November 27, 2024

Melane Conyers-Ausbrooks, Secretary of the Board
National Credit Union Administration
Docket Number: NCUA-2024-0135
1775 Duke Street
Alexandria, VA 22314

Re: The NCUA Staff Draft 2025-2026 Budget Justification; Docket Number NCUA-2024-0135; Document No. 2024-25568; 89 FR 87608 (Nov. 4, 2024)

Dear Ladies and Gentlemen:

Better Markets[1] appreciates the opportunity to comment on the draft budget and justification for 2025-2026 ("Proposal") from the National Credit Union Administration ("NCUA" or "Agency").[2] By law, the NCUA is required to prepare a budget annually and make it available for public comment.[3]

The NCUA provides vital support for Main Street Americans and financial stability through its mission of "protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance."[4] The Agency regulates and supervises more than 4,500 federally-insured credit unions, operating in every state in the country as well as Washington, DC; Puerto Rico, the Virgin Islands, and Guam.[5] These credit unions serve more than 141 million account holders ("Members") and have more than $2.3 trillion in total assets, as of June 30, 2024.[6] More than two-thirds of all counties in the country are served by a credit union or credit union branch.[7]

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1 Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

2 The NCUA Staff Draft 2025-2026 Budget Justification; Docket No. NCUA-2024-0135; Document No. 2024-25568; 89 Fed. Reg. 87608 (Nov. 4, 2024), https://www.federalregister.gov/documents/2024/11/04/2024-25568/the-ncua-staff-draft-2025-2026-budget-justification.

3 12 U.S.C. 1789(b)(1)(A).

4 National Credit Union Administration, Mission and Values, https://ncua.gov/about/mission-values (last accessed Nov. 13, 2024).

5 The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87609.

6 *Id*.

7 National Credit Union Administration, Call Report Quarterly Data: Credit Union Branch Information: June 2024, https://ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data (last accessed Nov. 15, 2024).

Better Markets strongly supports the NCUA's Proposal. Combined, the Agency's proposed Operating Budget, Capital Budget, and Share Insurance Fund Administrative Expenses Budget is $433 million for 2025. While this total is higher than the NCUA's budget for 2024, it is ***$0.3 million lower*** than the amount that was approved by the NCUA Board for 2025 in December 2023.[8] Moreover, the budget is justified because it will fund the necessary staffing increases and information technology improvements—including required cybersecurity preparedness and analytical capabilities to detect risks such as fraud and money laundering. ***These risks are very serious and cannot be taken lightly, or underfunded.*** In summary, while it is true that many credit unions are small in size, they are vital to the individuals, families, and communities across the country who rely on them for a range of financial services – transactional accounts, savings accounts, loans, and more. Therefore, the Proposal should be approved as soon as practicable.

BACKGROUND

Credit unions have existed for more than 100 years, providing vital financial services to Americans across the country.[9] In 1934, President Franklin Delano Roosevelt signed the Federal Credit Union Act into law, to create the system of federally chartered credit unions that exists today.[10] Congress created the NCUA in 1970 as an independent federal agency with responsibility for chartering and supervising federal credit unions as well as managing the National Credit Union Share Insurance Fund—similar to the Deposit Insurance Fund ("DIF") managed by the Federal Deposit Insurance Corporation ("FDIC").[11] Like the DIF which protects bank depositors in the event of a bank failure, the NCUA's Share Insurance Fund provides insurance to Members; if a credit union fails, account holders' funds are protected up to the current $250,000 limit.

Small Credit Unions

There are more than 4,500 federally insured credit unions in operation today,[12] nearly the same as the number of banks.[13] Most credit unions are small and focused on serving Main Street Americans. As of fourth quarter 2023:

- **927 credit unions (20% of the total)** had less than $10 million in assets. This group reported the fastest loan growth among all credit union size cohorts in 2023—evidence

[8] The NCUA drafts and approves budgets annually for the next two years. For example, in December 2023, the budgets for 2024 and 2025 were approved. This year, the budgets for 2025 and 2026 are being considered. *See* National Credit Union Administration, Press Release, *Board Approves NCUA 2024–2025 and Central Liquidity Facility Budgets* (Dec. 14, 2023), https://ncua.gov/newsroom/press-release/2023/board-approves-ncua-2024-2025-and-central-liquidity-facility-budgets.

[9] See, e.g., NATIONAL CREDIT UNION ADMINISTRATION, ANNUAL REPORT 16-17 (2023), https://ncua.gov/files/annual-reports/annual-report-2023.pdf.

[10] *Id*.

[11] *Id*.

[12] The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87609.

[13] FEDERAL DEPOSIT INSURANCE CORPORATION, STATISTICS AT A GLANCE (June 30, 2024), https://www.fdic.gov/system/files/2024-08/fdic-2q2024.pdf.

that even the smallest credit unions are indeed essential to the financial well-being of local communities.[14]

- Another **1,904 credit unions (41% of the total)** had total assets of between $10 million and $100 million. These credit unions also reported loan growth in 2023.[15]

- Combined, these nearly 3,000 credit unions with $100 million or less in total assets served **7.7 million Members** and held **$83 billion** in total assets.[16]

Minority- and Low-Income Serving Credit Unions

The NCUA also supports credit unions that serve minority and low-income individuals and communities throughout the country. Better Markets has long emphasized the need for specific support for underserved communities in financial services[17] and applauds the many ways in which credit unions and the NCUA are meeting this need.

For example, in 2023, **492 credit unions (more than 10% of the total)** were designated as Minority Depository Institutions ("MDIs").[18] These credit unions have a majority of current or potential Members composed of minority racial groups and a majority of minority individuals on their boards of directors.[19] Research focused on banks, but could also be extended to credit unions, clearly shows that MDIs positively affect borrowers and local communities in multiple ways:

- **MDIs boost minorities' access to credit.** Minority borrowers applying for mortgages in banks whose owners are of the same minority group are nine percentage points more likely to be approved than otherwise identical minority borrowers in non-minority banks. This effect is more than six times greater than the likelihood of loan approval when only a minority loan officer is involved.

- **MDIs specialize in same-race mortgage lending.** Nearly three-fourths of MDI mortgages are extended to borrowers of the bank owners' race, which directly helps to address the serious challenge of lower homeownership among minority communities.

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14 NATIONAL CREDIT UNION ADMINISTRATION, QUARTERLY CREDIT UNION DATA SUMMARY, at i and iv (Fourth Quarter 2023), https://ncua.gov/files/publications/analysis/quarterly-data-summary-2023-Q4.pdf.

15 *Id*.

16 NATIONAL CREDIT UNION ADMINISTRATION, ANNUAL REPORT, *supra* note 9 at 34.

17 See, e.g., BETTER MARKETS, BETTER MARKETS' WORK ADDRESSING RACIAL ECONOMIC INEQUALITY IN FINANCE, https://bettermarkets.org/analysis/better-markets-work-addressing-racial-economic-inequity-in-finance/ (last accessed Nov. 14, 2024); Better Markets Comment Letter, *Request for Information on Financial Inclusion* (Feb. 20, 2024), https://bettermarkets.org/wp-content/uploads/2024/02/Better-Markets-Comment-Letter-RFI-Financial-Inclusion.pdf; Better Markets, Press Release, *Treasury's Financial Inclusion Plan Can Bring Change, but Urgency and Action is Needed* (Oct. 31, 2024), https://bettermarkets.org/newsroom/treasurys-financial-inclusion-plan-can-bring-change-but-urgency-and-action-is-needed/.

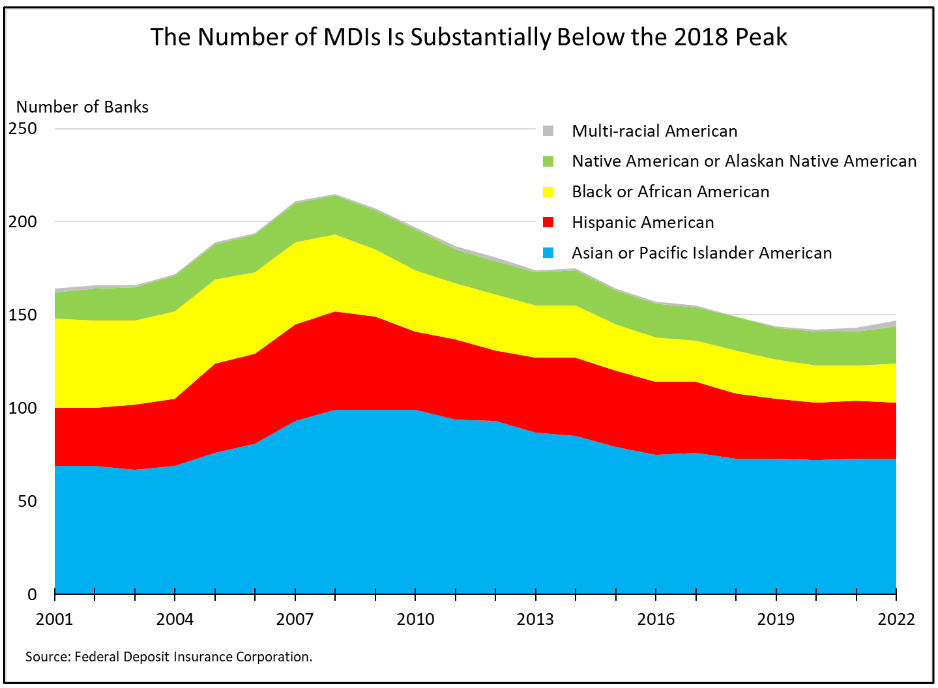
18 NATIONAL CREDIT UNION ADMINISTRATION, ANNUAL REPORT, *supra* note 9 at 36.

19 *Id.* at 227.

- **MDIs' minority borrowers perform better than other minority borrowers.** The default rate of MDIs' same-race borrowers is much lower than that of otherwise identical borrowers of other underserved races from non-MDI banks.[20]

MDI credit unions are especially important because the number of MDI banks has declined in recent years (see Chart 1).[21] The number of MDI banks peaked in 2008 at 215 and has declined to just 147 in 2022.[22] This decline will likely result in a reduction in banking access for underserved communities, which in turn leads to several costs for both the underserved communities and society as a whole, including increased usage of alternative—and often more expensive—financial services such as payday lenders or check cashers; limited savings and asset building; increased poverty and financial vulnerability; and reduced entrepreneurship.

Chart 1



Moreover, in 2023, ***more than half—53%—of credit union Members were low-income*** as defined by the U.S. Census Bureau (see Chart 2).[23] This share has steadily increased since 2019.

[20] Agustin Hurtado & Jung Sakong, *The Effect of Minority Bank Ownership on Minority Credit*, GEORGE J. STIGLER CTR. FOR THE STUD. OF THE ECON. & THE ST. Working Paper No. 325 (Oct. 2, 2023), http://dx.doi.org/10.2139/ssrn.4590142 (emphasis added).

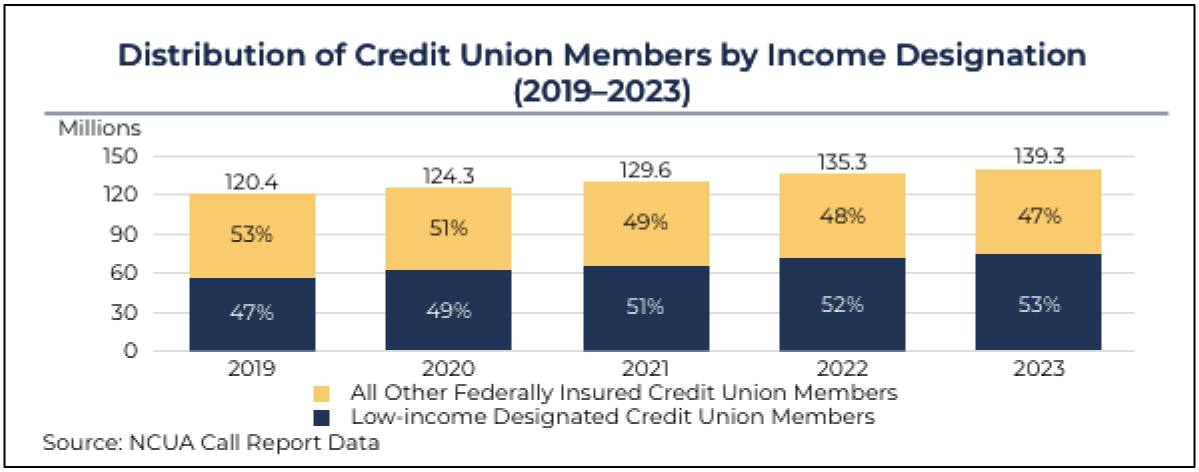
[21] Federal Deposit Insurance Corporation, MINORITY DEPOSITORY INSTITUTIONS LIST, https://www.fdic.gov/regulations/resources/minority/mdi.html (last visited Jan. 25, 2024).

[22] *Id*.

[23] NATIONAL CREDIT UNION ADMINISTRATION, ANNUAL REPORT, *supra* note 9 at 34-35.

Low-income credit unions—those with a majority of low-income Members as defined by the Census Bureau—had ***73.6 million Members and $1.1 trillion in assets*** at the end of 2023. The NCUA offers a range of additional support to these credit unions to provide financial services to individuals and small businesses in low-income areas.

Chart 2



Large Credit Unions

At the other end of the size spectrum, 282 credit unions (6% of the total) had between $500 million and $1 billion in total assets and another 432 credit unions (9% of the total) had at least $1 billion in total assets.[24] The Agency considers credit unions with more than $500 million as complex; these credit unions require greater supervision resources and pose a greater risk to the Share Insurance Fund in the event of failure.[25]

Navy Federal Credit Union is the largest credit union, with $178 billion in total assets, 14 million Members, and 362 branches worldwide, providing a range of financial services to all branches of the U.S. military.[26] Recent enforcement actions against Navy Federal Credit Union to punish it for unfair acts or practices against customers[27] illustrates the need for the NCUA to have and maintain highly-skilled and well-educated staff to identify and stop illegal and discriminatory practices that harm Main Street Americans. In this case, Navy Federal Credit Union was ordered

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24 NATIONAL CREDIT UNION ADMINISTRATION, QUARTERLY CREDIT UNION DATA SUMMARY, *supra* note 14 at i and iii.

25 The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87615.

26 NAVY FEDERAL CREDIT UNION, CORPORATE FACT SHEET, https://www.navyfederal.org/about/corporate-fact-sheet.html (last accessed Nov. 14, 2024).

27 National Credit Union Administration, Press Release, *Statement by Chairman Harper on CFPB's Settlement with Navy Federal Credit Union* (Nov. 7, 2024), https://ncua.gov/newsroom/press-release/2024/statement-chairman-harper-cfpbs-settlement-navy-federal-credit-union.

to pay $80 million to reimburse Members who were harmed and another $15 million to the Consumer Financial Protection Bureau's Victim Relief Fund to help people who are harmed by companies that break the law.[28]

Troubled Credit Unions

Finally, the number of credit unions that the NCUA considers "troubled," with CAMELS ratings of 4 or 5, increased from 2 at the end of 2021 to 9 as of June 30, 2024. The number of credit unions with a CAMELS rating of 3 also increased, from 15 at the end of 2021 to 66 as of June 30, 2024.[29] These trends indicate that more resources are required at the NCUA to supervise credit unions and protect the broader financial system.

Taken together, these trends illustrate and underscore the importance of NCUA oversight of credit unions throughout the country and the need for a robust budget to fund the Agency's work.

SUMMARY OF THE PROPOSAL

As detailed earlier in this letter, the NCUA's total proposed budget—including its Operating Budget, Capital Budget, and Share Insurance Fund Administrative Expenses Budget—is $433 million for 2025 and $468.5 million for 2026.[30] While this total is higher than the NCUA budget for 2024, it is ***$0.3 million lower*** than the amount that was approved by the NCUA Board for 2025 in December 2023.[31]

Operating Budget

The largest part of the Proposal is the NCUA's Operating Budget, which at $419.3 million accounts for 97% of the total Agency budget.[32] Employees' pay and benefits account for the majority (about three-fourths) of the Operating Budget (see Chart 3).[33] This is expected for an agency that relies on and requires a highly-skilled staff to carry out its mission.

28 *Id*.

29 The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87615.

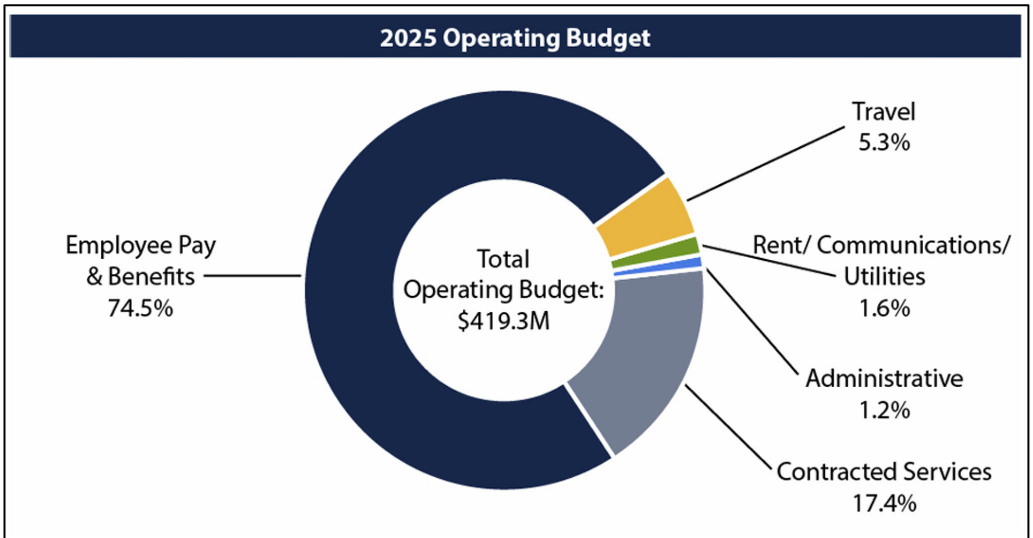
30 *Id*. at 87610.

31 *Id*.

32 *Id*. at 87611.

33 *Id*.

Chart 3



Note: Minor rounding differences may occur in totals.

Increases in the Operating Budget resulted from increases in several categories: pay & benefits, contracted services, and travel.[34] Increases in pay & benefits are required to maintain competitiveness between the NCUA and other federal agencies and with the private sector for similar jobs. Merit and locality pay increases are also part of the agency's Collective Bargaining Agreement ("CBA") and merit-based pay system, so the degree to which they could be changed as part of the annual budgeting process is very limited.[35]

Increases in the cost of contracted services also contributed to overall increases in the Operating Budget. The NCUA has determined that acquiring specific expertise and services from contractors is the most cost-effective way to accomplish its mission.[36] The increase in this category is a result of inflation in the cost of these services and additional information technology tools to respond to cybersecurity threats and other risks.

Despite the proposed budget increases in 2025 and 2026, the NCUA's Operating Budget trails the comparable Operating Budgets of other federal banking regulators by a wide and increasing margin. As shown in Chart 4, the 2010 budgets of the NCUA and other federal banking regulators were approximately equivalent when measured relative to the size of assets at supervised credit unions and banks.[37] However, the NCUA began to lag other regulators on this per-asset measure in 2011. In recent years, the gap between NCUA funding and funding at other agencies has widened. Even with the NCUA's proposed budget increases in 2024 and 2025, it will

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34 *Id*. at 87613.

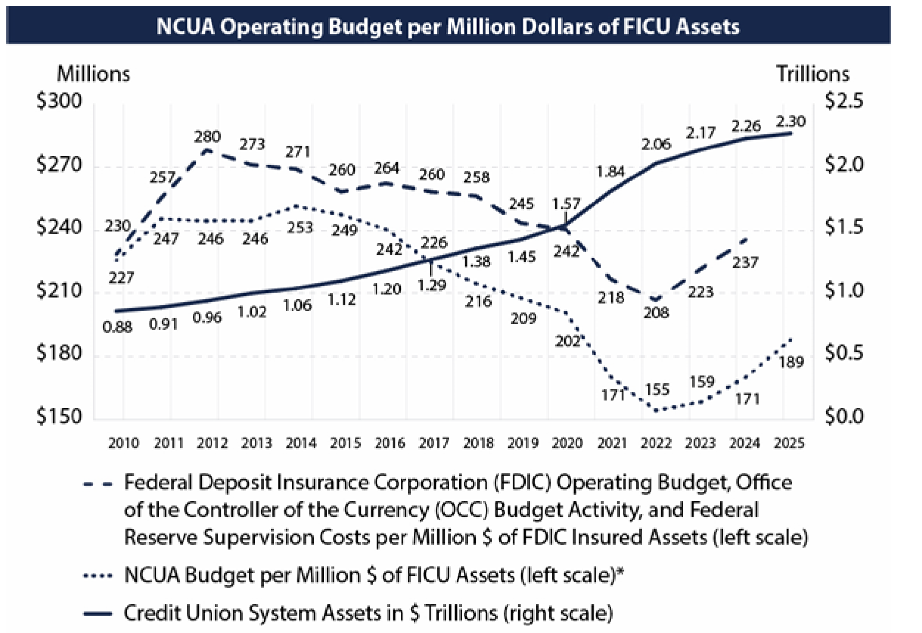
35 *Id*. at 87618.

36 *Id*. at 87620.

37 *Id*. at 87612.

continue to lag its own budgets from 2010 through 2020 on a per-asset basis as well as the other federal banking regulators' comparable budgets.

Chart 4



Source: NCUA Annual Budgets, Call Reports, FDIC, OCC, and Federal Reserve financial reports

* Budget per million $ of FICU assets is calculated as the fiscal year's budget divided by the previous year's end-of-year assets (e.g., 2025 draft budget/projected FICU assets as of fourth quarter 2024).

<u>Capital Budget</u>

The NCUA's Capital Budget for 2025 is $8.2 million (2% of the total Agency budget), which includes a $2 million increase from 2024.[38] The increase is almost entirely because of necessary information technology projects and investments.[39] These will enable the NCUA to improve its cybersecurity and comply with Executive Order 14028[40] which directs government agencies to meet certain requirements related to the prevention, detection, assessment, and remediation of cyber incidents, in the interest of national and economic security. The investments will also improve the analytical capabilities of the NCUA to carry out its mission related to the oversight of credit unions, which are becoming larger and more complex.

38 *Id*. at 87614.

39 *Id*. at 87622.

40 The White House, *Executive Order on Improving the Nation's Cybersecurity* (May 12, 2021), https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/12/executive-order-on-improving-the-nations-cybersecurity/.

Share Insurance Fund Administrative Expenses Budget

The NCUA's Share Insurance Fund Administrative Expenses Budget for 2025 is $5.5 million (1% of the total Agency budget) and $0.4 million higher than it was in 2024.[41] The increase is attributed to higher costs of travel, analytic tools, and administrative costs directly associated with the management of the Share Insurance Fund.[42]

SUMMARY OF COMMENTS

As stated earlier in this letter, Better Markets welcomes the opportunity to participate in this comment process.

We strongly support the proposed budget. We also offer additional comments for the NCUA Board's consideration in both this year's decision and in future budget decisions.

- The proposed budgets for 2025 and 2026 are justified and should be approved. While it is true that the proposed budget is higher than 2024's budget in many categories, the increases are sensible. It is in the best interest of the American people and financial stability to have well-funded regulators with the analytical tools and support to carry out their mission effectively.

- The NCUA should determine why its budget has declined relative to the 2010-2020 period and why it lags behind other regulatory agencies. It should then consider budget increases to catch up. It is concerning that the NCUA's budget has declined relative to the credit union assets it oversees in recent years and now lags other financial regulators on a common-sized basis. As detailed in this letter, the NCUA provides vital oversight and other services to Main Street Americans and communities. Furthermore, as the Agency recognizes in the Proposal, several new and emerging risks could endanger credit unions. The NCUA should clearly understand where it lags behind other agencies and consider changes to bolster the budget to be able to do all of its important work.

- The NCUA should carefully assess the use of artificial intelligence ("AI") tools and coordinate with the U.S. Treasury and other financial regulators. The Proposal mentions the planned addition of one new position in 2025 and two new positions in 2026 to support AI work.[43] The Proposal also mentions a project related to generative AI that may be deployed throughout the Agency in future years.[44] We recommend that the NCUA coordinate with other agencies in these efforts in the pursuit of innovation that will benefit Main Street Americans as well as appropriate protections against innovation that could be harmful.

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41 The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87614.

42 *Id*. at 87623.

43 *Id*. at 87619.

44 *Id*. at 87623.

COMMENTS

I. THE PROPOSED BUDGETS FOR 2025 AND 2026 ARE JUSTIFIED AND SHOULD BE APPROVED.

The NCUA's work is vital to supporting the smooth and fair functioning of the financial services industry across the country. As detailed earlier in this letter, there are more than 4,500 credit unions that operate in every state in the country as well as Washington, DC, and U.S. territories.[45] The NCUA works each day to protect consumers and their money on deposit at credit unions. The Agency also maintains the Share Insurance Fund, which stands as a necessary protection for consumers if a credit union fails. Moreover, the NCUA supports underserved individuals, families, small businesses, and communities to have safe, fair, and affordable financial services.

As Better Markets has long said in relation to comparable budget considerations at agencies such as the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC"), appropriate funding is absolutely necessary to ensure that federal agencies can continue to be effective "cops on the beat," working to safeguard the financial system for the benefit of Main Street Americans.[46] The financial industry has seemingly endless resources to leverage technology and develop new products. These products bring new and often unknown risks. Financial regulators must have the resources to do their jobs and adapt to the changing financial industry environment.

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45 *Id*. at 87609.

46 *See, e.g.*, Testimony of Dennis M. Kelleher, *The State of the Derivatives Market and Perspectives for CFTC Reauthorization* 15-22 (June 25, 2019), https://www.agriculture.senate.gov/imo/media/doc/Testimony_Kelleher%2006.25.19.pdf; Better Markets, Press Release, *Better Markets Applauds the President for Budget Request that Funds the SEC and CFTC Cops on the Wall Street Beat* (Feb. 9, 2016), https://bettermarkets.org/newsroom/better-markets-applauds-president-budget-request-funds-sec-and-cftc-cops-wall-street-beat-0/; Better Markets, Press Release, *The President's Budget Funds the SEC and CFTC Cops on the Wall Street Beat* (Feb. 2, 2015), https://bettermarkets.org/newsroom/presidents-budget-funds-sec-and-cftc-cops-wall-street-beat/; Testimony of Dennis M. Kelleher, *Reauthorization of the Commodities Futures Trading Commission* 5 (July 17, 2013), https://bettermarkets.org/sites/default/files/Dennis%20Kelleher%20Written%20Testimoney%20-%20Senate%20Ag%20Cmte%207-17-13.pdf.
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The NCUA's 2024 Supervisory Priorities reflect a range of serious risks facing credit unions:

- Credit Risk;
- Liquidity Risk;
- Consumer Financial Protection;
- Information Security (Cybersecurity); and
- Interest Rate Risk.[47]

These are complex, technical, and evolving risks and NCUA staff must remain up to date on them to do their jobs effectively. A majority— 85%—of the NCUA workforce has at least earned a bachelor's degree, well above the 35% of the private-sector workforce.[48] The Agency relies on the talents and expertise of its staff and must prioritize its human capital—and the associated cost for this resource—in its budget. Importantly, not only would losing staff to other opportunities create problems for the NCUA in achieving its mission, but the cost of hiring and retraining new staff to fill the gaps that are left would be even more costly in future budgets.

The Proposal contains only a modest increase in staffing levels, with a net increase of 14 positions in 2025 and 11 positions in 2026 (see Chart 5).[49] This includes a reduction in the number of generalist examination positions in the NCUA's regional offices as well as increases in positions to handle more complex work, including large credit union risks, consumer protection, fraud, artificial intelligence, and policy.[50] Appropriately, the budget reflects higher levels of pay and benefits to support these positions. It also reflects the necessary locality and merit pay increases for NCUA staff.

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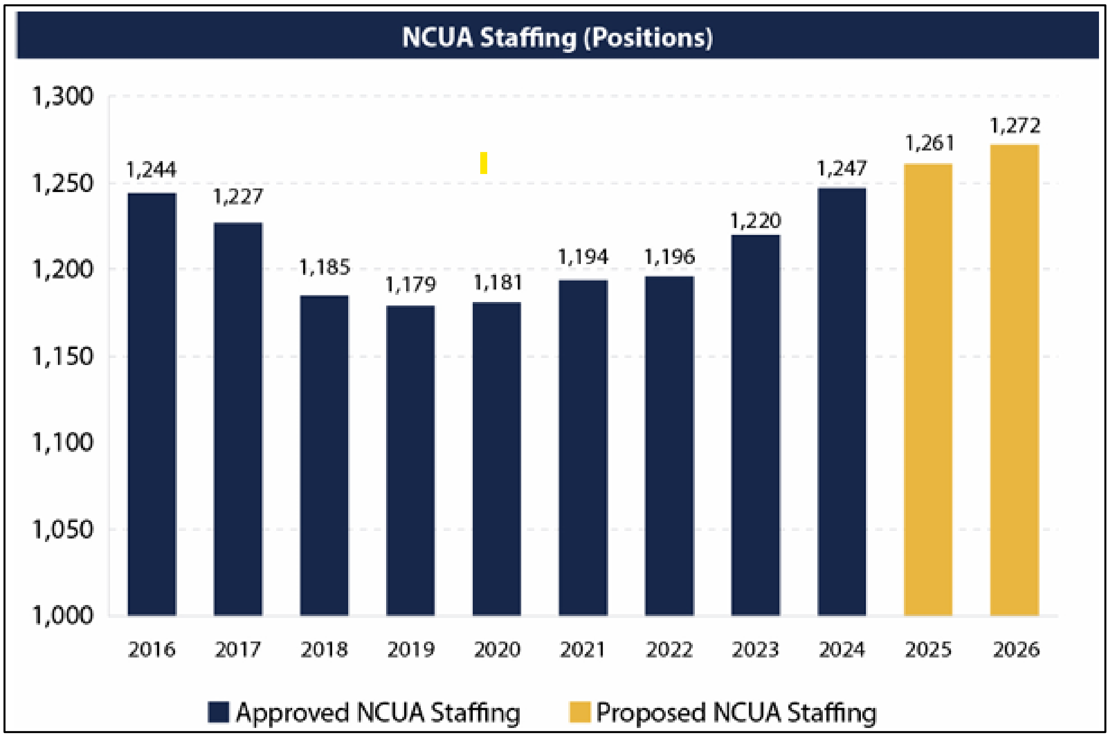
47 *See* National Credit Union Administration, *NCUA's 2024 Supervisory Priorities* (Jan. 2024), https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncuas-2024-supervisory-priorities.

48 The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87618.

49 *Id*.

50 *Id*. at 86719.

Chart 5



In addition to higher human capital costs, the Proposal reflects higher spending on information technology projects and resources.[51] Not only will these support the NCUA's ability to do its work more efficiently, but they will also protect the NCUA against ever-evolving and dangerous cybersecurity threats. To cut corners in this part of the Proposal would be a grave mistake, and the potential damage that could be caused to the Agency or the American people could be disastrous.

Finally, beyond its work to safeguard the credit union system across the country, the NCUA is engaged in meaningful and important work to support underserved communities and change structural inequities that have existed in our financial system for generations. As mentioned earlier, the Agency supports nearly 500 MDIs that focus on providing banking services to minorities as well as thousands of credit unions that serve low-income individuals.[52] This work is vital to making the financial system work for all Americans.

51 *Id*. at 86721.

52 NATIONAL CREDIT UNION ADMINISTRATION, ANNUAL REPORT, *supra* note 9 at 34-36.

Opponents of the Proposal will likely say that the budget increases are too high and should be reduced before the budget is finalized. We urge the NCUA Board to resist these arguments and stand firm in providing the necessary funding for the Agency to do its job for the good of the American people.

II. THE NCUA SHOULD DETERMINE WHY ITS BUDGET HAS DECLINED RELATIVE TO THE 2010-2020 PERIOD AND WHY IT LAGS BEHIND OTHER REGULATORY AGENCIES. IT SHOULD THEN CONSIDER BUDGET INCREASES TO CATCH UP.

As the NCUA identified in its Proposal, and as we also discussed earlier in this letter, the NCUA's funding relative to the credit union assets it oversees has declined from prior years.[53] Moreover, the gap between the NCUA and other federal regulators with similar functions has widened when measured on a common-sized basis relative to assets at banks and credit unions. This trend is concerning, especially given the increased complexity of credit union operations and new risks such as cybersecurity and AI.

We recommend that the Agency investigate and evaluate the drivers of these budget trends and assess whether further increases are needed to catch up to the budget levels of other federal regulators. The conclusions from this work should not only inform this budget but also future budgets in order to provide the best protection for the credit union system and Main Street Americans.

III. THE NCUA SHOULD CAREFULLY ASSESS THE USE OF ARTIFICIAL INTELLIGENCE ("AI") TOOLS AND COORDINATE WITH THE U.S. TREASURY AND OTHER FINANCIAL REGULATORS.

Appropriately the Proposal contains new, albeit minimal in the context of the NCUA's entire operation, resources and projects related to the continued development of AI. This includes one new AI officer in 2025 and two more in 2026.[54] The Proposal also mentions a project related to generative AI that may be deployed throughout the Agency in future years.[55]

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[53] The NCUA Staff Draft 2025-2026 Budget Justification, *supra* note 2 at 87612.

[54] *Id*. at 87619.

[55] *Id*. at 87623.

Better Markets has carefully considered both the risks and benefits of AI[56] and encouraged the U.S. Treasury and financial regulators to develop a better understanding of:

- How AI is being used within the financial services sector, including opportunities and risks;

- How the use of AI by financial institutions affects consumers, investors, financial institutions, businesses, regulators, and other users of financial companies, and

- Enhancements to legislative, regulatory, and supervisory frameworks applicable to AI in financial services.[57]

We recommend that the NCUA coordinate with other agencies in these efforts in the pursuit of innovation that will benefit Main Street Americans as well as appropriate protections against innovation that could be harmful. We also recommend that the NCUA consider the need for additional funding to build staff, expertise, testing, and other capabilities to appropriately oversee AI usage in credit unions.

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56 *See, e.g.*, Shayna Olesiuk, *Artificial Intelligence and Financial Regulation: The Challenge of Balancing Promise and Peril*, BETTER MARKETS (Aug. 20, 2024), https://bettermarkets.org/wp-content/uploads/2024/08/Better_Markets_Fact_Sheet_AI-8.20.24.pdf; Better Markets, *Artificial Intelligence (AI) in the Financial Markets: Potential Benefits, Major Risks, and Regulators Trying to Keep Up* (Mar. 21, 2024), https://bettermarkets.org/wp-content/uploads/2024/03/Better_Markets_AI_Fact_Sheet-3.21.24.pdf.

57 Better Markets, Comment Letter, *Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector* (Aug. 12, 2024), https://bettermarkets.org/wp-content/uploads/2024/08/Better-Markets-Comment-Letter-Treasury-RFI-Uses-Opportunities-and-Risks-of-Artificial-Intelligence-in-the-Financial-Services-Sector.pdf.

CONCLUSION

We hope these comments are helpful as the Agency finalizes its 2025-2026 budget.

Sincerely,

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