



strength in members.

August 1, 2016

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Chairman Metsger,

On behalf of the New York Credit Union Association, I am writing in support of NCUA's proposal to extend the exam cycle for federal credit unions. NCUA's willingness to ask credit unions to suggest ways of making the examination system more efficient has produced a wide range of constructive suggestions for improving the examination process. There is broad agreement that examination cycles should be extended for well-performing credit unions and that the exam cycle could be improved with more technology. Furthermore, more emphasis should be placed on examining the unique strengths and weaknesses of a given credit union.

Almost all of the 38 credit unions that provided feedback to the Association voiced strong support for an 18-month exam cycle. Credit unions complain that they face yearly exam cycles even though they have consistently maintained a one or two CAMEL rating and have not made significant changes since the last exam. The current system creates an environment in which even well-performing credit unions are subject to almost continuous oversight. This, coupled with an influx of new examiners, creates moving compliance targets.

Consequently, NCUA should utilize its board powers to regulate exam criteria and implement an 18-month exam cycle for well-performing credit unions with a consistent track record of sound management. Furthermore, emphasis should be placed on minimizing the examination burden of smaller credit unions. Despite widespread support for extended exam cycles for well-performing institutions, credit unions also believe that an 18-month exam cycle is too risky for struggling institutions. As a result, only credit unions with a CAMEL rating of at least 2 for the last two years should be eligible for an 18-month cycle.

NCUA should adopt a risk-based approach not only to how often examinations take place but to what examiners concentrate on. Credit unions are concerned that examiners often request and analyze generic issues. For example, a credit union with a historically sound BSA program shouldn't always have its BSA program analyzed. Instead, examiners should request a list of information based on a credit union's last exam. Similarly, NCUA should continue recruiting and training examiners with specific subject areas of expertise. Ultimately, a system in which

specially trained examiners assess more sophisticated products and services minimizes the duration of examinations.

As NCUA explores ways to make examinations more efficient, it should place a major emphasis on technology. Credit unions expressed concern at the slow pace of reform in this area. For example, it's amazing that credit unions are still asked to send paper copies of their policies to examiners. A common complaint is that exams are conducted on the examiners schedule. Providing remote access to pertinent information would give both examiners and staff more flexibility. Some credit unions and examiners are already harnessing technology on an ad hoc basis. For example, one credit union told us that it provided almost all of its examination documents electronically. The examiner remarked that this approach saved him several days of time that he would have spent in the credit union offices.

Finally, in reviewing the history of NCUA's examination cycles, it is notable how often NCUA has shifted back and forth from longer to shorter exam periods. As a result of this inconsistency, neither credit unions nor NCUA have enjoyed the benefits of a fully efficient examination process. Consequently, changes NCUA makes in this area should be designed to last for an extended period of time. For example, if the length of an exam cycle is ultimately tied to a credit union's asset size, then that threshold should be adjusted for inflation on an annual basis. Furthermore, not every economic downturn must result in greater supervision. The events of 2008 were extraordinary. NCUA should commit itself to maintaining an extended exam cycle even during times of economic uncertainty so that well-functioning credit unions with a successful track record are allowed to function with a minimum amount of oversight.

Thank you for the opportunity to provide you with the above feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "W. J. Mellin". The signature is fluid and cursive, with the first name "W. J." and the last name "Mellin" clearly distinguishable.

William J. Mellin
President/CEO
New York Credit Union Association