

The GoWest Credit Union Association is pleased to provide our quarterly analysis of regulatory developments at the federal level. This report includes:

- **Economic Update & Outlook**
- **Federal Regulatory Update**
 - **NCUA**
 - **CFPB**

2024 Review and 2025 Economic Outlook

As we begin 2025, the U.S. economy presents a complex but generally optimistic outlook. Credit union leaders must balance the opportunities and challenges ahead, particularly in light of recent Federal Reserve actions, evolving economic indicators, and a shifting regulatory landscape. Below is an analysis of the key trends and expectations for the year, with actionable insights to help credit unions position their balance sheets effectively.

Macroeconomic Overview

Interest Rates and Yield Curve

The Federal Reserve's recent interest rate cuts have eased short-term borrowing costs, reducing rates at the short end of the yield curve. However, the longer end remains stubbornly high due to limited support from the Treasury, which is not purchasing mortgage-backed securities or longer-term bonds. This has contributed to a slow normalization of the yield curve.

In mid-December, the 10-year Treasury yield exceeded the 1-month yield for the first time in 2024, signaling early signs of a steepening curve and the end of the longest inverted yield curve in history. As of early 2025, this trend continues and is expected to further steepen throughout the year.

Credit unions may want to consider balance sheet adjustments to prepare for a steeper curve. Currently the yield curve is flat, creating little opportunity to make a spread. However, as the year progresses longer-term loan pricing may become more favorable, while shorter-term funding costs come down, creating opportunities to manage net interest margins in the traditional manner.

Economic Indicators

Year-end 2024 data painted a positive picture, with strong employment numbers, 3% inflation, and robust GDP growth of 2.7%. The economy is in its second-longest streak of job growth, with 48 consecutive months of employment gains.

However, as we head into 2025, questions remain: Will the economy continue to grow and at what pace? How will inflation and wage growth evolve? How many additional rate cuts will the Fed pursue?

Credit unions should monitor wage growth and unemployment trends closely, as these factors could influence member behavior, loan demand, and repayment risks. Evaluate mortgage lending strategies in light of evolving housing trends and consider diversifying product offerings to meet changing member needs.

Emerging Opportunities and Risks

The economy stands at the precipice of a transformative AI age, akin to the impact of the internet's introduction. This could reshape industries, including financial services, creating opportunities for innovation and efficiency.

Credit unions are exploring numerous avenues for AI-driven solutions from member service offerings to risk management, and operational efficiency solutions. Credit unions are demonstrating leadership by leveraging AI technologies to enhance the member experience.

Despite strong headline indicators, the economy faces several risks:

- Potential employment disruptions from immigration policy changes.
- Changes to tax rates as Congress considers tax reform.
- Reduced government spending, which could dampen economic activity.

Due to these conditions, the NCUA has indicated an increased focus on stress-testing portfolios for elevated risks in credit card charge-offs and used auto loans, as these are expected to face higher default rates in 2025. Cyber-security will remain an exam focus with fraud and sophisticated cyberattacks on the rise, and credit unions can expect an elevated focus on fraud detection and mitigation strategies to protect member assets.

The flat yield curve continues to compress spreads, making it challenging to generate significant net interest margin. This environment underscores the importance of effective balance sheet management. Optimizing deposit strategies to minimize funding costs, diversifying loan portfolios to include products with higher yields, and maintaining liquidity to take advantage of future rate cuts or yield curve movements will be critical to credit union success in 2025.

While the U.S. economy enters 2025 on a strong footing, challenges like rising unemployment, slowing wage growth, and potential fiscal disruptions warrant close monitoring. Credit unions remain a pillar of financial stability for their members and are well-positioned to help navigate the uncertainties of the year. By preparing for evolving economic conditions, adopting forward-thinking strategies, and addressing emerging risks, credit unions can continue to thrive while supporting their members' financial well-being.

Regulatory 2024 Review and 2025 Preview

2024 Regulatory Review

In 2024, GoWest member credit unions achieved significant regulatory wins, thanks in large part to the active engagement of credit union leaders.

GoWest members served in key positions of influence, including on the CFPB Credit Union Advisory Council, the FHLB Des Moines Board, and the Federal Reserve's Community Depository Institutions Advisory Council.

Our advocacy was bolstered by productive meetings in Washington, D.C. with the NCUA, CFPB, Federal Reserve, and Federal Housing Finance Agency.

Federally, advocacy with the NCUA was particularly impactful, securing a record-keeping change to ensure reciprocal deposits at credit unions are insured similarly to banks. Your advocacy also secured an extended examination cycle for credit unions over \$1 B in assets. In addition, many of GoWest credit unions' suggestions were adopted in the final succession planning rule, and our feedback on the 2025-2026 NCUA budget resulted in \$86.7 million in savings. This budget adjustment not only prevented a projected 9% increase in the operating fee but also resulted in a reduction compared to 2024—savings that directly benefit credit unions and their members.

At the state level, proactive efforts lead to tangible results. In Colorado, collaboration with regulators culminated in the passage of a credit union sunset bill, improvements to a UCC Rule, and the department reducing the required number of board meetings from 12 to 6. In Oregon, advocacy efforts secured vastly improved examination efficiency. Idaho credit unions finalized a multi-year bylaws project and received commitments to enhance communication, and in Arizona and Wyoming, we are nearing the finish line to bring excess share insurance to both states. In Washington, we worked with the Department to once again significantly reduce assessments paid by state charters.

These victories exemplify the strength and importance of regulatory advocacy efforts.

2025 Regulatory Preview

Looking ahead, credit unions can expect a dynamic regulatory landscape with a new administration being stood up. Credit union engagement and expertise will be essential in developing new relationships, educating and advocating on credit union priorities, and leveraging new opportunities.

On the exam front, credit unions are advocating for enhanced examiner training programs, increased collaboration between frontline examiners, credit unions, and leagues, and smarter exam staffing decisions that align credit union needs with examiner expertise.

On the policy side, GoWest is advocating for the NCUA to develop a long-term Regulatory Reform Agenda, rescind and modernize outdated NCUA guidance and unnecessary Call Report fields,

At the CFPB we will advocate for a look back at current rules, while slowing down rules in development and reimagining how enforcement actions are used.

GoWest, in partnership with credit unions, will also work to slow down the overhaul of the FHLB system as well as stop the Federal Reserve from finalizing the proposed Interchange Rule.

We have important work we will accomplish together in 2025 and appreciate your commitment to shaping a regulatory environment that empowers credit unions to thrive.

National Credit Union Association (NCUA)

The NCUA took quick action in 2025 issuing the agency's exam priorities letter and is expected to finalize the NCUA's 2025 Annual Performance Plan at their January 16 Board meeting. The plan turns long-term goals outlined in the strategic plan into actionable short-term objectives.

It is anticipated that incoming President Trump will move quickly upon taking office to name Kyle Hauptman as the 13th Chairman of the NCUA Board. The Chairman of the Board has a number of important duties, including presiding over NCUA meetings and setting meeting agendas, setting the policy direction and oversight, overseeing the agency budget preparation and resource allocation, providing guidance on the use of the SIF, and acting as primary spokesperson for the agency on regulatory matters and the state of the credit union system, including interactions with the Executive branch, Congress, and other Federal Agencies.

This will allow the next Chairman to revisit the strategic plan, the annual performance plan, the exam priorities letter as well as direct staff to update guidance, call report fields, and other administrative and operational functions that do not require a Board vote. GoWest looks forward to working closely with the next Chair to outline credit union priorities.

NCUA Exam Supervisory Letter

The NCUA has released its annual letter to credit unions outlining its 2025 exam priorities. As is customary, the agency lists its priorities in order of importance, providing insight into the upcoming year's examination focus. A new Chair could shift the focus, potentially emphasizing safety and soundness, especially considering the elevated risks associated with credit risk, balance sheet management, and cybersecurity.

Key Highlights from the Letter

Credit Risk: At the top of the list is credit risk, reflecting rising delinquency rates, which are now slightly above historical trend lines. This focus is expected, given the current economic conditions and associated risks. This was also the top exam priority in 2024.

Balance Sheet Management: The second area of emphasis is balance sheet management, with a specific focus on risks to earnings and net worth. Credit unions should anticipate detailed scrutiny in these areas during exams. While balance sheet management includes Liquidity and Interest Rate Risk it is notable that these are not exam priorities in 2025.

Cybersecurity: Cybersecurity remains a priority for 2025 as expected, highlighting the continued importance of protecting member data and addressing emerging and evolving threats.

Consumer Compliance: While consumer compliance has been moved lower on the list and the agency's decision to scale back exams in this area is notable, it is surprising to see this remain an

exam priority given the incoming administration's anticipated focus on safety and soundness exams. A new chair could choose to make additional adjustments to this or other items on the list.

Key 4th Quarter 2024 Developments:

The NCUA held three meetings during the fourth quarter of 2024, covering several key issues that will impact credit unions. They also held a budget hearing and issued guidance.

GoWest credit unions' advocacy efforts led to substantial improvements in both the final rule on succession planning and the biennial budget for fiscal years 2025 and 2026. In addition, the NCUA made process improvements to their online FOM expansion tool based on credit union feedback.

Final Rule on Succession Planning - The NCUA Board unanimously adopted a final rule on succession planning, effective January 1, 2026, incorporating several key changes advocated by GoWest including:

- **Biennial Review Requirement:** The succession plan review frequency has been extended from annually to every two years from the proposed rule to the final rule.
- **Narrowed Scope of Covered Positions:** The rule's applicability has been narrowed by removing loan officers, supervisory committee members, and credit committee members from the list of covered management officials.
- **Flexibility in Plan Content:** The final rule does not mandate coverage of unexpected or temporary vacancies, nor does it specify required content for a federally insured credit union's recruitment strategy. Additionally, there is no longer a requirement to document deviations from approved succession plans in meeting minutes.
- **Support Resources:** The NCUA has committed to providing a Board resource template and conducting outreach to assist credit unions in implementing these plans.

These modifications align with recommendations from GoWest and other commenters, reflecting a responsive approach by the NCUA to industry concerns. While GoWest was generally opposed to the proposed succession planning rule and still questions the NCUA's legal authority to apply the rule to state charters, we were pleased that the final rule included changes that we recommended.

[Succession Planning Final Rule](#)

[Succession Planning Template](#)

[Link to GoWest Succession Planning Letter](#)

Approval of the 2025-2026 NCUA Budget - Significant revisions to the proposed biennial budget were made, aligning with the feedback provided by GoWest and other industry representatives that provided budget testimony:

- **Reduced Budget Increase:** The initially proposed 12.2% budget increase for 2025 has been scaled back to a 2.5% increase, demonstrating fiscal restraint in response to credit union advocacy.
- **Elimination of Proposed Positions:** The Board removed several new administrative positions, including those for the Office of the Executive Secretary, Office of the Ombudsman, Office of

Continuity and Security Management, Office of Human Resources, and Office of External Affairs. This action addresses our concerns regarding disproportionate growth in the administrative budget compared to the Examination and Supervision Budget.

- **Operational Savings:** Additional reductions include a \$3.5 million cut in the travel budget and a \$1.2 million cut in contracted services, contributing to total savings of \$86.7 million over the biennium.

These budgetary revisions will result in a slight decrease in the operating fee paid by credit unions in 2025 compared to 2024. Had the budget been adopted as proposed, the operating fee would have increased by more than 9%. These are savings that will ultimately benefit credit unions and their members.

GoWest credit union advocacy efforts also resulted in extended examination cycles for larger CAMEL 1 and 2 rated credit unions, that contributes to operational efficiencies and cost savings for both the NCUA and credit unions.

[Final NCUA 2025/2026 Budget](#)

[Link to Budget Hearing](#)

[Link to GoWest Written Budget Testimony](#)

Consumer Financial Protection Bureau (CFPB)

A Look Back Into 2024

GoWest credit unions concluded another year of impactful advocacy, providing valuable insights into regulations and fostering strong connections within the Consumer Financial Protection Bureau (CFPB).

Credit unions' advocacy efforts on the CFPB's [Open Banking](#) rule resulted in two of our key recommendations being adopted in the final regulation. The first was to exempt smaller institutions, resulting in the exclusion of any institution with assets under \$850 million. The second was to establish a staggered implementation timeline, giving credit unions adequate time to adapt. The final rule reflects this recommendation, with implementation dates ranging from 2023 to 2026, based on asset size.

Additionally, GoWest played a key role in supporting the implementation of the [Streamlining Mortgage Servicing for Borrowers Experiencing Payment Difficulties](#) rule which has now moved into its final stages. This rule introduced improvements to forbearance programs from COVID-19 era amendments to ensure borrowers facing financial hardships receive the support they need. In collaboration with GoWest credit unions, we were able to represent the credit union community effectively through a well-received comment letter and meetings with CFPB staff. While the rule has yet to be finalized, this work aims to ease the mortgage servicing process for both credit unions and credit union members.

In 2024, Sharon Grieger from Vantage West Credit Union in Tucson, AZ was appointed to the Credit Union Advisory Council (CUAC). Sharon represented GoWest credit unions through active engagement in regulatory discussions and policy development throughout the year. Her work on

CUAC has been extremely important to the credit union community, ensuring the needs of credit unions were heard by offering perspectives and insights aligned with the credit union mission of empowering financial well-being and supporting local communities.

GoWest's engagement with the CFPB included a combination of in-person and virtual meetings with key personnel in Washington, D.C., during Hike the Hill, through the Regulatory Advisory Committee, and in one-on-one advocacy discussions with key staff.

2025 Top Priorities

1. **Deepening Engagement with the CFPB:** GoWest aims to further strengthen our presence within the CFPB by building deeper connections across key divisions. We plan to facilitate more engagement opportunities, including in-person meetings during Hike the Hill visits and inviting CFPB representatives to GoWest-hosted events. These efforts will create more opportunities for open dialogue and collaboration.
2. **Advocating for Regulatory Reform:** GoWest will push for regulatory reforms that support credit union operations and reduce unnecessary regulatory burdens. We will work closely with the new Director and CFPB staff to guide the development of rules and policies and look to you for your feedback as we address regulatory challenges together.
3. **Securing CUAC Representation:** Ensuring GoWest has representation on the CUAC remains a top priority. This will allow us to maintain a strong voice in shaping regulations and policies that affect credit unions in the year ahead.

A Deeper Dive: Changes at the CFPB

Leadership Transition

As credit unions wait to hear who will be named as the new CFPB director, it is widely expected that current Director Rohit Chopra will be asked to step down immediately after President Trump's inauguration. Leading contenders for the director position include:

Mark Calabria is the front-runner for the position given his extensive experience in regulatory reform and his alignment with the anticipated priorities of the incoming administration. Calabria is an economist and policy expert focused on housing finance and regulatory reform. He currently sits as Senior Advisor at a regulatory consulting firm but has held roles including Chief Economist to Vice President Mike Pence and Senior Staff Member on the U.S Senate Banking Committee.

Todd Zywicki is a law professor at George Mason University's Antonin Scalia Law School and a senior fellow at the Cato Institute. He specializes in consumer credit, bankruptcy, and financial regulation. As chair of the Taskforce on Federal Consumer Financial Law in 2020, he also recommended regulatory updates to the CFPB, and other federal agencies involved in financial regulation. His recommendations aimed to enhance efficiency, reduce regulatory burdens, and promote consumer choice and market competition.

Brian Johnson is a financial services attorney with experience in regulatory and enforcement matters. As a former Deputy Director of the CFPB, he helped shape policy and oversaw enforcement initiatives. Currently, he is a partner at Alston & Bird LLP, where he advises clients on a broad range of consumer financial services issues.

Regulatory Reform

It is expected that a new Director appointed under the Trump Administration will shift the CFPB's focus away from strict consumer protection measures towards policies aimed at promoting innovation and reducing regulatory burdens on financial institutions. This likely involves revising existing rules, delaying implementation of pending regulations, or rolling back measures viewed as overly restrictive.

GoWest will continue collaborating with credit unions to identify rules and regulations that should be reviewed and modernized to reduce regulatory burdens. For instance, the recently finalized Overdraft Rule is a prime example of a measure that could be revisited or even pulled back as part of a broader regulatory reassessment.

To address these changes and opportunities, GoWest will work with the new CFPB Director and staff to set up meetings where credit union leaders can develop relationships and advocate for revising or repealing rules that hinder credit union operations and additional priorities.

Below is a list of recent regulations credit unions have an opportunity to address via advocacy efforts, and your feedback is crucial moving forward. Which of these regulatory challenges are impacting your credit union? Please share your insights to help us address obstacles and advocate for changes that support your operations.

- [Overdraft Lending for Very Large Financial Institutions](#)
- [Required Rulemaking on Personal Financial Data Rights](#)
- [Nonsufficient Funds Fees for Instantaneous Transactions](#)
- [Caps on Credit Card Late Fees](#)
- [Regulation AA \(UDAAP\)](#)

Credit Union Advisory Council (CUAC)

The Credit Union Advisory Council (CUAC) plays a crucial role in advising the CFPB on regulations and policies impacting credit unions. It provides an opportunity for industry representatives to share valuable insights and feedback directly with the Bureau. As the CFPB starts implementing changes under the Trump Administration in the coming year, securing a position on the CUAC will be extremely important.

In the coming months, we will be working to identify members who want to serve on the council. We are committed to helping you navigate the application process including reviewing your application and offering feedback, providing a letter of recommendation and conducting mock interviews to prepare you for success. If you are interested in applying and want help in any or all these areas, please reach out to Gracie Nelson at gnelson@gowest.org.

John Trull

VP, Regulatory Affairs
971.263.0681 | 800.995.9064
gowestassociation.org

Gracie Nelson

Manager, Regulatory Advocacy
503.781.3290
gowestassociation.org