America's Credit Unions

December 22, 2025

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street, Alexandria, Virginia 22314

RE: Prohibition on Use of Reputation Risk (Docket No. NCUA-2025-0972)

Dear Ms. Conyers-Ausbrooks:

On behalf of America's Credit Unions, I am writing in response to the National Credit Union Administration's (NCUA) notice of proposed rulemaking to codify the elimination of reputation risk from its supervisory program. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. As not-for-profit, member-owned financial cooperatives, credit unions play a vital role in the financial well-being of individuals, families, and small businesses across the country. We advocate for policies that allow credit unions to effectively meet the needs of their over 144 million members nationwide.

America's Credit Unions generally supports the NCUA's proposed rule. The NCUA's proposed rule would codify the prohibition on the use of reputational risk from its supervisory and examination programs. Reputation risk is ambiguous and lacks any measurable criteria. Because of the difficulty to quantitatively measure reputation risk or its impact, it is inappropriate to examine credit unions for this risk.

General Comments

Removing reputation risk from the NCUA's examination process will reduce regulatory burden, exam time, and costs, particularly for smaller credit unions with limited resources. Our members have expressed concerns that the NCUA examinations place undue emphasis on perceived reputational issues instead of core financial or operational risks. The elimination of reputation risk would appropriately recalibrate examinations to focus on measurable and material risk factors.

Credit unions, not NCUA examiners, should bear responsibility for managing their own reputation risks and have autonomy to operate in a manner that best serves their members. Our members understand that reputation risk is best managed at the organization level, enabling leadership to maintain a comprehensive awareness of the products and services most valued by membership. Internal reputational risk management focuses on member satisfaction and public perception, ensuring credit unions are community-focused organizations dedicated to improving members' financial well-being.

We also agree with the NCUA's assessment that reputation risk is a subjective, redundant, and time-consuming measurement for both examiners and credit unions. It may yield examiners inserting, whether intentionally or not, their individual viewpoints in what should be an objective examination process. As the agency argues, these determinations create unpredictability and inconsistency and introduce the potential for biases into the supervisory process.

Under the current framework, the presence of reputation risk may have a chilling effect on credit unions. For example, if a credit union chose to participate in a politically sensitive endeavor, management must spend significant resources justifying that choice to skeptical examiners. Credit unions often feel pressure from examiners to demonstrate high community support or protective measures because examiners may question the endeavor's soundness. Consequently, examiners may push for more enhanced safeguards than strictly necessary to mitigate the perceived stigma. Under the proposed framework, however, examiners would concentrate on objective and quantifiable factors that directly impact safety and soundness.

We also want to emphasize that credit unions unequivocally do not debank its members on the basis of constitutionally-protected speech or viewpoints. However, a credit union may choose not to participate in certain categories of businesses for reasons outside of moral and ethical purposes. Smaller credit unions in particular may not possess the in-house expertise to manage and assess risks of certain issues. For example, some of our members participate in cannabis banking. Due to the increased risk of money laundering in this space, credit unions must have the capacity to house additional expertise. Otherwise, they must signal to its members that they are unable to offer services with such businesses based on lack of compliance expertise, not debanking.

While the proposed rule makes clear that it will not alter or affect the ability of a credit union to make businesses decisions and manage its operations, we urge that this rule should not be construed to tell examiners to search for debanking. The proposed rule pertains to the examination process and actions by the NCUA and its employees; it does not authorize the NCUA to tell examiners to penalize credit unions for policies and procedures that allow them to debank for risk-based reasons. Rather, examiners must evaluate credit union solely on safety and soundness. We urge that credit unions must be able to continue to enact independent policies, procedures, and judgments without interference by NCUA examiners.

Conclusion

America's Credit Unions and its credit union members support the proposed rule, as it will allow NCUA examiners to focus on core financial and operational risks. Reputation risk is a subjective assessment that belongs solely to credit unions to consider. It is essential that credit unions retain full independence to make strategic and operational decisions, including assessing and managing reputation risk, without undue influence from the NCUA or its examiners. America's Credit Unions appreciate the opportunity to comment on this proposed rule. If you have any questions, please do not hesitate to contact me at 202-961-5731 or tmaron@americascreditunions.org.

Sincerely,

Tyler J. Maron
Regulatory Affairs Counsel