



November 9, 2025

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428
Via Federal eRulemaking Portal

Re: Proposed Rulemaking on Elimination of Reputational Risk as Supervisory Review Criterion
(October 21, 2025)

Dear Secretary Conyers-Ausbrooks,

We appreciate the opportunity to submit comments on the National Credit Union Administration's ("NCUA") above-referenced proposed rule. As a boutique investment bank serving the credit union movement, our principal concern is that regulatory frameworks meaningfully support the mission, safety and soundness, and member-service focus of our federally-insured credit union clients. We applaud the NCUA for taking a fresh look at supervisory criteria, specifically the role of reputational risk, and we offer the following comments, in the spirit of constructive collaboration.

About Olden Lane

With headquarters in Bridgewater, New Jersey, Olden Lane is an investment bank dedicated exclusively to credit unions. We operate a FINRA and SEC registered broker dealer (Olden Lane Securities LLC), 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 60 clients gain approval for subordinated debt applications worth well over \$1 billion. We are proud that our subordinated debt transactions include the largest, most complex and most creative structures in the credit union

market and have enabled billions of dollars of lending to low-income credit union members across the country.¹

With an acute set of challenges facing the industry and the various pressures in favor of consolidation, most recently, an increasing share of our firm's time and energy have been spent advising our credit union clients in respect of organic and inorganic growth opportunities, including M&A.

Support for the Proposed Rule

At the outset, we acknowledge the merits of the proposed rule and expect it will beneficially recalibrate the supervisory landscape for credit unions. Moreover, it signals an appropriately balanced approach that respects regulatory resources at a time of tighter budgets and shrinking staff.² As the NCUA concedes in its Release, reputational risk, while unquestionably relevant in many contexts, can at times be amorphous, subjective and difficult to assess consistently across institutions of varying size, complexity and mission orientation. And so, as a general matter, the elimination of reputational risk as an explicit criterion may promote greater clarity and predictability in the supervisory review process. Credit unions would thereby benefit from more transparent expectations and a sharper focus on quantifiable factors such as capital adequacy, asset quality, earnings capacity, liquidity and governance. In our experience, these measurables more directly correlate with safety and soundness outcomes.³

Importantly, in adopting the change, the NCUA also explicitly signaled that:

“[t]he proposed rule would not alter or affect the ability of an institution to make business decisions regarding its members, accountholders, or third-party arrangements and to manage them effectively, consistent with safety and soundness and compliance with applicable laws.”⁴

The proposed recalibration aligns with the principle that regulatory oversight should focus on the core risk drivers, rather than evolving into a checklist of loosely defined reputational concerns. By simplifying the supervisory rubric, the NCUA signals confidence in the robustness of credit

¹ For a list of our firm's significant transactions, see our website at www.olderlane.com.

² See generally *2026-2027 Staff Draft Budget*, National Credit Union Administration (Sep. 2025), at 6, available at <https://ncua.gov/files/publications/budget/budget-justification-proposed-2026-2027.pdf>, (proposing a 23 percent reduction to NCUA staffing levels, a 34 percent reduction to its contracted services budget, and a 13 percent reduction in the budget for employee travel).

³ Cf. Proposed Rule, *Prohibition on Use of Reputation Risk*, National Credit Union Administration, (Oct. 21, 2025), available at <https://www.regulations.gov/document/NCUA-2025-0972-0001>, (“The proposed rule is intended to ground NCUA's supervision and examination programs in data-driven conclusions to eliminate the risk of individual perspectives driving the supervisory process.”)

⁴ *Id.*

union governance. At the same time, the proposed change can also be seen as an acknowledgement that credit unions are mission-driven institutions whose reputational interests are typically aligned with member protection and community service. We support that recognition.

Reasonable Concerns and Suggested Enhancements

At the same time, we have several reservations about the proposed change, and we urge the NCUA to adopt a balanced approach, encouraging best-in-class practices and guarding against unintended consequences.

1. Risk of Underestimating Conduct and Culture Issues

Reputational risk often serves as the supervisory proxy for issues of culture, ethics, leadership failure, governance breakdowns, or public policy disconnects that may not be immediately evident from a review of traditional ratio metrics. While we do believe that the prohibitions of the proposed change capture the types of actions that add undue subjectivity to supervision based on reputation risk, at the same time, we worry that removing it outright may inadvertently reduce supervisory attention to member trust, community confidence and reputational harms that can cascade into financial risk. We suggest that rather than a wholesale elimination, the NCUA might consider a refined standard: retaining reputation risk as a backstop or supplementary indicator in cases of emerging misconduct, large strategic shifts, or other unusual conduct-oriented events, rather than as a frontline evaluation criterion for all credit unions.

We are not wed to such a solution, however, as we see two potential issues with its application. First, we appreciate that it might amount to little more than an additional layer of subjectivity in place of the subjectivity intended to be eliminated. Secondly, we are cognizant that such a suggestion could run afoul of the instruction in Executive Order (EO) 14331 that:

“each appropriate Federal banking regulator shall, to the greatest extent permitted by law, remove the use of reputation risk or equivalent concepts that could result in politicized or unlawful debanking ... from their guidance documents, manuals, and other materials ... used to regulate or examine financial institutions over which they have jurisdiction.”

2. Clarity of Transition and Guidance

There is ample academic evidence that the competition for financial services enforces a “market discipline,” where participants demand higher yields, punish equity prices or

withdraw funds from institutions that look riskier or misbehave.⁵ For example, event-style studies indicate that institutions exposed to scandals experience deposit flight which is even larger in areas with stronger social norms. Unfortunately, all such market mechanisms are available *ex post facto*. And, with respect to credit unions, the effects of any reputational shaming are further limited by the lack of a publicly traded share class. Such limitations favor a regime where the regulator maintains a watchful eye (or, at least, an occasional glance) on the reputation of those assigned to its charge.

We hope the proposed rule is accompanied by clear guidance to the field and to credit unions about how exactly supervisory oversight will change. First, such guidance is explicitly required by EO 14331. Second, absent such clarity, institutions may misrepresent the removal of reputational risk as a license to deprioritize conduct risk or brand integrity. Olden Lane recommends that the NCUA publish interpretive guidance (perhaps in the Supervisory Manual) outlining when reputational considerations may still arise, how they will be implicitly factored under other criteria, and how credit unions should demonstrate ongoing strong governance, ethics and member trust practices even in the absence of a formal reputation risk criterion.

3. Maintaining Best-in-Class Standards

Against today's sophisticated backdrop for financial services, credit unions must continue to pursue best-in-class practices for governance, compliance, transparency, member communication and strategic risk management. And regulators and member-customers alike should encourage this behavior whenever possible. Credit unions should not interpret the proposed regulatory change as a license to retreat from high standards. To that end, the NCUA might consider encouraging credit unions to voluntarily adopt reputational risk frameworks of their own (including setting metrics, policies for risk reporting and crisis management protocols). The NCUA could also tie regulatory exams to those frameworks, where appropriate. Such an approach could preserve high

⁵ See, e.g. Mikael Homanen, *Depositors Disciplining Banks: The Impact of Scandals*, (2018), available at https://www.communitybanking.org/-/media/files/communitybanking/2018-papers/session2_paper3_homanen.pdf?sc_lang=en&utm_source=chatgpt.com, (suggesting that depositors react to negative non-financial information about their banks); Robert B. Avery, Terrence M. Belton and Michael A. Goldberg, *Market Discipline in Regulating Bank Risk: New Evidence from the Capital Markets*, *Journal of Money, Credit and Banking* (Nov. 1988); Maria Martinez Peria and Sergio Schmukler, *Do Depositors Punish Banks for Bad Behavior? Market Discipline, Deposit Insurance and Banking Crises*, *Journal of Finance* (2001), available at <https://onlinelibrary.wiley.com/doi/10.1111/0022-1082.00354>; John S. Jordan, *Depositor Discipline at Failing Banks*, *New England Economic Review*, (Mar. 2000) (observing that failing banks in New England faced depositor discipline as they became troubled in the early 1990s); Douglas W. Diamond and Philip H. Dybvig, *Bank Runs, Deposit Insurance, and Liquidity*, *Journal of Political Economy* (1983), available at <https://www.bu.edu/econ/files/2012/01/DD83jpe.pdf>; Rajkamal Iyer and Manju Puri, *Understanding Bank Runs: The Importance of Depositor-Bank Relationships and Networks*, *American Economic Review* (June 2012), available at <https://www.aeaweb.org/articles?id=10.1257/aer.102.4.1414>.

expectations and encourage high standards, without making reputational risk a blunt regulatory weapon.

We do have some worry that the expansive definitions of “adverse action” and “doing business with” embedded in this proposed rule change will eliminate the regulator’s opinion where it can be helpful to a credit union. In our experience, such informal feedback from the agency can be invaluable in certain instances, as the regulator often enjoys a market-wide perspective on issues that a single credit union cannot appreciate as expansively. Perhaps the agency should consider some safe harbor for the instance where a credit union seeks the advice or opinion of the regulator that might include subjective judgments crossing the “reputation risk” line of demarcation.

4. Size, Complexity and Mission-Based Calibration

We suggest the rule might be improved by incorporating nuance that scales the role of reputational risk oversight according to the size, complexity and mission of the credit union. A small, community-oriented credit union with straightforward products may warrant minimal reputational risk oversight beyond standard governance review. On the other hand, a large, systemically significant credit union with a diverse product mix may warrant more explicit reputation monitoring. Hence, a tiered supervisory approach could achieve the twin goals of clarity and proportionality. In the end, however, we appreciate that such an approach might not be attainable within the strictures of EO 13441. It also might not be worth the effort, as it is likely to bring needless complexity without a commensurate level of additional protection.

5. Monitoring of Unintended Consequences

Finally, we suggest that the NCUA build a mechanism into its own work for retrospective review of the change’s impact. Such a construction would allow the agency to monitor whether the elimination of reputational risk as an explicit criterion affects member trust, public confidence, or supervisory responsiveness of conduct-risk events. Should adverse signals emerge, we would love to see the NCUA reserve the authority to re-integrate reputational risk explicitly. Again, while this sort of “sunset monitoring” process would better inform the NCUA and reassure stakeholders and credit unions alike, the constraints of EO 13441 might make it difficult to implement.

Conclusion

In sum, Olden Lane views the proposed rule as a welcome modernization of supervisory criteria. It eliminates a layer of subjectivity that lends itself to manipulation or abuse and invites the regulator to substitute its judgment for that of those trusted to run the credit union. Moreover, we are grateful that the proposed change recognizes that reputational risk is less a discrete category and more a cross-cutting dimension of governance, culture, and strategic risk. By eliminating reputational risk as a standalone supervisory criterion, the NCUA can sharpen its focus, increase transparency and reduce ambiguity. At the same time, where appropriate, we encourage the agency to embed the safeguards discussed above to ensure that the nation's credit unions continue to hold themselves to the highest standards of integrity, member focus and public confidence.

We thank the NCUA Board and Staff for considering this Comment Letter. And we are grateful for the opportunity to share our views on the proposed regulatory change. While we look forward to the adoption of the rule, we respectfully request that the NCUA give serious thought to the additional improvements we have summarized above.

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.