OLDEN LANE

June 23, 2025

Hon. Kyle S. Hauptman
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428
Via Electronic Mail

Re: Comments Regarding the 2026-2030 Strategic Plan of the NCUA

Dear Chairman Hauptman,

We are pleased to offer this Comment Letter in response to the National Credit Union Administration's ("NCUA") May 22 request for feedback on the agency's operations and initiatives.

At the outset, we are impressed that the NCUA is formally soliciting the help and advice of the industry's stakeholders. At Olden Lane, we have long supported a more open dialogue between the regulator and the industry, as we are convinced that both could learn from the other's perspective. As James Surowiecki observed in *The Wisdom of Crowds*, "[c]ollective decisions are only wise, remember, when they incorporate lots of different information."[1] In the context of credit union regulation, that means that the collective wisdom of the market's participants has value to the regulator's work.

We have also long believed that the NCUA does its best work when its posture is more consultative and less confrontational. Such a posture becomes particularly attractive at a time in our history when political discord seems elevated and the economic and competitive challenges for the nation's 4,500 plus credit unions are as heightened as at any time in memory.

Also, the request for feedback is particularly impressive given the recent political upheaval at the NCUA. And we are grateful for that consultative spirit. Without wading into the significant open items surrounding the agency's governance – which we trust will be solved by some combination of judicial or political process in due time – we note that the NCUA does not have the luxury of slowing its work, as the nation's 144 million credit union members expect no diminishment in the blanket of protection that the

[1] *See* James Surowiecki, *The Wisdom of Crowds: Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations,* (2005) New York, Knopf Doubleday Publishing Group.

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NCUA provides. Nor do the significant competitive and economic headwinds seem inclined to take a timeout.

About Olden Lane

Headquartered in Bridgewater, New Jersey, Olden Lane is a boutique investment bank, dedicated exclusively to credit unions. We operate a FINRA and SEC registered broker dealer (Olden Lane Securities LLC), active in the share certificate market and recognized as the leader in the market for credit union subordinated debt. We also assist credit unions with capital planning, balance sheet management, and mergers and acquisition (M&A) related activities. We regularly help credit unions to identify appropriate objectives for capital and in connection with the proper maintenance of safety and soundness. Since January 2019, our firm has assisted more than 50 clients in gaining approval for subordinated debt applications worth well over $1 billion. We are proud that our subordinated debt transactions with credit unions include the largest, most complex and most creative structures in the market to date.[2]

Given the acute set of challenges facing the industry, most recently, an increasing share of our firm's time and energy have been centered on advising credit unions in connection with M&A opportunities. We do not see this reality abating anytime soon.

Some General Observations Regarding the NCUA's Strategic Plan for 2022-2026

As we properly consider the best approach for the Strategic Plan under construction, our best starting point is the existing precedent, which made for quite an interesting read with the benefit of hindsight. We offer the following observations about that document:

1. The NCUA's Economic Forecast Needs Improvement

In the Economic Outlook section of the 2022-2026 Strategic Plan, the agency projected "solid economic growth and low unemployment and inflation" for the 2022-2026 period, before making several projections which simply missed the mark. Table 1 below compares some of the agency's projections to reality, in many cases, highlighting some dramatic misses.

Economic Measure	NCUA Projection	Actual Result
Real GDP growth	Average 2.5% per year	Average of 2.2% between 2022 and Q1 2025
Unemployment Rate – 2023	Decline to 3.5%	Monthly average of 3.6%
Unemployment Rate – 2025	Move to 4.0%	Monthly average of 4.1%
Consumer Price Index – 2024-2026	2.25%	2.4%
3-month T-Bill Rate	Rise to 1.90% by 2026	4.36% as of June 1 2025
10-year Treasury Note Rate	Rise to 2.90% by 2026	4.41% as of June 1 2025

While the NCUA's GDP and unemployment projections have proven accurate, and today's CPI landed close to the agency's predicted mark, the path of CPI has proven more difficult – persistently above 7% for a

[2] For a list of our firm's significant transactions, see our website at www.oldenlane.com.

large portion of the period – than almost any economist foretold, and the interest rate estimates missed the mark by a wide margin.

Of course, interest rates are crucial to the credit union business model, directly affecting both lending and savings activities. Elevated interest rates make borrowing more expensive, reducing loan demand and slowing overall business growth. Climbing interest rates since the NCUA's last Strategic Plan also had the effect of eroding the value of longer-duration assets and squeezing margins due to funding costs rising faster than assets yields. As a result, credit unions with heavy concentration of long-term fixed rate assets have been particularly vulnerable to the most recent economic cycle.

In fairness, in a "Near-Term Risks" section, the NCUA highlighted the potential for a gathering inflation storm, warning that "[p]ersistently high inflation is also a downside risk for the economy in the near term." Of course, as the COVID and post-COVID related stimulus cycled fully into the economy, that inflation reared its head in spades, compromising the prospects for an industry that must closely manage its interest rate risk. More than anything else, the combination of the speed and magnitude of the increase in interest rates whipsawed a significant portion of the industry. Also, the flattening of the yield curve, over the most recent period, adds additional pressure to an industry that relies on borrowing short and lending long. While the rates maelstrom has been very difficult for financial institutions, we are convinced that the past few years have brought such anomalous macroeconomic and policy gyrations that any additional NCUA effort to warn industry participants would have had little benefit. Nonetheless, the ferocity of the volatility and the significance of the disruptions it caused should serve as a reminder of the wisdom of the observation attributed to John Kenneth Galbraith – that "[t]he function of economic forecasting is to make astrology look respectable."

In practice, this means that any posture the agency embraces as it prepares its Strategic Plan 2026-2030 should prove flexible enough to have efficacy across a broad range of financial outcomes. For credit unions, the mission never sleeps, as the institution must be available for borrowers or lenders across a whole swath of economic environments.

2. Demographic Shifts and Changing Customer Preferences Continue to Demand NCUA Attention

One of our clients opened a recent subordinated debt application with the prescient statement that "[d]emography is destiny." As populations continue to shift around this country like no time in recent memory, credit unions and the NCUA would be well served to understand those flows of people and their attendant effects on the delivery of financial products and services. We view this work as crucial to the NCUA mission to "protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance" and its vision to "[s]trengthen communities and protect consumers by ensuring equitable financial inclusion through a robust, safe, sound, and evolving credit union system."

3. The NCUA Should "Keep the Main Thing the Main Thing"

In the 2022-2026 Strategic Plan, the NCUA asserted that: "[c]redit unions need to consider climate-related financial risks, and how they could affect their membership and financial performance." We respectfully

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disagree and hope and expect that this type of mission-creep will be absent from the version of the Strategic Plan currently under construction. Without wading into the politics, we simply encourage the NCUA to "keep the main thing the main thing." The challenge of regulating 4,500 *sui generis* financial institutions, given today's landscape, is difficult enough without straining to expand the mandate beyond what the Federal Credit Union Act intended.

With the U.S. Supreme Court's *Loper Bright v. Raimondo* ruling as backdrop, the NCUA has a real opportunity to focus its attention on its most basic functions. We expect that the shift from "Chevron deference" eradicates the predictable legal shield that Chevron once provided, potentially increasing the volume and success rate of legal challenges against NCUA rules by credit unions and third-parties. We also expect that *Loper Bright* raises the bar, requiring the NCUA to craft rules in highly specific, detailed language, minimizing ambiguities and preempting judicial reinterpretation. Finally, we believe that, operating in a post-Chevron world, the agency will likely exercise greater regulatory caution, knowing that every discretionary interpretation can be second-guessed by judges lacking agency expertise.

We hope this climate will also encourage the NCUA to abandon its efforts to regulate credit union service organizations (CUSOs). We do not favor a strained expansion of the NCUA's charge to lasso additional non-credit unions further into the NCUA's sphere of influence. Given the headcount reduction at the agency, such an insistence would be less wise than ever, and we are hopeful that this brand of regulatory overreach will fade away for the foreseeable future.

Some Additional Suggestions for the NCUA's Upcoming Strategic Plan

1. The NCUA Will Have to Do More with Less

Following Executive Order 14210 ("Implementing the President's 'Department of Government Efficiency' Workforce Optimization Initiative") and the NCUA Board's approval of a voluntary separation program in March, most industry observers expect the NCUA to achieve a headcount reduction of 20% by the end of 2025. In fact, in its most recent Board meeting, the agency indicated that it expects approximately 250 positions to be eliminated as part of the downsizing that will generate approximately $75 million in gross savings from the separations starting in 2026.

For the agency, it needs to be "all hands on deck" to ensure that there is an orderly transition to what it has called a "new, streamlined future state." As a general matter, we are encouraged by the "Guiding Principles" offered in the NCUA's presentation in its Board Briefing Book from the May 22 meeting:

- Prioritizing statutory requirements and the most critical work
- Improving the customer experience
- Achieving and maintaining a lower headcount and ensuring vacancies are only filled in the highest areas of need
- Reducing and consolidating primary/main business units, grouping like functions to the maximum extent possible

- Achieving a higher supervisor to employee ratio
- Moving functions out of the headquarters to the regions closer to key NCUA stakeholders where appropriate
- Leveraging technology

As importantly, the NCUA must resist the temptation to fall into the trap of de-prioritizing the work that it deems less critical. The deadlines for returning subordinated debt approvals or merger approvals should not be sacrificed because of these staff reductions. The timeframes and deadlines for such activities are born of the federal rulemaking process and they should not be disrespected because the agency is asked to do more with less. After all, market forces demand no less than that every day for the credit unions that the agency regulates.

2. The NCUA Should Actively Anticipate Industry Consolidation

The structure of the credit union industry itself makes increased consolidation very likely. By way of perspective, the nation's credit unions hold $2.37 trillion in total assets. In the aggregate, this is just more than half of the assets held by the nation's largest bank, JP Morgan.

As the table below illustrates, while 83% of the industry's firms hold less than $500 million in assets, more than half (53.2%) of the industry's assets are concentrated in fewer than 450 institutions with between $1billion and $10 billion in assets.

Asset Size	No. of CUs	Total Dollars	% by Number	% by Dollars
$100B plus	1	$190B	>1%	8.0%
$10B - $100B	19	$391B	>1%	16.4%
$5B - $10B	61	$449B	1.3%	18.9%
$1B - $5B	376	$816B	8.4%	34.3%
$500M - $1B	291	$207B	6.5%	8.7%
$100M - $500M	1,072	$245B	24.0%	10.3%
Less than $100M	2,649	$78B	59.3%	3.3%

Source: Data from Callahan and Associates (as of Q1 2025)

Given these realities, and against an increasingly uncertain macroeconomic backdrop, more and more credit unions are turning to consolidation to broaden their deposit bases, increase lending capacity, and reduce operating expenses per asset. For many, mergers are rightly viewed as the most direct path to scale, diversification, and long-term sustainability.

While we respect the unique nature of each institution in the credit union patchwork, we also understand that the ability of many credit unions to continue to "go it alone" is growing more tenuous by the day. The NCUA admitted as much in its 2023 Annual Report, as it rang the alarm bell for consolidation:

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> "Small credit unions face challenges to their long-term viability for a variety of reasons, including lower returns on assets, declining membership, high loan delinquencies, increasing non-interest expenses, and a lack of succession planning for credit union boards and key personnel. If current consolidation trends persist, there will be fewer credit unions in operation and those that remain will be considerably larger and more complex."[3]

While many industry commentators bemoan this reality, we take a more practical approach – infused with a healthy dose of fiduciary duty. Where a continuing credit union can provide another credit union's members with an enhanced suite of products and services, better rates and more convenience, then the merger should be consummated. Given the market realities, the NCUA should expect merger applications to continue to arrive for review. More than that, given the confusion that we have observed in our interactions, we would be thrilled to see the agency engage in an active effort to educate credit union boards on their responsibility as fiduciaries for their members.

3. The NCUA Should Actively Consider the Credit Union of the Future

With seismic changes affecting credit unions and their members, we respectfully suggest that the agency consider a taskforce to study these changes and report back to the industry. As the nature of community banking changes, we are confident that the industry and its participants could benefit from a studied analysis of the best practices in such areas as member relations, payments, cyber security and mobile banking. A comprehensive industrywide report would be helpful as credit union executives try to deliver the credit union of the future. With competition from traditional and non-traditional sources, including burgeoning and increasingly aggressive fintechs, our industry could use a high-level rethink of how we best deliver for our members and meet the charge of the Federal Credit Union Act: to promote a system of nonprofit, cooperative credit for people of modest means.

Just in the past year, for example, many credit unions have adopted FedNow, the Federal Reserve's new payment system. This system marks a significant change, allowing credit union members to receive and send money faster than ever before and on an expanded timeframe, despite the hours of operation of the credit union.

At a more basic level, the way that financial institutions interact with their members (customers) is changing dramatically. Study after study highlights a pronounced digital shift, making the search for the proper balance of "bricks and clicks" a high priority item at most credit unions. While the nation's community banks have been continually cutting branches in recent years, credit unions have been expanding their branching.

The smaller size of credit unions holds many positives but also presents greater risks. Many credits unions remain particularly vulnerable to cyber security attacks, due to smaller IT staffs and the lack of resources to invest in the best-in-class infrastructure required to harden digital platforms.

[3] Annual Report 2023, National Credit Union Administration (Feb. 2024), at 198, available at https://ncua.gov/files/annual-reports/annual-report-2023.pdf.

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The collective wisdom of a group gathered by the NCUA to study these challenges would be a welcome development for those of us interested in seeing the credit union movement thrive for another 90 years.

Conclusion

We thank the NCUA Board and Staff for their consideration of this Comment Letter. We are grateful for the agency's willingness to solicit and consider the viewpoints of the industry's stakeholders, and we are grateful for the opportunity to share our views on the development of the agency's operational and budgetary priorities at this important time.

Should you have any questions regarding our comments, please feel free to contact the undersigned at 908 432-6819 or mmacchiarola@oldenlane.com.

All the best,

/s/ Michael C. Macchiarola

Chief Executive Officer
Olden Lane Inc.