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B. Dan Berger
President & Chief Executive Officer

National Association of Federal Credit Unions | nafcu.org

August 25, 2016

The Honorable Hillary Clinton
Hillary for America
Post Office Box 5256
New York, NY 10185

Dear Madam Secretary:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today to thank you for your support for cutting regulatory red tape for credit unions, as articulated in your recently released platform for small business and Factsheet for supporting credit unions. Reducing regulatory burden on credit unions is a top priority of NAFCU. On behalf of our nation's 104 million credit union members, we stand ready to work with you in this regard.

As you note in your small business platform, community banks and credit unions "are the backbone of small business lending in America." However, outdated regulations, such as the statutory cap on credit union member business lending that was imposed in 1998, continue to hamper the ability of credit unions to meet the needs of small businesses. A 2011 Small Business Administration study found that credit union lending is an important source of funding for small businesses in tough economic times. Removing or modifying the credit union member business lending cap would actually help provide an economic stimulus without costing the taxpayer a dime by freeing up more capital to flow to small businesses. We hope you will consider supporting such a measure if elected.

Furthermore, credit unions have faced a tidal wave of new regulatory burdens in recent years. Lawmakers and regulators readily agree that credit unions did not participate in the reckless activities that led to the financial crisis, and as such, shouldn't be caught in the crosshairs of regulations aimed at those entities that did. Unfortunately, that has not been the case thus far and finding ways to cut-down on burdensome and unnecessary regulatory compliance costs is of the upmost importance to NAFCU members. We are pleased to see your commitment to tailoring regulations and cutting down on regulatory creep.

The impact of the growing regulatory burden on credit unions is evident in the declining number of credit unions. A main reason for the decline is the growing cost and complexity of complying with the ever-increasing onslaught of regulations. Since the second quarter of 2010, we have lost over 20% of the industry, more than 1,500 federally-insured credit unions, 96% of which were smaller institutions below \$100 million in assets. Many smaller institutions simply cannot keep up with the increased regulatory expectations and have

been forced to merge out of business. There is an urgent need for meaningful regulatory relief and better tailoring of regulations to help credit unions. We stand ready to work with you to make this a reality if elected.

Finally, NAFCU would like to reiterate the importance of retaining the credit union tax exemption, which has been in place since 1934. Numerous studies over the years have shown that the value of the credit union tax exemption to consumers far outweighs any revenue that the government would collect from taxing credit unions. Furthermore, studies have shown that not only credit union members, but other financial institution customers benefit from having credit unions in the marketplace as they serve as a check on rates for all Americans. Without the federal tax exemption, credit unions would not survive and the American public would be at a great financial disadvantage. We hope you will express your support for the credit union tax exemption.

Again, NAFCU thanks you for your commitment to streamlining regulations to facilitate increased credit union small business lending. Your support is welcomed by the credit union community and the nation's 104 million credit union members.

If we can answer any questions please do not hesitate to contact me or NAFCU's Executive Vice President of Government Affairs, Carrie Hunt, at (703) 842-2234.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger", with a stylized flourish at the end.

B. Dan Berger
President and CEO

cc: The Honorable Tim Kaine