10:00 a.m. Eastern
December 2, 2025

Statement by
The Honorable Kyle S. Hauptman
Chairman, National Credit Union Administration
before the U.S. House of Representatives
Committee on Financial Services

Oversight of Prudential Regulators

December 2, 2025

INTRODUCTORY REMARKS

Chairman Hill, Ranking Member Waters, and members of the committee, thank you for the invitation to discuss the operations, programs, and initiatives of the National Credit Union Administration (NCUA). I am grateful to President Trump, who bestowed a great honor to me when he selected me to serve as the 13th Chair of the NCUA.

NCUA's mission is to enable access to financial services by facilitating safe, sound, and resilient credit unions. Approximately 4,300 credit unions serve over 143 million Americans, representing more than $2 trillion in economic activity. Federal credit unions serve Americans in all 50 states and 45 states have state-chartered credit unions.

The credit union movement was a grassroots effort to expand access to financial services and provide low-cost credit to groups and communities that were otherwise unable to participate in the financial system. The origins of the credit union movement drive the foundational difference between credit unions and banks: credit unions are uniquely focused on the members they serve.

Credit unions are defined by their members through fields of membership structured around common bonds. Credit unions may serve only their members, other credit unions, and credit union organizations.

Statutory requirements govern the types of financial services they can offer and place limits on certain aspects of a credit union's operations. The law caps the interest rate credit unions can charge; limits the amount of member business loans credit unions can make; and restricts a credit union's investment authority.

Just as credit unions are unique among financial services providers, NCUA is distinct from our fellow regulators as we are both the regulator and insurer for most credit unions. When acting as a regulator, the NCUA is charged with regulating, chartering, and supervising federally chartered credit unions. When acting as an insurer, the NCUA is charged with managing and protecting the Share Insurance Fund. Both state and federally chartered credit unions are eligible for insurance coverage from NCUA.

In other words, for credit unions, we are the OCC, the FDIC, and the Federal Reserve all in one because, in addition to our role as regulator and insurer, we are also a source of emergency liquidity through the Central Liquidity Facility. The CLF provides member credit unions with a source of loans to meet their liquidity needs.

NCUA must meet its statutory obligations with awareness that overregulation can stifle innovation and growth in a way that could threaten the viability of the credit union system. Our regulatory activities must be fair and transparent: for example, we must avoid both the perception and the reality of regulation through enforcement.

It is worth noting that, as the insurer, NCUA's incentives are aligned with the success of the credit unions we regulate. While the agency has not regulated by enforcement as a matter of policy or practice, we recently published our policy that bars these types of activities on our website. We also released a statement reinforcing our commitment to hold credit unions to established, statutory requirements in a fair and transparent manner.

To right-size our approach to safety and soundness, NCUA is doing several things to capitalize on the opportunities created by the Trump Administration to foster innovation. As a first priority, NCUA is carefully reviewing its regulations to remove any that are obsolete, overly prescriptive, or unduly burdensome.

The agency is also developing a new strategic plan, which will guide our priorities through 2030. Last month, we invited credit unions to share their ideas on how to strengthen the credit union system, highlight future issues, and tell us what they would change about the most recent NCUA Strategic Plan. We are using that feedback to ground our planning in main-street priorities. Our strategic plan will focus on safety and soundness, protecting the Share Insurance Fund from undue risk, and creating space for credit unions to innovate responsibly, especially in leveraging artificial intelligence and cryptocurrencies.

My written testimony discusses the current state of the credit union system and provides an overview of the state of the agency. It also details the work we are doing to empower credit unions and foster innovation.

Thank you, Mr. Chairman. I look forward to the Committee's questions.

###

CONTENTS

Introductory Remarks i

State of the Credit Union System 1

Credit Union System Performance 1

Share Insurance Fund Performance 2

State of the Central Liquidity Facility 2

State of NCUA 3

Strategic Planning 3

GENIUS Act Implementation 3

Empowering Credit Unions 4

Financial Innovation and Artificial Intelligence 4

Helping Small Credit Unions Meet Challenges 4

Chartering De Novo Credit Unions 5

Rulemaking & Regulatory Relief 5

STATE OF THE CREDIT UNION SYSTEM

Overall, the credit union system remains strong. NCUA is closely monitoring some indicators of potential stresses on credit union performance, including an increase in loan portfolio delinquencies.

Credit Union System Performance

As of June 30, 2025, the aggregate net worth ratio of federally insured credit unions was strong at 11.11 percent, an increase of 27 basis points over the past 12 months. Quarter-to-quarter asset growth has strengthened from 2.6 percent in the prior quarter to 5 percent. The credit union system's total assets were $2.4 trillion in the second quarter of 2025, while total outstanding loans were $1.7 trillion. Year-over-year share growth also grew from 2.6 percent in the second quarter of 2024 to 5 percent in the second quarter of 2025.

The industry's return on average assets improved compared with a year ago and remains sound at 0.76 percent. The net interest margin increased year-over-year due to an increase in loan yield and decreases in the cost of funds. Credit loss reserving expense remains elevated and increased year-over-year, but remains manageable.

Credit union loan performance data indicates some consumer financial stress. The delinquency rate for total loans and leases continued to rise on a four-quarter basis, increasing 6 basis points to 0.91 percent as of the second quarter of 2025. The rolling 12-month net charge-off rate was unchanged from its year-earlier level at 0.79 percent, near its highest level since late 2011, when consumers were recovering from the Great Recession.

The CAMELS rating system is used by financial regulators to guide allocation of resources in the supervision of federally insured credit unions based on six measures: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The lower the CAMELS rating, the stronger the credit union. As of the second quarter of 2025, more than 81 percent of federally insured credit unions (3,573 credit unions) have a composite CAMELS rating of 1 or 2. Of this, 2,206 are federally chartered and 1,367 are state chartered credit unions.

The credit union system remains strong, and credit unions are able to support their members' borrowing needs, which is evidenced in data on credit union mortgage lending.

Credit union mortgage lending strengthened over the year ending in quarter two in 2025 compared with the same period last year. While recent growth in credit union mortgage loan balances is still below pre-pandemic rates of increase—largely a reflection of weak home sales—credit unions have been successful in growing their mortgage loan books relative to other lenders.

The commercial real estate sector continues to show signs of stress, due in part to interest rates and occupancy levels. While the credit union system's exposure to commercial real estate lending is low, the NCUA continues to monitor individual credit unions with material exposure in this area.

Share Insurance Fund Performance

Backed by the full faith and credit of the United States, the Share Insurance Fund provides insurance coverage of up to $250,000 for individual accounts at federally insured credit unions. As of June 30, 2025, the Share Insurance Fund insured $1.83 trillion in total share deposits (the credit union version of bank deposits). Notably, the Share Insurance Fund protects about 90.5 percent of total share deposits in the credit union system. In comparison, uninsured shares equaled nearly $192.7 billion as of June 30, 2025, or 9.5 percent of total shares.

As of June 30, 2025, the Share Insurance Fund reported a year-to-date net income of $161.8 million and a net position of $22.9 billion. The equity ratio as of June 30, 2025, was sound at 1.28 percent, and is expected to end the year at 1.30 percent, slightly below the 1.33 percent normal operating level target set by the NCUA Board.[1] As of June 30, 2025, the Share Insurance Fund's overnight investments balance was $5.5 billion. The NCUA Board continues to prioritize safety and liquidity in the Share Insurance Fund.

State of the Central Liquidity Facility

NCUA's Central Liquidity Facility (CLF) supports a participating credit union's ability to manage liquidity risk in all economic environments, especially during times of systemic stress and reduced liquidity. The CLF has 450 credit union members, providing $22 billion in lending capacity to its members, which purchase stock in the CLF. These credit unions range in asset size from less than $50 million to more than $20 billion. The CLF helps protect approximately $400 billion in credit union members' assets.

Under NCUA's regulations, credit unions with assets of $250 million or more are required to maintain access to a contingent federal liquidity source—the CLF, the Federal Reserve's Discount Window, or both—as part of their contingency funding plan. Credit unions with less than $250 million in assets are not required to have membership with a contingent federal liquidity source; however, they must identify external sources of liquidity as part of their policies or contingency funding plan.

[1] The equity ratio is the overall capitalization of the Share Insurance Fund to protect against unexpected losses from the failure of credit unions. When the equity ratio falls below 1.20 percent or is projected to fall below 1.20 percent within six months, the Federal Credit Union Act requires the NCUA Board to assess a premium or develop a restoration plan for the fund. When the equity ratio exceeds the normal operating level and the available assets ratio exceeds 1.00 percent at year-end, the Share Insurance Fund pays a distribution.

Agent members of the CLF are corporate credit unions that act as intermediaries for the CLF, providing access to the CLF's liquidity for natural person credit unions within their networks. These corporate credit unions manage the capital stock subscriptions and liquidity needs on behalf of their member credit unions, which are not direct members of the CLF. This arrangement allows the CLF to extend loans to more credit unions, bolstering the stability of the broader credit union system, especially for smaller credit unions.

STATE OF NCUA

In compliance with the applicable legislation, Executive Orders, and guidance from OPM, the NCUA is in an era of rapid transformation, both within our workforce and structurally. Our implementation of a voluntary separation program has created the room to rebalance our staff-to-management ratio. Under the voluntary separation program, nearly 23 percent of staff are leaving NCUA employment by the end of 2025. The agency expects to have fewer than 1,000 staff heading into 2026 and will continue to meet its core mission and support the administration's priorities through mission alignment, efficiencies, and technology.

These changes in staffing dovetail with a re-imagining of our organization. We are redefining operations by simplifying policies, refining processes, aligning staff with strategic priorities, and modernizing tools and technology to support NCUA's long-term success. As we resolve redundancies and focus on our core mission, we do so with a workforce that has actively chosen to be a part of NCUA's future.

Strategic Planning

Every four years, NCUA crafts a new strategic plan to guide the agency's actions and work for the next five years. We are currently working on the 2026-2030 Strategic Plan.

In September 2025, NCUA hosted its first-ever Strategic Plan Town Hall. The event was a focused discussion with representatives from credit unions, trades, leagues, and credit union service organizations. NCUA asked them to share feedback on what is working, how the NCUA can reduce the regulatory burden on credit unions, and what issues stakeholders foresee for the future of the credit union system.

NCUA believes in a collaborative approach to our work. We plan on releasing the 2026-2030 Strategic Plan in the New Year.

GENIUS Act Implementation

On July 18, 2025, President Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act into law. The GENIUS Act requires the development of a regulatory framework for payment stablecoins and provides pathways for regulation at both the federal and state level.

NCUA has done substantial work to implement the GENIUS Act and is committed to meeting all applicable deadlines. As required by law, NCUA is also coordinating implementation with the other primary federal payment stablecoin regulators.

Before the GENIUS Act passed, credit unions and their members were receptive to the avenues for convenience and efficiency promised by digital assets and distributed ledger technology. In 2021, NCUA issued guidance clarifying the authority of federally insured credit unions to offer a variety of digital asset services to their customers via third-party vendors. The agency clarified that it did not prohibit the use of emerging distributed ledger technologies.

Striking the balance between risk-aversion and optimism is always challenging, especially when it comes to rapidly evolving technology. NCUA's approach has been to ground ourselves in main-street pragmatism. Credit unions should expect a consistent approach to new technologies from their regulator, one that allows them the freedom to explore and use these technologies to benefit their members with the expectation that they are doing their due diligence to evaluate the risks and comply with applicable laws. This pragmatic and consistent approach to innovative technology has served NCUA and credit unions well as both navigate the rapidly evolving digital asset and legal environments.

EMPOWERING CREDIT UNIONS

Financial Innovation and Artificial Intelligence

The finance industry is evolving rapidly with the advances in AI, blockchain, and digital assets, including cryptocurrency. Credit unions face unique challenges in making the most of these rapidly evolving innovations.

As credit unions evaluate, implement, and manage various technologies, NCUA recognizes the importance of supporting them in these endeavors. To that end, the agency added an AI Resources page to our website in August 2025. The new webpage provides resources on AI-specific risk management considerations to help credit unions make informed decisions when implementing AI or partnering with AI service providers. Specifically, the webpage addresses AI implementation, risk management, data security, use cases, and cybersecurity risks. Whether a credit union is beginning to explore AI solutions or is seeking to enhance existing AI risk management practices, NCUA's AI resources page has information to support any stage of the AI integration process.

Helping Small Credit Unions Meet Challenges

Small credit unions are defined as those with less than $100 million in assets as of the previous calendar year's end, many which are minority depository institutions. NCUA offers a program to assist small credit unions with targeted resources to support their longevity.

All 437 credit unions that requested assistance in 2024 received help.

NCUA continues to develop resources, including free online training, to support small credit unions.

Chartering De Novo Credit Unions

Over the past several years, NCUA improved the chartering process by simplifying and clarifying the application process, and by establishing a provisional charter to expand applicants' options. The agency has chartered 18 new federal credit unions since 2020 and, in 2024, provided federal share insurance coverage for one new state-chartered credit union applicant.

In 2023, NCUA launched the provisional charter initiative to allow an applicant to receive a federal charter before it has obtained all the necessary capital. This helps organizers secure the funding needed to commence full operations. Under this initiative, the applicant agrees not to offer products and services until they have successfully raised sufficient capital to implement their approved business plan.

Two of the four groups selected to participate in the provisional charter initiative pilot program received federal charters in 2024. One group is working on its application, and the other explored the option to join another credit union.

NCUA continues to work on ways to make it easier to establish a federally chartered credit union.

RULEMAKING & REGULATORY RELIEF

NCUA's mission is to enable access to financial services by facilitating safe, sound, and resilient credit unions. We are reviewing the entirety of our regulations to focus on measurable and material risks, not on enforcing outdated and obsolete requirements. Removing outdated, overly prescriptive, and unduly burdensome requirements will allow credit unions to serve their memberships while NCUA focuses on risks to safety and soundness. The agency has identified several opportunities to revise or revisit its regulations. We look forward to providing more information on these efforts soon.