

NAFCU 2023 Federal Reserve Survey

Your Information

In preparation for the annual meeting between NAFCU's Board of Directors and the Board of Governors of the Federal Reserve System (Fed), we would like to request your input on various issues and learn about your experiences with Fed services. Your responses to these questions are very important to both the Fed and NAFCU, and your help is greatly appreciated. The survey results will be summarized in the 2023 NAFCU Report on Credit Unions with a copy provided to you later this year.

Please complete the survey and return to research@nafcu.org by **August 11, 2023**. All responses will be kept confidential.

*** 1. Your Name**

*** 2. Credit Union Name**

3. NCUA Charter Number (if known)

4. Email Address or Phone Number

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Part 1 of 5: Strategic Initiatives & Challenges

5. How important are each of the following conditions to your credit union's success?

	Not important at all	Slightly important	Moderately important	Very important	Extremely important
Regulatory burden	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Speed of technological change	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loan demand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interest rates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economic and financial market volatility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Household savings patterns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Workforce attraction and staff retention	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. What level of concern do you have for each of the following risks as they pertain to your credit union?

	Not concerned at all	Slightly concerned	Moderately concerned	Very concerned	Extremely concerned
Credit risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interest rate risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liquidity risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compliance risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cybersecurity risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fraud risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strategic risk (e.g., new business initiatives, succession planning, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transitional climate risk (i.e., risks associated with changing strategies, investments, regulation, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Physical climate risk (i.e., risk of natural disasters, wildfires, floods, storms, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. Which of the following issues do you consider critical to your credit union's continued growth and success? Select all that apply.

- Field of membership
- A healthy, appropriate regulatory environment
- Capital requirements which are properly aligned with industry risks
- Access to secondary mortgage market
- A financial marketplace with appropriate safeguards against fraud/ data breaches
- A secure payments system
- Fair allocation of responsibility for fraud
- None of the above

8. In what areas does your credit union experience the most competitive pressure?

	Minimal competitive pressure	Moderate competitive pressure	Significant competitive pressure
Deposits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Auto lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mortgage lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Commercial lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Small dollar lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. Who is your credit union's primary competitor for each of the following products and services?

	Large bank	Community Bank	Credit Union	Fintech
Deposits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Auto lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mortgage lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Commercial lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Small dollar lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Which of the following IT-related projects do you envision your credit union investing in over the next three years? Select all that apply.

- Core conversion/ upgrade
- Servicing/ collection
- Mobile banking
- Online banking platform
- Customer kiosks/ self-service stations
- ATMs
- Artificial intelligence/ machine learning applications
- Distributed ledger/ blockchain applications
- Smart contracts
- Faster payments
- Fraud prevention
- Data analytics/ Marketing
- Automation of compliance or reg. reporting functions
- Privacy management
- Other (please specify below)

- None of the above

11. What do you see as the most difficult challenges to implementing new technology over the next three years? Select all that apply.

- Spend rate
- Board support
- Customer demographic changes
- Core processor responsiveness
- Competition from fintech firms
- Competition from larger banks
- Regulatory changes
- Attracting and retaining competent technology personnel
- Cybersecurity risks
- Regulatory compliance with fintech partners
- Other (please specify)

- None of the above

12. What is the likelihood that your credit union will be involved in a merger in the next three years?

	Not likely at all	Slightly likely	Moderately likely	Very likely	Extremely likely
As the discontinued CU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
As the continuing CU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
With a bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. Approximately how much has your credit union paid in taxes in the past 12 months?

Payroll taxes (employer side only)

State and local taxes

16. If your credit union recently secured FHLB advances, how have the proceeds been used? Select all that apply.

- Support lending to members
- Support lending as part of the FHLB's Community Investment Program
- Support lending as Community Investment Cash Advance Program
- Support CDFI lending programs
- Cover losses on investments
- Improve liquidity position
- Other (please specify)

- N/A - no recent FHLB advances

17. Fannie Mae and Freddie Mac (the GSEs) are beginning the next phase of the joint GSE Credit Score and Reports Initiative, which will move from the current Classic FICO credit score model to require lenders to use two credit scores generated by the FICO Score 10 T and the VantageScore 4.0 models. Relative to the current cost of providing a single Classic FICO credit score, how much more expensive will it be for your credit union to report two credit scores to the GSEs under this new framework?

- Significantly more expensive
- Moderately more expensive
- Slightly more expensive
- No change
- Less expensive
- Not sure

18. Please provide the estimated cost per credit score type, if known.

FICO Score 10 T

VantageScore 4.0

19. What actions can the CLF take to be a more attractive liquidity source for credit unions? Select all that apply.

- Ease capital stock subscription requirement for corporate credit unions acting as agent members on behalf of a subset of natural person credit unions
- Allow corporate credit unions to borrow directly from the CLF to meet liquidity needs
- Re-examine conditions under which CLF could be permitted to extend loans to all credit unions
- Adjust collateral margins to align more closely with FHLB standards
- Other (please specify)

None of the above

20. Some credit unions have sought to enter into brokered deposit agreements to manage liquidity. Is your credit union currently considering any of the following actions in the next 6-12 months?

	Yes	No
Issuing brokered deposits	<input type="radio"/>	<input type="radio"/>
Accepting brokered deposits (as a LICU)	<input type="radio"/>	<input type="radio"/>

21. To what extent are you concerned about each of the following as a potential destination for deposit flight?

	Little to no concern	Moderate concern	Significant concern
National or regional banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Community banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digital banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brokerages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Crypto	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other credit unions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Part 3 of 5: Non-Interest Income

21. Please indicate the share of your credit union's total fee income over the past year derived from the following sources. Answers may be expressed as a dollar amount, or as a percent of total fee income (in which case, should sum to 100).

Overdraft/NSF	<input type="text"/>
Monthly service fees for savings/ checking accounts	<input type="text"/>
ATM fees	<input type="text"/>
Convenience fees for phone payments	<input type="text"/>
Convenience fees for online payments	<input type="text"/>
Incactivity fees	<input type="text"/>
Late payment fees	<input type="text"/>
Loan origination fees	<input type="text"/>
Balance transfer fees	<input type="text"/>
Interchange fees	<input type="text"/>
Other	<input type="text"/>

22. On average, how much do you charge for:

Overdraft	<input type="text"/>
NSF	<input type="text"/>

23. Does your credit union make the following types of fee-related accommodations? Select all that apply.

- Waive overdraft or NSF fees on a case by case basis
- Intervene when a member engages in frequent overdrafts
- Provide targeted outreach or education to members who miss payments
- Lower or eliminate fees for certain products based on member feedback
- None of the above

24. How would you recover fee income if overdraft fees were capped or eliminated by regulation? Select all that apply.

- Change fees/pricing of checking accounts
- Change card rewards
- Change fees/pricing on credit products
- Other (please specify)

- Would not attempt to recover lost fee income

25. Has regulatory uncertainty around limits or caps on different types of fees influenced your credit union's pricing strategy for products? If so, what actions is your credit union considering in response to the prospect of such limits or caps? Select all that apply.

- Charging more for credit products
- Discontinuing certain credit products
- Charging an account maintenance fee to recover lost fee revenue
- Eliminating fees subject to increased regulatory scrutiny
- Other (please specify)

- None of the above

26. What actions, if any, has your credit union taken (or plans to take) in response to the CFPB's warnings about the use of Authorize Positive Settle Negative (APSN) procedures for overdraft programs? Select all that apply.

- Eliminate debit overdraft program
- Upgrade systems to extract problematic transactions from overdraft queue
- Update policies and procedures
- Credit union does not use APSN procedures
- Credit union does use APSN procedures and has taken no action in response to CFPB's warnings
- Other (please specify)

27. What actions, if any, has your credit union taken (or plans to take) in response to the CFPB's warnings about charging multiple fees for representation of ACH transactions? Select all that apply.

- Upgrade systems to prevent incurring multiple fees on represented transactions
- Update policies and procedures to review fees charged on represented ACH transactions
- Credit union does not charge multiple fees on represented ACH transactions
- Credit union does charge multiple fees on represented ACH transactions and has taken no action in response to CFPB's warnings
- Other (please specify)

28. What is the average annual dollar value of all rewards points offered to members over the past five years for:

Debit cards

Credit cards

29. What percent of total annual interchange income supports credit and debit reward programs?

30. What is the total dollar value of all losses sustained over the past 12 months due to fraudulent transactions?

31. How much do you estimate your credit union will spend this year to provide secure payments to members?

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Part 4 of 5: Regulatory and Legislative Issues

32. Please describe how your regulatory burden for each compliance category changed over the past five years. Then describe how your regulatory burden is expected to change over the next five years.

	Past 5 years	Next 5 years
Overall compliance burden	<input type="text"/>	<input type="text"/>
Mortgage servicing	<input type="text"/>	<input type="text"/>
HMDA/ Fair lending	<input type="text"/>	<input type="text"/>
Regulation E / error resolution	<input type="text"/>	<input type="text"/>
Overdraft	<input type="text"/>	<input type="text"/>
UDAAP	<input type="text"/>	<input type="text"/>
Non-mortgage consumer lending	<input type="text"/>	<input type="text"/>
Mortgage lending	<input type="text"/>	<input type="text"/>
BSA/AML	<input type="text"/>	<input type="text"/>
IT compliance	<input type="text"/>	<input type="text"/>
Capital rules	<input type="text"/>	<input type="text"/>

33. Identify the areas in which you expect to increase the number of full-time equivalent (FTE) staff members devoted to the following compliance categories in the next three years. Select all that apply.

- Total compliance/risk management activities
- Mortgage servicing
- HMDA/Fair lending
- Regulation E / error resolution
- Overdraft
- UDAAP
- Non-mortgage consumer lending regulations
- Mortgage lending
- BSA/AML
- IT compliance
- Capital rules
- None of the above

34. Roughly what percent of this year's operating budget is devoted to cybersecurity?

35. What level of concern do you have for the following cyber risks as they pertain to the safety of your credit union and its members?

	Not concerned	Minimally concerned	Moderately concerned	Very concerned	Extremely concerned
Ransomware	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Phishing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business email compromise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Merchant data breach	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vendor compromise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of regular cyber examination for nonbanks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insider threat	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

36. In what technological domains does your credit union perceive the largest gap in capability relative to large banks or fintech companies?

	No Gap (CU is equal to or better)	Minimal Gap	Moderate Gap	Significant Gap
Artificial intelligence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Real time payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wallets/P2P	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digital asset service(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cloud computing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fraud analytics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mobile banking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cybersecurity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

37. What actions should the NCUA and other regulators take to address those gaps?

Select all that apply.

- Launch pilot programs to permit easier testing of new technologies
- Issue no-action letters or other types of waivers to provide a safe harbor for responsible use of new technology
- Convene tech sprints with industry
- Publish guidance addressing use of artificial intelligence
- Expand funding for technical assistance programs
- Establish workforce development programs to address shortages of qualified technology professionals
- Other (please specify)

- None of the above

38. Do you have a lending partnership with a fintech partner? If so, what is the nature of the partnership?

- We buy loans originated on the lending platform of our fintech partner
- We sell loans originated on our lending platform to our fintech partner
- Both of the above
- We do not have a lending relationship with a fintech partner

39. If you have a lending partnership with a fintech firm, what types of loans are involved? Select all that apply.

- 1-4 family mortgage loans
- Auto loans
- Small dollar unsecured loans
- Small business loans
- Commercial real estate loans
- Other (please specify)

- None of the above

40. The CDFI Fund has indicated that it is considering changes to its certification application. What proposed changes are most concerning if your credit union is currently a CDFI or planning to become one in the future? Select all that apply.

- Mortgage standards (e.g., prohibition on mortgage loan products that include negative amortization, interest only payments, balloon payments)
- Calculation of APR limits in Transaction Level Report
- Overdraft and NSF standards (e.g., applicants must provide information on checking or share account features they offer, as well as information on any overdraft or NSF fees)
- Completion of a full Transaction Level Report before beginning an application
- Other (please specify)

- None of the above

41. Is your credit union currently a CDFI? If so, what is the likelihood that you will recertify under a new certification process if the CDFI Fund adopts proposed changes to the application?

- Very Likely
- Somewhat Likely
- Not very likely
- Not currently a CDFI

42. In March 2023, the CFPB issued a final rule implementing Section 1071 of the Dodd-Frank Act which created new small business lending data collection requirements similar to HMDA. Depending on the number of covered small business loans a credit union originates, the following effective dates apply.

- **Category 1 (2,500+ covered originations in both 2022 & 2023): Data collection begins Oct 2024 and reported to CFPB June 2025**
- **Category 2 (500 to 2,500 originations in both 2022 & 2023): Data collection begins April 2025 and reported to CFPB June 2026**
- **Category 3 (100 to 500 originations in both 2022 & 2023): Data collection begins January 2026 and reported to CFPB June 2027**

Which category does your credit union fall under?

- Category 1
- Category 2
- Category 3
- None of the above (<100 originations in 2022/23)
- Not sure

43. If the rule impacts your credit union, how confident are you that you will be able to comply with the rule's data collection and reporting provisions by the given effective dates?

	Not at all confident	Somewhat confident	Very confident	Not applicable
Data collection date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reporting date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

44. What challenges to compliance with the CFPB's final small business lending rule do you anticipate having the greatest impact on future implementation? Select all that apply.

- Upgrading loan origination systems to capture new data elements
- Working with vendors to test system upgrades before the effective date
- Training frontline staff to follow new policies and procedures
- Performing data validation / fixing errors
- Other (please specify)

- None of the above

45. A lawsuit challenging the constitutionality of the CFPB’s funding structure could have potentially far-reaching legal consequences with respect to the validity of the CFPB’s rules and interpretations. If the CFPB’s funding structure were found unconstitutional, what concerns would your credit union have in the aftermath of such a decision by the Supreme Court? Select all that apply.

- Validity of regulatory safe harbors
- Validity of prior enforcement actions
- Validity of legal opinions
- Validity of rulemakings (e.g., QM rule, payday lending rule)
- General regulatory uncertainty
- Other (please specify)

- None of the above

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Part 5 of 5: Use of Fed Services

46. To what extent does your credit union use the following intermediaries for transaction services?

	None	Some	Most	All
Corporate CUs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Federal Reserve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outside Vendors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

47. Please rate your experience using Fed Services overall over the past 12 months.

- Excellent
- Above average
- Average
- Below average
- Very poor
- Do not use

48. Overall, does the Federal Reserve price its services competitively?

- Yes
- No
- Do not use

49. Among the services that you use, which do you consider the most and least competitively priced?

Most competitively priced service

Least competitively priced service

50. The FedNow Service will allow depository institutions to settle transactions in real-time, on a 24x7x365 basis through the Federal Reserve Banks. FedNow is launching in July 2023. Is your credit union considering becoming a FedNow participant in the next 6-12 months?

- Yes, receive only
- Yes, receive and send
- Not at this time

51. If your credit union is considering using FedNow, would you do so through a corporate credit union?

- Yes
- No, would access FedNow directly
- No, not offering payments on FedNow

52. If you are not currently planning to become a FedNow participant, what are some of the primary reasons that have influenced your decision. Select all that apply.

- Risk of fraudulent transactions
- Lack of member demand
- Lack of compelling business use-cases
- Lack of resources / staffing at credit union to manage new service
- Liquidity management risk
- Other (please specify)

- None of the above