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Statement by

The Honorable Todd M. Harper

Chairman, National Credit Union Administration

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“Oversight of Regulators: Does our Financial System Work for Everyone?”

August 3, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee: Thank you for inviting me to discuss the state of the credit union industry and to provide an update on the operations, programs, and initiatives of the National Credit Union Administration (NCUA).

After more than 20 years of working on financial services policy issues, I have come to believe that effective financial institutions regulators, like the NCUA, need to be:

- fair and forward-looking;
- innovative, inclusive, and independent;
- risk-focused and ready to act expeditiously when necessary; and
- engaged appropriately with all stakeholders to develop effective regulation and efficient supervision.

This regulatory philosophy is my North Star, and it is guiding the agency's response to the COVID-19 pandemic's economic fallout and positioning the NCUA for future challenges. This regulatory philosophy has also informed my priorities for the agency, which include capital and liquidity, consumer financial protection, cybersecurity, diversity and inclusion, and economic equity and justice.

In my testimony today, I will first focus on the state of the credit union industry and the National Credit Union Share Insurance Fund before turning to the NCUA's response to the COVID-19 pandemic's economic fallout, with a particular emphasis on the road ahead.[1] I will also highlight several recent rulemakings, as well as the agency's efforts to advance diversity and inclusion, improve consumer financial protection, and further economic equity and justice. I will then conclude with several legislative requests related to vendor authority, flexibility in managing the National Credit Union Share Insurance Fund, additional funding for the Community Development Revolving Loan Fund, and permanently extending the temporary enhancements of the Central Liquidity Facility.

State of the Credit Union System

Although the pandemic and its associated contraction in economic activity influenced credit union performance throughout 2020 and into the first quarter of 2021, the credit union system, as a whole, has remained on a solid footing.

As of March 31, 2021, the number of federal credit unions declined by 2.7 percent over the year ending in the first quarter of 2021, to 3,167, and the number of state-chartered credit unions declined 2.0 percent to 1,901. The decline in the number of credit unions mainly resulted from the long-running trend of consolidation across all depository institutions. This trend has remained relatively constant across all economic cycles for more than 30 years. During the last year, membership at all federally insured credit unions increased 3.6 percent to 125.7 million.[2]

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[1] The term credit union is used throughout this testimony to refer to federally insured credit unions. The NCUA does not oversee state-chartered, privately insured credit unions.

[2] March 31, 2021 Quarterly Data Summary, https://www.ncua.gov/files/publications/analysis/quarterly-data-summary-2021-Q1.pdf.

Total assets in federally insured credit unions rose by $311 billion, or 19.0 percent, over the year ending in the first quarter of 2021, to $1.95 trillion. Credit union shares and deposits rose by $318 billion, or 23.1 percent, to $1.69 trillion, reflecting the boost to income from federal emergency relief payments to individuals and the sharp economy-wide increase in personal saving. The credit union system's net worth increased by $14.9 billion, or 8.3 percent, over the year to $195.3 billion in the first quarter of 2021.

Strong asset growth led to a decline in the aggregate net worth ratio — net worth as a percentage of assets — from 11.00 percent in the first quarter of 2020 to 10.01 percent in the first quarter of 2021, a decrease of 99 basis points. Since the start of the COVID-19 pandemic the system's aggregate net worth for the system declined 1.36 percentage points. The primary driver of this decline was continued elevated insured share growth in the first quarter of 2021, due primarily to the additional fiscal stimulus approved by Congress. Despite these declines, the credit union system remains well capitalized.[3]

The growth in assets and insured shares has also led to an increase in liquidity within the system, with the overall liquidity position of federally insured credit unions improving in 2020 and into the first quarter of 2021. Cash and short-term investments as a percentage of assets increased from 15 percent to 20 percent, reflecting a 61 percent increase in cash and short-term investments, from $247 billion in the first quarter of 2020 to $398 billion in the first quarter of 2021.

Factors Affecting the Industry in 2021

Looking ahead, the top priority for the NCUA is ensuring that the credit union system and the Share Insurance Fund are prepared to weather any economic fallout related to the pandemic. To protect the fund, the agency is actively monitoring certain segments of the system, including credit unions closely connected to the oil and gas, travel and leisure, and agricultural sectors, among others. The agency is also focusing on credit unions with elevated risks, such as those with large concentrations of commercial real estate loans relative to assets.

Generally, the near-term outlook for the economy is favorable. A consensus of forecasters expects the pace of expansion this year will be the strongest in decades. Job creation will remain strong, leading to higher income and lower levels of unemployment. By the end of the year, the unemployment rate is forecast to be 4.9 percent. Stronger economic conditions are expected to boost longer-term interest rates, although they are not projected to reach pre-pandemic levels within the next year. Short-term rates are forecast to hold near current low levels.

While the economic outlook is improving, credit unions could face a difficult environment for some time, as there are a number of risks on the horizon that could impede the economy's recovery. For example, the recession hit the lower end of the income distribution the hardest, and recovery could take longer for these households. System-wide delinquency rates, which remained low throughout 2020 and into the first quarter of 2021, could begin to rise as pandemic relief programs end. We are closely monitoring these metrics.

[3] 12 U.S.C §1782 (c)(D)(i)(II).

The rising prevalence of the Delta variant of COVID-19, the slowing pace of vaccination, and the potential emergence of new COVID strains could delay the economy's return to a new equilibrium. These news strains could also potentially trigger new economic dislocations. If the economy's performance is worse than expected, labor market conditions could deteriorate, and interest rates may remain low for an extended period.

Alternatively, persistently high inflation could lead the Federal Reserve's Federal Open Market Committee to pull back its asset purchases earlier and more than expected, boosting short-term interest rates. Tighter credit conditions typically constrain consumer and business borrowing and spending and cause economic growth to slow. If short-term rates rise more than long-term rates, the yield curve will flatten, putting downward pressure on credit union net interest margins. Although economic forecasts point to a steepening of the yield curve, the overall interest rate environment will remain challenging, particularly for credit unions that rely primarily on investment income.

The ability to manage interest rate risk will remain a crucial determinant of credit union performance going forward. To remain on a sound footing, credit unions will also need to continue to pay careful attention to capital, asset quality, earnings, and liquidity.

For its part, the NCUA will continue to adjust its supervision and examination program to address potential risks to the Share Insurance Fund and the broader system as economic and financial conditions evolve.

State of the Share Insurance Fund

Created by Congress in 1970, the Share Insurance Fund is backed by the full faith and credit of the United States and insures the share deposits at federally insured credit unions up to at least $250,000. As of March 31, 2020, the Share Insurance Fund insured $1.56 trillion in member deposits.[4]

Under the Federal Credit Union Act, one of the NCUA Board's primary missions is to protect the safety and soundness of the credit union system. An essential part of this responsibility is for the Board to maintain a strong and healthy Share Insurance Fund, which promotes confidence in our nation's system of cooperative credit.

The dramatic rise in insured shares throughout last year resulted in an equity ratio for the Share Insurance Fund of 1.26 percent at the end of 2020.[5] This figure is 4 basis points higher than at the end of the second quarter of 2020, but it also represents a decline of 9 basis points from the year-end 2019 level.

The elevated growth in insured shares continued into the first quarter of 2021. As a result of this growth, during the NCUA Board's May meeting, staff projected the equity ratio for the Fund

[4] *Id.*

[5] Please see page 114 of the 2020 NCUA Annual Report available at https://www.ncua.gov/files/annual-reports/annual-report-2020.pdf.

will be 1.22 percent in June 2021, less than 2 basis points away from the statutory minimum, and 4 basis points below the equity ratio reported at the end of 2020.[6]

If the equity ratio falls below 1.20 percent, or the NCUA Board projects it will within six months, the Federal Credit Union Act requires the NCUA Board to establish and implement a restoration plan within 90 days.[7] The restoration plan must detail how the Board would increase the equity ratio to at least the statutory minimum of 1.20 percent—before the end of an eight-year period beginning upon the implementation of the plan, and other such conditions as the Board determines to be appropriate.

Except for a temporary increase resulting from the consolidation of the Temporary Corporate Credit Union Stabilization Fund with the Share Insurance Fund, the equity ratio has steadily declined since 2014, even with fewer credit union failures causing losses to it. The primary drivers of this trend are the steady growth in insured shares and reduced investment income resulting from a persistent low interest-rate environment. Based on the current interest-rate environment, even with a return to modest insured share growth levels and relatively low credit union failure losses to the fund, the agency expects the equity ratio to continue its downward trajectory. As a result, it seems likely that the Board will need to adopt a restoration plan at some point absent a sizable change in these underlying fundamentals.

NCUA's COVID-19 Response

Throughout the COVID-19 pandemic, the NCUA has focused on three priorities:

- Protecting the health and safety of NCUA staff and contractors so the agency can continue to perform its mission;
- Assessing the impact of COVID-19 on credit union members and operations; and
- Analyzing how the pandemic will affect the future financial condition of credit unions and the Share Insurance Fund.

Agency examiners continue to work closely with credit unions to obtain documentation and complete examination procedures offsite, so credit unions can, in turn, focus on providing services to their members.

Phase One Return to Onsite Operations

Last month, the NCUA announced that it would begin Phase One of its return to onsite operations on July 19, 2021. This decision was made following extensive analysis and after conversations with the NCUA's public health consultant and other financial services regulators. During Phase One, NCUA staff may only volunteer to work onsite in locations where public health data indicate that pandemic conditions have sufficiently moderated. To the extent they

[6] Staff Briefing, Share Insurance Fund Quarterly Report, May 2021 NCUA Board Meeting, available at https://www.ncua.gov/files/agenda-items/AG20210520Item1a.pdf.

[7] 12 U.S.C §1782 (c)(D)(2)

exceed the NCUA's safety protocols for Phase One, NCUA staff working onsite in credit unions will generally be expected to follow credit union policies related to safety and security.[8]

To the extent possible, the NCUA will respect a credit union's preference not to have examination staff onsite during this initial phase. However, the NCUA reserves the right to conduct onsite work at a credit union, if necessary, to address severe and time-sensitive matters. Additionally, NCUA staff will coordinate with state supervisory authorities when working onsite in federally insured, state-chartered credit unions.

Supervisory Priorities in 2021

Recognizing the continued challenges credit unions face due to the pandemic's economic fallout, the NCUA updated its supervisory priorities in January 2021 to focus its examination activities on the areas that pose the highest risk to the industry and the Share Insurance Fund. Some of the agency's supervisory priorities are reviews of credit unions' efforts to:

- Maintain sufficient loss reserves;
- Comply with the Bank Secrecy Act and anti-money laundering laws and regulations;
- Implement CARES Act provisions applicable to credit unions as well as those provisions that were extended through the Consolidated Appropriations Act, including the suspension of the requirement to categorize certain eligible loan modifications as troubled debt restructurings;
- Comply with consumer financial protection laws and regulations;
- Monitor and control credit risk;
- Protect information systems and strengthen cybersecurity defenses;
- Transition from the use of LIBOR; and
- Manage for the potential liquidity risk due to the economic impact of the pandemic.

As the pandemic and its economic and financial disruptions evolve, the NCUA will continue to update its policies and procedures to enhance its supervision program and to provide necessary guidance to the industry.

Over the last year, the NCUA has also established priorities to focus examination and supervisory activities on credit unions posing the greatest risk to the credit union system. Of highest priority are credit unions experiencing significant financial or operational problems. This priority includes credit unions that have asked for assistance and those the NCUA determines may need assistance based on their financial and operational conditions. NCUA examiners will continue working with these credit unions to identify what assistance, if any, is needed.

Additionally, the NCUA recognizes the need to ensure our nation's financial services system is not used for illicit or terrorist financing. The agency continues to work closely with its counterparts at other banking regulatory agencies to adopt the significant changes occurring under the Anti-Money Laundering Act and Corporate Transparency Act of 2020.[9] The NCUA

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[8] NCUA staff will be expected to follow credit union policies to the extent that they do not violate employee rights or conflict with local, state, or federal laws.

[9] Enacted into law as part of the National Defense Authorization Act for Fiscal Year 2021 (PL: 116-283), which is available at https://www.congress.gov/116/bills/hr6395/BILLS-116hr6395enr.pdf.

will also rely on the Treasury Department and the Financial Crimes Enforcement Network to consult and coordinate implementation of those laws, as appropriate.

Regulatory Flexibility Measures
Throughout 2020, the NCUA provided temporary and targeted regulatory flexibility to enable federally insured credit unions to manage their operational and financial risks while meeting their members' needs and adapting to social distancing measures within their communities.

In December 2020, the NCUA Board approved an extension of the effective date of certain regulatory requirements to help federally insured credit unions remain operational and provide appropriate liquidity management flexibility to address economic conditions caused by the pandemic. Specifically, the temporary final rule:

- Raised the maximum aggregate amount of loan participations that a federally insured credit union may purchase from a single originating lender to the greater of $5,000,000 or 200 percent of the credit union's net worth;
- Suspended limitations on the eligible obligations that a federal credit union may purchase and hold; and
- Suspended the required timeframes for the occupancy or disposition of properties not being used for federal credit union business or that have been abandoned.

Each of these temporary modifications were set to expire on December 31, 2020, but the Board extended these measures through December 31, 2021, due to the continued effects of COVID-19 on credit unions and their members.

In April 2021, the NCUA Board also renewed an interim final rule that temporarily modifies certain prudential requirements to help ensure federally insured credit unions remain operational and able to provide needed financial services during the COVID-19 pandemic. This interim final rule is substantively similar to the interim final rule approved by the Board in May 2020.

Specifically, the interim final rule makes two temporary changes to the NCUA's prompt corrective action regulations. The first change reduces the earnings retention requirement for federally insured credit unions classified as adequately capitalized. The second change permits an undercapitalized credit union to submit a streamlined net worth restoration plan if it becomes undercapitalized predominantly because of share growth. If a credit union becomes less than adequately capitalized for reasons other than share growth, it must still submit a net worth restoration plan under the current requirements in the NCUA's regulations.

These temporary measures will remain in place until March 31, 2022.

Central Liquidity Facility
Following the temporary statutory enhancements provided in the CARES Act and their extension in the Consolidated Appropriations Act, 2021, as well as related changes to the agency's regulations, the Central Liquidity Facility (CLF) experienced a significant increase in its

membership and borrowing capacity.[10] I want to thank the Chairman, Ranking Member, and the Members of this Committee for supporting these enhancements in March 2020, as well as their extension last December. And, as I will outline later, I respectfully request that these reforms be made permanent to better protect the credit union system from future liquidity events.

As of June 30, 2021, the number of regular members of the CLF, which consists of consumer credit unions, was 346, up from 283 members in April 2020. Additionally, all 11 corporate credit unions became agent members in May 2020, meaning most of their member credit unions also have access to CLF liquidity. In total, 4,107 credit unions, or 81 percent of all federally insured credit unions, now have access to the CLF, either as a regular member or through their corporate credit union.

New memberships added $1.6 billion in additional total subscribed capital stock plus surplus to the CLF. Under the temporary authority granted by the CARES Act and later extended, the CLF can borrow sixteen times its total capital through the end of 2021. As of June 30, 2021, the facility's borrowing authority stood at $36.0 billion, an increase of $25.5 billion since April 2020.[11]

The NCUA encourages all credit unions to consider joining the CLF to bolster the system's access to emergency liquidity, should the need arise. And, there are several credit unions exploring joining the CLF, which would further increase capacity.

Grants and Loans to Support Members and Underserved Communities

Through its stewardship of the Community Development Revolving Loan Fund (CDRLF), the NCUA provides grants and loans to low-income-designated credit unions that use this funding to improve and expand services to members, build capacity, and stimulate local economic activity. Although relatively small in size, these grants make a big difference to low-income and minority credit unions working to provide more and better services to their members and communities.

In 2020, Congress appropriated $1.5 million for CDRLF technical grants. Congress has not provided an appropriation for the loan component of the CDRLF since 2005. Instead, the NCUA revolves loan funds to qualified credit unions to the extent possible. The urgent need grants the agency provides to low-income credit unions that experience unforeseen disruptions to their operations are funded from income generated by the CDRLF loan portfolio.

It should be noted that the NCUA does not use any appropriated funds to administer the CDRLF. Every penny of the appropriations goes to eligible credit unions and their member-owners.

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[10] The Central Liquidity Facility provides the credit union system with a contingent source of funds to assist credit unions experiencing unusual or unexpected liquidity shortfalls during individual or system-wide liquidity events. The CLF also serves as an additional liquidity source for the Share Insurance Fund, which helps to ensure the credit union system and the fund remain strong. Member credit unions own the CLF, which is managed by the NCUA. Membership in the CLF is open to both federally insured credit unions and privately insured credit unions.

[11] Please see Central Liquidity Facility Monthly Reports, which are available at https://www.ncua.gov/support-services/central-liquidity-facility/monthly-reports.

Last year, the NCUA made the strategic decision to devote almost all its CDRLF efforts to help credit unions and their members meet the significant challenges posed by the COVID-19 pandemic. Overall, the NCUA received 432 technical assistance grant and loan requests for a total of $7.6 million. The agency's funding capacity allowed it to only award $3.7 million in technical assistance grants and loans to 165 credit unions.[12]

Additionally, the NCUA awarded 149 credit unions in 42 states and the District of Columbia more than $968,000 in urgent need grants. Of these credit unions, 144 received more than $930,000 in funding to assist with their operational needs resulting from the pandemic. Five credit unions received $37,000 in urgent needs grants to repair damage to their credit unions because of a natural disaster or another unexpected event.

In 2021, the NCUA will administer approximately $1.5 million in CDRLF grants to qualified low-income-designated credit unions, subject to the availability of funds. This year, two of the grant initiatives focus on supporting minority depository institutions and reaching the underserved to provide greater access to safe and affordable financial services in urban, rural, and other underserved areas. A maximum of $50,000 and $25,000 per awardee will be available as part of the Underserved Outreach and Minority Depository Institution Mentoring initiatives, respectfully.

As part of the 2021 grant round, the NCUA has received 280 grant applications requesting approximately $4.7 million. The number of applications submitted in 2021 was down from 2020, but the total amount requested was nearly $700,000 more than requested the previous year. The NCUA will announce the awardees in September.

Working with Borrowers Affected by COVID-19

Tragically, the COVID-19 pandemic has disproportionately affected low-income communities and communities of color. Besides being at a greater risk of contracting the virus, residents of underserved areas are more likely to experience pandemic-related economic and financial disruptions. Many minority-owned businesses have also been acutely affected by the suddenness and depth of the economic shock resulting from the lockdowns that were implemented to contain the spread of the virus. Rural and underserved communities, too, have been hard hit by COVID-19, and these are the areas that minority depository institutions (MDIs) and low-income-designated credit unions predominately serve.

As cooperative, member-owned financial institutions that reinvest their earnings, many credit unions have a long history of assisting their member-owners in times of need. Throughout the COVID-19 pandemic, the NCUA has encouraged credit unions to work with members experiencing hardship by extending the terms of repayment, or otherwise restructuring their members' debt obligations.

When prudent, credit unions may modify terms for new loans to members, as doing so may help consumer and business members better manage any impact on their financial well-being due to

[12] In 2020, the NCUA received 417 grant applications requesting $3.9 million in funding. The agency awarded approximately $1.6 million in technical assistance and minority depository institution mentoring grants to 156 credit unions. The NCUA also approved $2.25 million in loans to nine credit unions.

COVID-19. The NCUA has also instructed its examiners to refrain from criticizing a credit union's efforts to provide prudent relief for members, when conducted in a reasonable manner with proper controls and management oversight.

During the pandemic, millions of credit union members received government stimulus and child tax credit payments. Although lawmakers intended for consumers to spend this funding on necessities like food, shelter, utilities, and medical care, in certain instances some financial institutions, including some credit unions, instead used these stimulus payments to cover overdraft fees, outstanding debts, and other liabilities.

Financially stressed American consumers deserve better treatment. Many federally insured credit unions have voluntarily decided to protect their members' relief payments from collection, garnishment, and the right of offset. In doing so, these credit unions are demonstrating the cooperative philosophy at the heart of the credit union movement. Legislative action to protect the latest round of stimulus and child tax credit payments from garnishment and offset would protect consumers and help families struggling during the pandemic downturn.

Cybersecurity Efforts in Response to COVID-19

On the issue of cybersecurity, fraudsters and hackers continue their attempts to undermine the very integrity of our interconnected financial system through deception and cyberattacks. To compete, credit unions must be able to safely and securely use technology to deliver member services and to adopt financial innovations to ensure the industry's long-term success. Each of us, however — the NCUA, state supervisory authorities, vendors, and credit unions — must work together to promote innovation with an emphasis on security and equity.

The pandemic has prompted a heightened cybersecurity stance for the agency and the industry, with an emphasis on credit union service continuity, remote workers' security and compliance, and flexibility regarding agency supervision and examination processes. The NCUA has seen increasing fraudulent activity — such as phishing, identity theft, and credential acquisition; ransomware; and cyber-enabled fraud methods — within the credit union system. Emerging cyber-attacks are a persistent threat to the financial sector, and the likelihood of these threats adversely affecting credit unions and consumers is rising because of advances in financial technology and increases in the use of remote workforces and mobile technology for financial transactions.

The NCUA continues to promote cybersecurity best practices in credit unions, and reviews of credit union information systems and assurance programs remain a supervisory priority for the agency. Building upon its industry outreach efforts in 2020, the NCUA is continuing to provide guidance and resources to assist credit unions with strengthening their cyber defenses. As part of its 2021 CDRLF grant initiative, the agency is again funding cybersecurity grants.

The NCUA is also examining ways to strengthen cybersecurity reviews during regular examinations of credit unions. In 2020, the agency began piloting the Information Technology Risk Examination for Credit Unions (InTREx-CU). InTREx-CU harmonizes the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve System, and many state financial regulators, thereby generating a consistent approach across all community-based financial institutions. In 2021, the NCUA is continuing to integrate this tool into its cybersecurity reviews with the goal of deploying the tool systemwide in late 2022 or early 2023.

Recent Rulemakings

I would now like to turn to several recent rulemakings and actions taken by the NCUA Board since last November. These matters include updating the credit union rating system, increasing the amount of capital within the system to absorb losses, facilitating the ability of credit unions to work with borrowers experiencing financial trouble, and amending the agency's risk-based capital rules to ensure greater comparability with those of banks, as required by the Federal Credit Union Act. Additional information about the Board's regulatory actions can be found on the NCUA's public website.[13]

Proposed Rule: Adding Interest Rate Sensitivity or "S" to the CAMEL Rating System
In January 2021, the NCUA Board approved a proposed rule that would add the "S" (Sensitivity to Market Risk) component to the existing CAMEL rating system, thus updating the rating system from CAMEL to CAMELS, and redefine the "L" (Liquidity Risk) component in the rating system. This proposal would enhance clarity and allow the NCUA, state supervisory authorities, and federally insured credit unions to better distinguish between liquidity risk and sensitivity to market risk. The amendment would also enhance consistency between the regulation of credit unions and other financial institutions.

The estimated implementation of this proposal is approximately one year, or as early as the first quarter of 2022. The comment period on this proposed rule closed on May 10, 2021.

Subordinated Debt Final Rules
In December 2020, the Board approved a final rule that amends various parts of the NCUA's regulations to permit low-income-designated credit unions, complex credit unions, and new credit unions to issue subordinated debt for purposes of regulatory capital treatment. One month later, the Board unanimously approved a final rule that amends the NCUA's corporate credit union regulation to clarify that corporate credit unions may purchase subordinated debt instruments issued by consumer credit unions and specifies the capital treatment of these instruments for corporate credit unions that purchase them.

Together, these two rules have the potential to increase capital within the credit union system and better protect the Share Insurance Fund — and taxpayers — from losses. Both rules become effective on January 1, 2022.

Joint-Ownership Share Account Final Rule
In February 2021, the Board approved a final rule amending the NCUA's regulation governing the requirements for a share account to be separately insured as a joint account. The final rule provides federally insured credit unions with an alternative method to satisfy the membership card or account signature card requirement.

[13] Information on the NCUA Board's regulatory actions can be found at https://www.ncua.gov/about/ncua-board/board-meetings-agendas-results.

The change is especially important given the challenges posed by COVID-19 and the resulting economic uncertainty. If the pandemic's economic fallout contributes to the failure of a federally insured credit union, the changes will facilitate the prompt payment of share insurance on joint accounts. The final rule went into effect on March 26, 2021.

Capitalization of Interest Final Rule

In June 2021, the NCUA Board approved a final rule that removes the prohibition on the capitalization of interest in connection with loan workouts and modifications. This final rule also gives credit unions parity with banks, Fannie Mae, Freddie Mac, and the Federal Housing Administration, all of which had already allowed servicers to capitalize interest as part of a prudent modification program.

For borrowers experiencing financial hardship, a prudently underwritten and appropriately managed loan modification, consistent with consumer financial protection laws and safe-and-sound lending practices, is generally in the long-term best interest of both the borrower and a credit union. Such modifications may allow borrowers to remain in their homes and to help minimize the costs of default and foreclosure for both the credit union and its member.

The rule removes the prohibition on credit unions from capitalizing interest on loan modifications while maintaining the important prohibition on a credit union capitalizing credit union fees and commissions. It also establishes consumer financial protection guardrails like ability to repay requirements and prohibits predatory lending practices, such as negative amortization, to ensure that the addition of unpaid interest to the principal balance of a mortgage loan will not hinder the borrower's ability to make payments or become current on the loan. These measures apply to workouts of all types of member loans, including commercial and business loans.

Importantly, in those cases where state law applies and is more stringent, credit unions must comply with those consumer financial protection standards. As a result, this rulemaking establishes a regulatory floor, not a ceiling for consumer financial protection.

The final capitalization of interest rule became effective on July 30, 2021.

Proposed Rule Creating the Complex Credit Union Leverage Ratio and Other Amendments to the NCUA's 2015 Risk-based Capital Rule

At its July 2021 meeting, the NCUA Board approved a proposed rule that amends the NCUA's capital adequacy regulation to provide a simplified measure of capital adequacy for federally insured credit unions classified as "complex."[14]

The proposed rule would modify the NCUA's capital adequacy regulation and provide a simplified measure of capital adequacy that federally insured credit unions classified as complex can opt into. The new Complex Credit Union Leverage Ratio (CCULR) gives complex credit unions that maintain a minimum net worth level and meet other qualifying criteria a streamlined

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[14] A complex credit union is defined in the NCUA's risk-based capital rule as any federally insured, natural-person credit union with $500 million in assets or greater, as defined in the NCUA's 2018 supplemental risk-based capital rule. Please see https://www.govinfo.gov/content/pkg/FR-2018-08-08/pdf/2018-16888.pdf.

framework to manage capital in their institutions. Provided that a credit union in the CCULR framework maintains the minimum net worth ratio, it would be considered well capitalized.

The new CCULR is comparable to the Community Bank Leverage Ratio that went into effect in January 2020. Under the NCUA's proposal, the minimum net worth level under the CCULR framework would initially be 9 percent on January 1, 2022, and this level would gradually increase to 10 percent by January 1, 2024. Using December 31, 2020, financial performance data, the NCUA estimates that most complex credit unions would be able to meet the CCULR's initial net worth requirement of 9 percent.

The proposed rule would also make several amendments to update the NCUA's final risk-based capital rule, such as addressing asset securitizations issued by credit unions, clarifying the treatment of off-balance sheet exposures, and deducting certain mortgage servicing assets from a complex credit union's risk-based capital numerator. The proposed rule also updates several derivative-related definitions and clarifies the definition of a consumer loan.

Comments on the proposed rule are due 60 days after publication in the *Federal Register*.

Climate Financial Risk

Extreme weather events are accelerating, and the number and costs of climate-related natural disasters are often hitting disadvantaged communities the hardest. Financial regulators, like the NCUA, have a responsibility to foster resiliency to all material risks to financial institutions, including those related to climate change. By measuring, monitoring, and mitigating such risks, the NCUA can fulfill its core obligations of maintaining the safety and soundness of credit unions, protecting consumers, and safeguarding the Share Insurance Fund.

Additionally, the agency must consider not only the macroeconomic impact of climate change, but also the microeconomic context. Most credit unions focus on mortgage, auto, and small business lending. Over time, climate change will affect the value of collateral like homes and commercial properties, especially in areas affected by extreme weather. Additionally, a credit union's field of membership may be tied to communities or activities that may be dramatically affected by climate change, like farming or fossil fuels. Credit unions serving such populations must consider adjusting their fields of membership or altering their lending portfolios to remain resilient over the long term.

The NCUA will continue to examine the effects of climate financial risk on the credit union system and on other areas of the financial sector. The agency will also continue to engage with other regulatory agencies as part of the Financial Stability Oversight Council and other interagency working groups on the issue of climate financial risk within the broader financial system and economy.

Diversity, Equity, and Inclusion

The NCUA has a long-standing commitment to diversity, equity, and inclusion, and these important values are reflected in the agency's policies and practices.

Numerous studies have demonstrated that organizations that prioritize the creation of a more diverse and inclusive workplace experience greater staff motivation, improved customer service, and higher employee retention, all of which lead to greater efficiencies and better financial performance. Thus, these principles are vital for the continued health and success of the credit union system.

As part of its efforts, the NCUA will host its second Diversity, Equity, and Inclusion (DEI) Summit taking place November 2 through 4. The 2021 DEI Summit builds on the success of the agency's 2019 summit and will provide credit union industry professionals who are committed to advancing diversity, equity, and inclusion a forum to share best practices, address challenges to advancing diversity, and learn how the NCUA can support the industry in its efforts.

The principles of diversity, equity, and inclusion are also being embraced more widely within the credit union industry. For example, several industry leaders formed the Credit Union DEI Collective, which serves as a resource on all things related to DEI within the credit union system. Additionally, there have been efforts within the credit union system to make DEI part of the core principles of the cooperative credit system.

NCUA's Workforce Diversity

With respect to its workforce, the NCUA continues to exceed the Civilian Labor Force in the Black/African American, Asian/Pacific Islander, and Multiracial groups. In 2020, 41.5 percent of new hires at the NCUA were people of color, and gender diversity among the agency's executives achieved parity for the first time. Additionally, 15.4 percent and 4.2 percent of the NCUA's workforce identify as having disabilities and targeted disabilities, respectively. These figures exceed the federal employment goals established in Section 501 of the Rehabilitation Act of 1973.

The NCUA also works to advance the agency's mission and create a greater sense of belonging within its workforce through seven employee resource groups. After establishing the program in 2018, the NCUA has 269 employees, or 23.4 percent of the workforce, participating in one or more of these employee resource groups. This level is more than twice the benchmark participation rate for successful programs.

Additionally, in May 2020, under the leadership of then-Chairman Rodney Hood, the agency launched its Culture, Diversity, and Inclusion Council. Comprised of 18 employees across the agency's business lines, in both supervisory and non-supervisory roles, the Council's mission is to identify and advance a positive, high-performing organizational culture that will allow the NCUA to achieve its mission; support the agency's strategic goal of attracting, engaging, and retaining a highly skilled, diverse workforce by cultivating an inclusive environment; and assist and advise leadership on the implementation of strategic diversity and inclusion priorities.

In 2020, the Council conducted an agency-wide culture and climate survey, in which a majority (59 percent) of the NCUA's staff participated. These survey results were combined with results from subsequent focus groups to assess employee perceptions of the NCUA's culture. The Council is now analyzing the results and developing recommendations to address the issues identified in the survey. They will present their findings and recommendations to the agency's leadership in September.

Supplier Diversity

The NCUA also understands the importance of developing and maintaining a base of suppliers and contractors where a diverse group of businesses is well-represented.

In 2020, 33.2 percent of the agency's reportable contracting dollars were awarded to minority- and women-owned businesses, a decrease of 9.8 percentage points from 43.0 percent in 2019.[15] Most of the decline was seen in technology purchasing, where the minority- and women-owned business contract spend was 33.3 percent in 2020 compared to 44.8 percent in 2019.

Despite this decline, 2020 was a relatively strong year for the NCUA's supplier diversity performance. And, the agency's performance continues to demonstrate the positive impact of intentional and consistent inclusion of proven, qualified, and responsive minority- and women-owned businesses in the competitive procurement process.

Assessing Diversity Policies and Practices of Regulated Entities

The NCUA's voluntary Credit Union Diversity Self-Assessment tool assists credit unions in implementing the diversity standards set forth in the *Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies*.[16] Credit unions are encouraged to annually use and submit the self-assessment to the NCUA.

In 2020, 188 federally insured credit unions, 115 federal and 73 state-chartered, submitted self-assessments, an increase of 59.3 percent over 2019. These credit unions varied in the number of employees and asset size. Of those credit unions submitting results, 104 had more than 100 employees, representing 15.1 percent of the credit unions in this category. The aggregate number of employees working at these credit unions represented 13.6 percent of employees at all federally insured credit unions at the time. Asset sizes for the responding credit unions ranged from just above $1 million to more than $15 billion, with 142 of the 188 credit unions, or 75.5 percent, reporting $100 million or more in assets.

While the volume of self-assessment responses received has steadily increased, the NCUA recognizes the need for higher industry response rates. The NCUA's leadership will, therefore, continue to encourage more credit unions to participate.

Modernization of the NCUA's Examination Systems

Under the agency's Enterprise Solution Modernization Program, the NCUA is developing new technology to replace several existing systems that are at the end of their service lives.

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[15] Please see page 20 of the NCUA's *OMWI Report to Congress 2020* available at https://www.ncua.gov/files/publications/2020-omwi-congressional-report.pdf.

[16] 80 FR 33016, available at https://www.federalregister.gov/documents/2015/06/10/2015-14126/final-interagency-policy-statement-establishing-joint-standards-for-assessing-the-diversity-policies.

The NCUA’s current examination system, AIRES, is a custom-built, 25-year-old system based on outdated technology. Given the age of AIRES and the importance of an electronic examination system to the mission of the agency, priority was given to the development of its replacement, the Modern Examination and Risk Identification Tool, or MERIT. To successfully deploy this new system, it was necessary to stand up the technology architecture, infrastructure, and security posture needed for a full modernization. MERIT and its related systems will be continually improved in the operations and maintenance phase of MERIT’s lifecycle.

Besides better and more robust financial analytics, MERIT provides numerous improvements over the legacy AIRES examination system, including better controlled access to examination data across the organization and greater efficiency in reporting.

Simultaneous to MERIT’s development, the NCUA has been exploring the concept of virtual examinations of credit unions. By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to significantly reduce the frequency and scope of onsite examinations.

The pandemic and offsite operational posture resulted in the implementation of virtual processes during 2020 to continue the agency’s supervision of the credit union industry. This unplanned need provided an incubator and learning environment to identify effective and ineffective strategies for remote or virtual examinations. The agency is studying longer-term strategies to institutionalize the lessons learned during the pandemic for future changes within the virtual examination program. The full implementation of MERIT in the coming months will also facilitate the ability of the agency to conduct more of its supervisory efforts remotely in the future.

Consumer Financial Protection

Equally vital to the members of credit unions is consumer financial protection and fair and equitable access to credit. To that end, the NCUA is working to strengthen its consumer financial protection program to ensure that all consumers receive the same level of protection, regardless of their financial provider of choice. The agency can do more to protect consumers’ interests and ensure that the credit union system lives up to its commitment to serve members.

Specifically, the agency is developing a proposal to enhance consumer compliance examination procedures for the largest credit unions that are not primarily examined for consumer financial protection by the Consumer Financial Protection Bureau (CFPB), performing targeted consumer compliance examination procedures in every federal credit union exam, and developing consumer compliance training materials for examiners and credit unions. The agency is also placing an increased emphasis on fair lending compliance.

Regarding discrete consumer financial protection issues, the NCUA continues to focus on compliance with the forbearance provisions of the CARES Act and efforts to help consumers who are experiencing financial difficulties due to the pandemic. Whether it entails reworking an existing loan due to financial stress or delaying payments, the agency expects credit unions to work with their members as forbearance agreements roll off and foreclosure moratoriums expire.

Further, the agency has encouraged credit unions to be proactive and prepare for how they will handle the financial difficulties their members will experience as the pandemic's economic fallout continues.

The NCUA can also do more to improve the financial capability and personal finance knowledge of the member-owners of credit unions. Financial education plays a key role in helping consumers better understand how to save, earn, borrow, invest, and protect money wisely. Additionally, consumers who have a strong foundation in personal finance are essential to a healthy credit union system.

During the final months of 2020 and into the first quarter of 2021, the NCUA worked in partnership with other federal agencies to raise awareness of the importance of financial education. The agency cohosted webinars with the CFPB, Internal Revenue Service, and the FDIC on such topics as financial readiness for servicemembers, veterans and their families; the Earned Income Tax Credit and Voluntary Income Tax Assistance program; and access to federally insured accounts at banks and credit unions for young people.

Going forward, the NCUA will continue to collaborate with other federal agencies and stakeholders to raise awareness of consumer financial protection laws and regulations and the importance of financial literacy. The agency's online consumer resources educate consumers and support credit unions and their efforts to provide financial education to their members. We are evaluating ways to improve this website.

Economic Equity and Justice

Last year's nationwide Black Lives Matter demonstrations heightened public awareness of economic equity and justice. The NCUA and credit unions each have important roles to play in advancing this important goal.

Research conducted after the last economic downturn found that credit unions that leaned in and increased lending within underserved communities recovered more quickly than those that did not. Research has also shown that there are three primary ways to close the wealth gap. One is to open and regularly fund a retirement account; another way is to own a home; and the third way is to start a business.

Given the cooperative philosophy that underlies the credit union movement, credit unions have a moral obligation to step up and help people of color recover and start anew in the months ahead. Through these efforts, credit unions can help ease the financial impact of COVID-19 and systemic racism on communities of color, and the result will be a more vibrant economic outcome for everyone in society.

The NCUA is working to address these issues as part of its Advancing Communities through Credit, Education, Stability and Support Initiative (ACCESS), which began under then-Chairman Hood, and through its CDRLF technical assistance grants and other efforts. As part of the ACCESS initiative, a working group at the NCUA is examining ways to modernize the chartering process to help ensure that groups that want to form new federal credit unions can do so in an efficient manner, a priority for Board Member Kyle Hauptman.

As noted earlier, the NCUA provides grants and loans through the CDRLF. These grants and loans make a tremendous difference to small, low-income and minority credit unions working to provide more and better services to their members and communities or seeking to bolster their own capacity. The NCUA expects to announce the 2021 grant awardees at the beginning of September.

The NCUA also continues its efforts to preserve and grow the number of MDI credit unions. At the end of 2020, 520 federally insured credit unions had self-certified as MDIs. Together, these credit unions served 4.3 million members, held more than $51.1 billion in assets, and represented 10.2 percent of all federally insured credit unions.

The agency assists these vital institutions by:

- Offering technical assistance grants and training sessions;
- Facilitating mentor relationships between smaller MDI credit unions and larger MDI credit unions;
- Negotiating financial support to sustain MDIs;
- Delivering guidance to groups establishing new MDIs; and
- Approving new charter conversions and field-of-membership expansions to facilitate new opportunities for growth.

Additionally, the agency is hosting a series of regional MDI roundtables in 2021 to gain a greater understanding of the evolving needs of these institutions, and how the agency can improve its MDI preservation program. The first of these forums occurred on June 30 and two more are planned for the end of the September. The agency also has plans for a broader MDI symposium after completion of the regional roundtables in the fall of 2021.

By enhancing support for small, low-income, and MDI credit unions, enforcing fair lending laws, and advancing initiatives to close the wealth gap, the NCUA can address the disparities created by centuries of systemic discrimination and exacerbated by the pandemic. The agency can also ensure that the cooperative nature of the credit union system lives up to its mission of meeting the credit and savings needs of consumers, including those of modest means.

Legislative Requests

To ensure the NCUA has the necessary tools to protect against economic and financial stress, as well as increase opportunities for underserved communities, I would like to close by briefly highlighting four areas where legislative action would aid the agency in fulfilling its statutory mission.

Vendor Authority

The NCUA requests the Congress enact legislation to provide the agency examination and enforcement authority over third-party vendors, including credit union service organizations (CUSOs).

In 1998, the NCUA was granted some third-party vendor authority to address the Y2K changeover, but that authority expired in 2002. Since then, the NCUA's Inspector General, the Financial Stability Oversight Council, and the Government Accountability Office have all called for the restoration of this authority.[17]

Currently, the NCUA may only examine CUSOs and third-party vendors with their permission, and vendors, at times, decline these requests. Further, vendors can reject the agency's recommendations to implement appropriate corrective actions to mitigate identified risks. For example, in the past, several vendors refused to implement the NCUA's recommendations to improve network security and safeguard sensitive member information due to cost concerns. This stands in stark contrast to the authority of our federal banking agency counterparts.

Increasingly, activities that are fundamental to the credit union mission and operations, such as loan origination, lending services, Bank Secrecy Act and anti-money laundering compliance, and financial management, are being outsourced to entities that are outside of the NCUA's regulatory oversight. In addition, credit unions are increasingly using third-party vendors to provide technological services, including information security, and mobile and online banking. Member data are also being stored on vendors' servers. The pandemic, which has accelerated the industry's movement to digital services, has only increased credit union reliance on third-party vendors.

While there are many advantages to using these service providers, the concentration of credit union services within CUSOs and third-party vendors presents safety and soundness and compliance risk for the credit union industry. For example, the top five credit union core processor vendors provide services to approximately 87 percent of total credit union system assets. Additionally, the top five CUSOs provide services to nearly 96 percent of total credit union system assets. A failure of even one of these vendors represents a significant potential risk to the Share Insurance Fund and the potential for losses from these organizations are not hypothetical. Between 2008 and 2015, CUSOs contributed to more than $300 million in losses to the Share Insurance Fund alone.[18]

The continued transfer of operations to CUSOs and other third parties diminishes the ability of the NCUA to accurately assess all the risks present in the credit union system and determine if current CUSO or third-party vendor risk-mitigation strategies are adequate. This leaves thousands of credit unions, millions of credit union members, and billions of dollars in assets potentially exposed to unnecessary risks.

[17] Please see the following: U.S. Government Accountability Office, GGD-99-91 "Enhancing Oversight of Internet Banking" (July 1999) https://www.gao.gov/assets/ggd-99-91.pdf, Office of Inspector General, OIG-20-07, "Audit of the NCUA's Examination and Oversight Authority over Credit Union Service Organizations and Vendors" www.ncua.gov/files/audit-reports/oig-audit-cusos-vendors-2020.pdf. Annual Reports of the Financial Stability Oversight Council 2015, 2016, 2017, 2018, available at https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/financial-stability-oversight-council/studies-and-reports/annual-reports/fsoc-annual-reports-archive. See U.S. Government Accountability Office, GAO-04-91, "Financial Condition Has Improved, but Opportunities Exist to Enhance Oversight and Share Insurance Management" (October 2003) https://www.gao.gov/products/gao-04-91.

[18] Office of Inspector General, OIG-20-07, "Audit of the NCUA's Examination and Oversight Authority over Credit Union Service Organizations and Vendors" www.ncua.gov/files/audit-reports/oig-audit-cusos-vendors-2020.pdf (See page 14).

As such, the NCUA requests the comparable authority as our counterparts on the Federal Financial Institutions Examination Council to examine third-party vendors. I look forward to working with this Committee on legislation to close this growing regulatory blind spot.

National Credit Union Share Insurance Fund Improvements

Three enduring lessons of the financial crisis in 2008 are the critical importance of well-funded deposit insurance systems to maintain financial stability during times of stress; the need for flexibility to properly prepare for and navigate through future crises; and the establishment of appropriate incentives for financial institutions to mitigate risk.

During the financial crisis of 2008–2010, the failure of five large corporate credit unions threatened the stability of the credit union system and the viability of the Share Insurance Fund. In response, Congress approved the creation of the Temporary Corporate Credit Union Stabilization Fund in May 2009, to accrue the losses from the failed corporate credit unions and assess insured credit unions for such losses over time. Without the creation of the Corporate Stabilization Fund, these losses would have been borne by the Share Insurance Fund, depleting its retained earnings and equity and significantly impairing credit unions' one percent contributed capital deposit.

This episode demonstrated that significant failures or other large shocks to the system could quickly deplete the Share Insurance Fund's equity levels. Therefore, it is essential the NCUA Board have the ability to build up the fund's reserves during periods of economic prosperity and financial stability, so that it is more resilient during periods of economic and financial stress.

The Dodd-Frank Wall Street Reform and Consumer Protection Act made several changes to the Federal Deposit Insurance Act to increase the authority to manage the Deposit Insurance Fund. One provision increased the Deposit Insurance Fund's minimum reserve ratio from 1.15 percent to 1.35 percent.[19] Another provision removed the 1.50 percent upper limit on its designated reserve ratio and eliminated the requirement that dividends be provided from the Deposit Insurance Fund when the reserve ratio is between 1.35 percent and 1.50 percent.[20]

Congress did not make similar statutory changes to the Federal Credit Union Act's provisions governing the Share Insurance Fund following the financial crisis more than a decade ago. As a result, under current law, the NCUA does not have the appropriate flexibility necessary to manage the Share Insurance Fund in a manner consistent with the growing size and complexity of the credit union industry, as well as with broader national financial stability goals.

To address these concerns, the NCUA seeks changes to the statutory provisions contained in the Federal Credit Union Act to enable the NCUA Board to proactively manage the Share Insurance Fund. In particular, the agency requests the following legislative changes:

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[19] Pub. L. No. 111–203, 334(a), 124 Stat. 1376, 1539 (codified at 12 U.S.C. § 1817(b)(3)(B)); *see also* 75 FR 79286 (Dec. 20, 2010) available at https://www.fdic.gov/regulations/laws/federal/2010/10finaldec20.pdf.

[20] *Id.*

- Increase the Share Insurance Fund’s capacity by removing the 1.50 percent statutory ceiling on its capitalization;
- Remove the limitation on assessing premiums when the equity ratio exceeds 1.30 percent, granting the NCUA Board more discretion on the assessment of premiums; and
- Institute a risk-based premium system.

These recommended changes, if enacted, would allow the NCUA Board to build, over time, enough retained earnings capacity in the Share Insurance Fund to effectively manage a significant insurance loss without impairing credit unions’ contributed capital deposits in the Share Insurance Fund, thus avoiding situations like the one that led to the creation of the Corporate Stabilization Fund during the last financial crisis. Moreover, these changes would generally bring the NCUA’s statutory authority over the Share Insurance Fund more in line with the statutory authority over the operations of the FDIC’s Deposit Insurance Fund.

Central Liquidity Facility

The CARES Act contained a provision that provided the NCUA with an important tool to ensure continued liquidity of the system as it responded to the COVID-19 pandemic. This provision, which was reauthorized in the Consolidated Appropriations Act, is set to expire on December 31, 2021. The NCUA respectfully requests that Congress make the enhancements to the NCUA’s CLF granted in the CARES Act permanent for the stability of the credit union system moving forward.

Before enactment of the CARES Act, the CLF had the authority to borrow provided its obligations did not exceed twelve times the subscribed capital stock and surplus of the CLF (that is, the sum of its retained earnings and capital stock). The CARES Act temporarily increased the multiplier from 12 to 16, meaning that, for every $1 of capital and surplus, the CLF can now borrow $16. Because a credit union that joins the CLF pays in only half of the subscribed capital stock subscription amount, the CLF can now borrow $32 for each new dollar of paid in capital it raises.

Second, the CARES Act temporarily relaxes the requirements on agent membership, making such membership more affordable for corporate credit unions. An agent member is no longer required to buy capital stock for all its member credit unions; it may buy CLF capital stock for a chosen subset of the credit unions it serves.

Third, the CARES Act changed the definition of “liquidity needs” to include the needs of any credit union, not only consumer credit unions. This new definition broadens access by allowing the CLF to meet the liquidity needs of corporate credit unions.

Lastly, the CARES Act provides more clarity about the purposes for which the NCUA Board can approve liquidity need requests by removing the phrase “the Board shall not approve an application for credit the intent of which is to expand credit union portfolios.” The NCUA Board now has more flexibility and discretion to approve applications for CLF members that have made a reasonable effort to first utilize primary sources of funding. This change increases the transparency and efficiency of the loan-approval process by removing doubt about whether a credit union’s portfolio may expand if it borrows from the CLF to meet liquidity needs.

The growth in the number of CLF's members and its borrowing authority, as noted earlier, is a testament to our nation's credit unions coming together in a time of crisis to strengthen the national system of cooperative credit. However, it is important that these temporary enhancements to the CLF are made permanent.

We know from experience that any time there are economic contractions, we can expect credit unions' liquidity needs to rise. And, in a manner similar to firefighters responding to a blaze, the NCUA needs to be ready to provide that emergency liquidity quickly before the lack of liquidity spreads and undermines the strength and stability of the credit union system. Those liquidity needs may spike after the current expiration date of these statutory changes, or they may increase during a future economic crisis. Permanence would provide regulatory certainty for federally insured credit unions during the current crisis and bolster the credit union system's ability to respond to future emergencies.

Community Development Revolving Loan Fund
Finally, demand for CDRLF grants regularly exceeds supply. During the COVID-19 pandemic, the communities served by low-income credit unions and MDIs are disproportionally affected by the pandemic's financial and economic disruptions. As such, I respectfully request that the Congress increase CDRLF appropriations to $10 million. With more funding, the agency could increase the number of credit unions receiving grants and increase the size of the grants it makes, deepening the program's impact in underserved communities.

Conclusion

In conclusion, the NCUA appreciates the continued support of the Senate Committee on Banking, Housing and Urban Affairs for a strong credit union system and its members, as well as the goals, priorities, initiatives, and employees of the NCUA.

Unquestionably, the last 17 months were an unusual period in which the many participants within the credit union system rose to numerous challenges. In that regard, I would like to express my deep gratitude and appreciation to the NCUA's employees and my fellow Board members, including former Chairman Rodney E. Hood, who led the agency throughout much of the first year of the crisis. The NCUA staff and Board are fundamental to the agency's effectiveness. None of us could have anticipated the extraordinary circumstances in which we found ourselves, yet the NCUA team has exhibited tremendous resilience in responding to the pandemic.

As we continue to smartly and safely navigate through the pandemic-induced economic crisis and plan for the future, the NCUA will stay focused on addressing the needs and best interests of credit union members, while also ensuring the safety and soundness of credit unions and protecting the Share Insurance Fund from losses. By staying focused on these issues, the agency will ensure that the cooperative credit union movement achieves its full potential and address long-standing issues of economic equity and justice.

I look forward to working with all of you in support of these endeavors. Thank you.