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National Association of Federally-Insured Credit Unions

September 27, 2017

The Honorable Shelley Moore Capito
Chairman
Subcommittee on Financial Services and
General Government
United States Senate
Washington, DC 20510

The Honorable Chris Coons
Ranking Member
Subcommittee on Financial Services and
General Government
United States Senate
Washington, DC 20510

RE: FY 2018 Financial Services and General Government Appropriations Act

Dear Chairman Capito and Ranking Member Coons:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today in regards to the Fiscal Year 2018 (FY 2018) Financial Services and General Government Appropriations (FSGG) Act. We appreciate the Subcommittee's efforts to move this bill forward.

The appropriations package for FY 2018 that passed earlier this month in the House of Representatives, H.R. 3354, included many provisions that would provide needed regulatory relief to credit unions and we would encourage you to include these in the Senate package. The House FSGG section also included language that NAFCU and our member credit unions would like to see improved. Outlined below are some areas we would like to highlight of importance to credit unions:

NAFCU supports a strong, independent NCUA as the primary regulator for credit unions. H.R. 3354 retains the cost-effective three-member structure of the NCUA Board as NAFCU had urged. Additionally the House approved an amendment that eliminated a House Appropriations Committee provision in the bill bringing the NCUA under the congressional appropriations process – a move that NAFCU feels is unnecessary given that credit unions fund the NCUA, not taxpayers. The NCUA retaining its independence and funding structure is vital to ensuring stability in the credit union industry.

NAFCU strongly urges you to support $250 million in FY 2018 funding for the Community Development Financial Institution's (CDFI) Fund. As of January 31, 2017, there were 287 credit unions certified as CDFIs. Representing 27 percent of the total number of certified institutions, CDFI certified credit unions hold more than 50 percent of total CDFI assets. Clearly, CDFI credit unions are critical partners in the CDFI Fund's mission.

CDFI credit unions predominantly serve low-income areas and other target markets, often being the only financial services option for consumers that live paycheck to paycheck. The CDFI Fund grant program helps credit unions serve communities and consumers that large banks do not focus on. Over the past two years, CDFI credit unions received roughly $70 million in grant funding to aid in their efforts to offer financial services to their low- and moderate-income members. On September 19, 2017, the Department of Treasury announced that those credit union grants would be reduced to $39.5 million. Without the CDFI grant program, many credit unions will not be able to offer these products and loans, providing financial stability for members and their families.

NAFCU supports the Consumer Financial Protection Bureau (CFPB) governance structure moving from a single director to a bipartisan commission. The current CFPB single director structure has been detrimental to consumers, industry and the economy due to political influence creating regulatory uncertainty and disturbing the marketplace. It is important that this be addressed in order to protect consumers from the impacts and instability of political shifts with each new presidential administration to come. A bipartisan commission has long been the traditional structure for our nation's depository institutions and would provide the balanced approach to those overseen, regulated, and impacted by the CFPB.

NAFCU supports restoring full funding of the NCUA Community Development Revolving Loan Fund (CDRLF). The House FSGG bill included NAFCU sought language restoring the NCUA's grant program assisting low-income credit unions and assisting them in creating a healthy operation where they can provide affordable financial services to their members. These funds have a proven successful track record for spurring growth and go towards proper staff training, cybersecurity measures, and student internships. We urge the Committee to support the CDRLF program.

NAFCU supports requiring the CFPB to provide guidance and rulemaking for its UDAAP authority. Uncertainty stemming from CFPB's authority to take action on entities committing unfair, deceptive, or abusive acts or practices (UDAAP) can prevent institutions from providing services that consumers may want. Credit unions want to comply and provide services their members want and need. However, when the CFPB does not provide clarity in regards to UDAAP, either through rulemaking or guidance, economic opportunity is stymied as institutions fear the CFPB will only regulate through enforcement action. The House bill that passed two weeks ago included language removing UDAAP authority from the CFPB, which NAFCU supports and would like to see included in the Senate FSGG version.

NAFCU supports maintaining the important dispute resolution structure between credit unions and their members. H.R. 3354 would repeal the CFPB's authority to write rules for arbitration, which NAFCU supports. The CFPB's final arbitration rule issued earlier this year prohibits the use of arbitration agreements for the purpose of limiting access to class action litigation. Under the rule credit unions would also be required to submit to the bureau certain records, including initial claims and counterclaims, answers to these claims and counterclaims, and awards issued in arbitration. Not only is rule potentially harmful to the credit unions efforts to preserving a stable and close relationship with their members, but will be costly as well. We urge the Senate Appropriations FSGG Subcommittee to include similar language addressing this rule.

NAFCU has long urged giving credit unions and other financial institutions qualified mortgage (QM) relief. We believe that credit unions should have a safe harbor if they assume the risks associated with making a mortgage loan to consumers when necessary and appropriate. H.R. 3354 provides this safe harbor to certain mortgage loans held in portfolio as qualified mortgages, giving them the proper designation they deserve since holding a loan in portfolio is the ultimate form of risk retention. We believe this is important language to consider as the Committee crafts the legislation.

NAFCU supports a fair playing field. NAFCU believes that credit unions should have as many opportunities as banks and non-regulated entities to provide provident credit to our nations' consumers. NAFCU wants to ensure that all similarly situated depositories follow the same rules of the road and unregulated entities, such as payday lenders, do not escape oversight. We also believe that there should be a federal regulatory structure for non-bank financial services market players that do not have a prudential regulator, including emerging FinTech companies.

Thank you for the opportunity to share our thoughts ahead of the mark-up. Credit unions and their 110 million members are grateful for your consideration and NAFCU looks forward to being a resource as the bill moves through the legislative process. Should you have any questions or require any additional information please contact me or Allyson Browning, NAFCU's Associate Director of Legislative Affairs, at 703-842-2836 or abrowning@nafcu.org.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Appropriations FSGG Subcommittee