,183, October 30, 2023, https://www.federalregister.gov/documents/2023/10/30/2023-23844/principles-for-climate-related-financial-risk-management-for-large-financial-institutions

[30] Cabello, Marcos, "The 10 largest credit unions in the US," *Bankrate*, July 3, 2024, https://www.bankrate.com/banking/credit-unions/biggest-credit-unions-in-america/

[31] Oliveira, Sebastian, "20 Largest Credit Unions in America," *U.S. News & World Report*, August 23, 2024, https://www.usnews.com/banking/articles/20-largest-credit-unions-in-america;

[32] "Greenhouse Gas Reduction Fund," *Inclusiv*, https://inclusiv.org/ggrf/

[33] "Equitable and Just Green Lending Starts with Strong Consumer Protections," *Americans for Financial Reform Education Fund and 45 additional organizations*, August 6, 2024,

NCUA is the only voting member agency of the Financial Stability Oversight Council (FSOC)[34] that has not put out any disclosure requirements, guidance, risk management principles, or rules related to climate-related financial risks or opportunities for its regulated entities and/or consumers.[35] Other financial regulators in the United States and internationally are already making substantial progress and developing policies and tools that the NCUA should build off and tailor to its authorities and mandate. Financial regulators are also recognizing the need to provide guidance and support for their regulated entities and consumers on safe and fair green lending which can help build climate resilience and serve as a financial opportunity for consumers and credit unions.[36]

Recommendations

The NCUA needs robust funding to address climate-related financial risks and opportunities for credit unions, and must have the needed resources to achieve at least the following outcomes over the 2025-2026 budget period:

1. *Swiftly Hire the Proposed Climate Financial Risk Officer and Add Capacity for Climate Resilience Staff*
   We strongly support the NCUA's inclusion of a climate financial risk officer in the proposed budget and believe the position's responsibilities should also include credit union climate resilience. The Board must also provide the climate financial risk officer the support of staff across departments, with this combined capacity being essential to: (1) collect data and complete research and analysis including on what credit unions have already done or are doing in their communities; (2) provide guidance/toolkits/best practices documents, technical assistance, and training to credit unions on CRFR and opportunities such as green lending; (3) help with compliance and reporting, including in coordination with and education of examiners; and, (4) identify risks specific to lower-

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https://ourfinancialsecurity.org/wp-content/uploads/2024/08/Consumer-Protections-for-Green-Lending_AFREF-Sign-On_August-2024.pdf

[34] "Council Members," *U.S. Department of the Treasury*, https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/financial-stability-oversight-council/about-fsoc/council-members

[35] See list of agency action in AFREF and Public Citizen's November 21, 2023 letter to NCUA: https://ourfinancialsecurity.org/wp-content/uploads/2023/12/NCUA-2024-Budget-Climate-Coalition-Letter_November2023.pdf ; Additional action by agencies in 2024 include: "Advisory Bulletin: Federal Home Loan Bank System Climate-Related Risk Management," *FHFA*, September 30, 2024, https://www.fhfa.gov/sites/default/files/2024-10/AB-2024-04_FHLBank-System-Climate-Related-Risk-Management.pdf; "CFTC Approves Final Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts," CFTC, September 20, 2024, https://www.cftc.gov/PressRoom/PressReleases/8969-24.

[36] "U.S. Department of the Treasury, Consumer Financial Protection Bureau, and Federal Trade Commission Announce Steps to Protect Residential Solar Consumers, Ensure Access to Credits," *U.S. Department of the Treasury*, August 7, 2024, https://home.treasury.gov/news/press-releases/jy2522; "CFPB Proposes New Consumer Protections for Homeowners Seeking Clean Energy Financing," *CFPB*, May 1, 2023, https://www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-new-consumer-protections-for-homeowners-seeking-clean-energy-financing/

and moderate-income communities that credit unions are uniquely positioned to address. Climate risk and resilience staff are necessary for the NCUA to systematize risk mitigation, credit union resilience in operations and lending, disaster recovery, and green lending opportunities for credit unions and their communities, including in coordination with other agency and administration efforts.

2. *Clarify the Role of Climate Change in the NCUA's 2025 Supervisory Priorities Letter*
   The NCUA's 2025 Supervisory Priorities letter to federally insured credit unions must mention climate-related financial risk, climate- and weather-related impacts, and green lending opportunities. The NCUA should explicitly discuss climate risk in its supervisory priorities as a stand alone category or within traditional risk categories such as credit or liquidity risk.[37]

3. *Publish a Climate Risk & Resilience Toolkit for Credit Unions*
   The NCUA should develop a climate risk and resilience toolkit. Various stakeholders including examiners, credit unions, and credit union members would benefit from a toolkit covering three critical areas — safe and fair CRFR management (e.g., operational and credit resilience) that ensures compliance with fair lending laws, climate resilience for members, and green lending opportunities. A self-assessment tool — potentially developed in partnership with other Federal Financial Institutions Examination Council (FFIEC) members[38] — would also help credit union members (particularly smaller, community institutions) identify their CRFR as well as their preparedness under various climate scenarios and actionable steps to mitigate risks.

4. *Update the 2006 Disaster Preparedness Risk Alert*
   Given the increasing frequency of costly climate- and weather-related impacts, the NCUA should update its 2006 disaster preparedness risk alert.[39] Almost twenty years have passed, and the increasing frequency and severity of disasters means that credit unions have already been and must continue to stay vigilant to the risks.

5. *Develop Climate-related Financial Risk Guidance*
   The NCUA should provide concise guidance that lays out their expectations of credit unions to operate in a safe and sound manner and comply with all applicable laws and

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[37] "Climate Risk and CAMELS," *Ceres*, May 2023, https://assets.ceres.org/sites/default/files/ACC_ClimateRisk&CAMELS_May23.pdf
[38] *See, e.g.*, FFIEC's Cybersecurity Assessment Tool: https://www.ffiec.gov/pdf/cybersecurity/FFIEC_CAT_May_2017.pdf
[39] "NCUA Risk Alert: Disaster Planning and Response," *NCUA*, April 2006, https://ncua.gov/files/publications/06-Risk-01.pdf

regulations — including fair lending laws[40] — as they incorporate climate-related financial risk mitigation into their regular business practices. Many credit unions are already working to enhance operational resilience for their branches and lower credit risk in lending portfolios, but they should also be thinking about how to support consumers across all communities, especially climate vulnerable communities, as a part of climate-related financial risk management plans. Guidance should include specific recommendations for smaller credit unions and CDFIs to account for their unique risks (e.g., geographic and sectoral concentration), while tailoring expectations to reflect these differences and supporting the education of boards and management on CRFR and why it matters to their credit union.

6. *Organize Examiner Training on Climate-related Financial Risk Mitigation and Green Lending*
   The NCUA should work with credit unions, examiners, and other stakeholders to update examinations and examiner training on CRFR identification and mitigation, including through incorporation into the CAMELS rating system,[41] and green loan portfolios (e.g., electric vehicles). This should be done in parallel with development of guidance and tools. NCUA staff should also collaborate with the other agencies of the FFIEC to update and standardize examination manuals on these topics.[42]

7. *Collaborate on Transition Plans and Climate Scenario Analysis For the Largest Credit Unions*
   The NCUA should begin conversations with its largest credit unions[43] on the development of transition plans[44] and scenario analyses that appropriately account for physical and transition risks to individual credit unions, including macroeconomic factors

[40] "Interagency Fair Lending Examination Procedures," *Office of the Comptroller of the Currency, Federal Deposit, Insurance Corporation, Federal Reserve Board, Office of Thrift Supervision, National Credit Union Administration,* August 2009, https://www.ffiec.gov/pdf/fairlend.pdf

[41] "Climate Risk and CAMELS," *Ceres*, May 2023, https://assets.ceres.org/sites/default/files/ACC_ClimateRisk&CAMELS_May23.pdf

[42] See more detailed FFIEC recommendations in this memo: "Safe, Fair, & Beneficial Climate Financial Risk Mitigation for Banks and Communities," *Americans for Financial Reform Education Fund*, October 2024, https://ourfinancialsecurity.org/wp-content/uploads/2024/10/Safe-Fair-Beneficial-Climate-Financial-Risk-Mitigation-for-Banks-and-Communities_AFR-Policy-Memo_October-2024.pdf.

[43] Cabello, Marcos. "The 10 Largest Credit Unions," *Bankrate*, July 12, 2023. https://www.bankrate.com/banking/credit-unions/biggest-credit-unions-in-america/; "Credit Union Call Report Data," *NCUA*. https://ncua.gov/analysis/credit-union-corporate-call-report-data

[44] European subsidiaries or affiliates of globally active U.S. banks and insurance companies will soon be required to develop and disclose transition plans following rules and regulations adopted in the European Union: "Corporate Sustainability Due Diligence," *European Commission*, July 25, 2024, https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en ; Work on implementation guidance: "EFRAG seeks companies to engage in transition plan implementation guidance," *EFRAG*, April 10, 2024, https://www.efrag.org/en/news-and-calendar/news/efrag-seeks-companies-to-engage-in-transition-plan-implementation-guidance

that might have an impact on individual credit unions or the credit union system. The largest credit unions already undergo stress testing, but with NCUA's intent to, "strengthen and mature analytic capabilities and capacity" including for climate-related financial risk, climate scenario analysis is a tool to explore various future financial scenarios that may significantly differ from "business-as-usual" assumptions as a result of escalating climate change impacts.[45] There are 21 credit unions with assets above $10 billion and that would be an appropriate starting place given they hold 25 percent of total credit union system assets.[46]

We look forward to reviewing NCUA's final budget for 2025-2026, its 2025 annual performance plan, and its 2025 supervisory priorities letter. It is our hope that the NCUA appropriately dedicates funding to support credit unions on climate-related financial risk mitigation, climate resilience, and providing safe, equitable green lending for their members.

Sincerely,

Americans for Financial Reform Education Fund
Environmental Defense Fund
Green America
National Community Reinvestment Coalition (NCRC)
Natural Resources Defense Council
Public Citizen
The Greenlining Institute

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[45] The Network for Greening the Financial System, which includes many US financial regulators as members, continues to develop frameworks for scenario analysis:"The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities," *Task Force on Climate-related Financial Disclosures*. https://www.tcfdhub.org/scenario-analysis/#:~:text=The%20goal%20of%20scenario%20analysis,central%20part%20of%20the%20scenario; "NGFS publishes latest long-term climate macro-financial scenarios for climate risks assessment," *Central Banks and Supervisors Network for Greening the Financial System*, November 7, 2023. https://www.ngfs.net/en/communique-de-presse/ngfs-publishes-latest-long-term-climate-macro-financial-scenarios-climate-risks-assessment

[46] "Quarterly Credit Union Data Summary 2024 Q2," *NCUA*, June 30, 2024, https://ncua.gov/files/publications/analysis/quarterly-data-summary-2024-Q2.pdf