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**National Association of Federally-Insured Credit Unions**

September 8, 2017

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Charles E. Schumer  
Minority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Paul Ryan  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: Legislative Priorities of our Nation's Credit Unions**

Dear Leader McConnell, Leader Schumer, Speaker Ryan, and Leader Pelosi:

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 to share the top legislative priorities of our nation's credit unions as you prepare for a busy fall legislative season. Member-owned not-for-profit credit unions provide over 110 million Americans with personal and small business financial service products as the economy continues to recover from the financial crisis. As many of you prepare to meet with constituent credit unions in upcoming weeks, we wanted to share with you some of the top issues before Congress that impact credit unions. We hope that you will work with us to address these issues.

**Preservation of the Credit Union Tax Exemption**

The cumulative benefit credit unions provide the greater U.S. economy totals over \$16 billion a year, according to an independent study released by NAFCU in January of this year. (You can read the study yourself at <http://www.nafcu.org/cutaxexemption/>). This benefit far exceeds the cost of the credit union tax exemption and any potential revenue that would be raised by eliminating the exemption. The credit union tax exemption not only benefits credit unions and their members, but also bank customers and the American economy at large. Altering the tax status of credit unions would have a devastating impact not only on credit union members across the country, but also on consumers and small businesses in general. Eliminating the credit union tax exemption would result in the loss of nearly 1 million jobs over the next decade, a shrinking of the GDP, and a net *loss* of revenue to the federal government. As Congress prepares to tackle tax reform, we urge you to continue to support the credit union tax exemption.

**Regulatory Relief and CFPB Reform**

During the consideration of financial reform, NAFCU was concerned about the possibility of the overregulation of credit unions. Unfortunately, many of our concerns about the increased

regulatory burdens that credit unions would face have proven true. The impact of this growing compliance burden, in particular the growth of Consumer Financial Protection Bureau (CFPB) rulemaking, is evident as the number of credit unions continues to decline, dropping by more than 20% (more than 1,500 institutions) since the 2<sup>nd</sup> quarter of 2010; 96% of which were smaller institutions with assets of less than \$100 million. A main reason for the decline is the increasing cost and complexity of complying with the ever-increasing onslaught of regulations. We appreciate the ongoing focus of finding ways to cut back on regulatory burden for small lenders that did not contribute to the financial crisis and urge that this remain a priority. NAFCU believes credit unions should be exempt from the CFPB, with credit union regulation handled by the National Credit Union Administration. Earlier this year, NAFCU outlined a series of basic tenets of a health and appropriate regulatory environment for credit unions. We urge you to read more about them at: <http://www.nafcu.org/regrelief/>. We hope you will support legislation that will foster such an environment.

### **Data/Cyber Security**

Data breaches in both the private and public sectors have the ability to cause irreparable harm to consumers everywhere. Credit unions are on the front lines assisting their members in the wake of data breaches and have a unique understanding of how detrimental such data breaches can be to all involved. Under the *Gramm-Leach-Bliley Act (GLBA)*, credit unions and other financial institutions are required to meet certain criteria for safekeeping consumers' personal information. Unfortunately, there is no comprehensive regulatory structure akin to GLBA that covers retailers, merchants, and others who collect and hold sensitive information. NAFCU strongly supports the passage of legislation similar to the *Data Security Act of 2015 (H.R. 2205/S. 961)*, which would recognize financial institutions' adherence to GLBA standards and require any entity responsible for the storage of consumer data to meet similar standards. NAFCU also strongly believes that the negligent entity should be held responsible for monetary damages stemming from the breach.

### **Housing Finance Reform**

As not-for-profit cooperatives, it is vital that credit unions continue to have unfettered access to the secondary mortgage market and that any Fannie Mae and Freddie Mac reform efforts place a heavy emphasis on fair pricing that reflects loan quality rather than quantity. The liquidity the current system provides is absolutely critical in enabling credit unions to serve the mortgage needs of their member-owners. Along with access to a healthy and viable secondary mortgage market, fair pricing is equally as critical in ensuring community-based financial service providers are not discriminated against based on type of institution, an institution's asset size or any other geopolitical issues. NAFCU also recognizes the need for a system that will protect taxpayers from future bailouts, and we will continue to be an active participant in housing finance reform discussions. NAFCU has released a whitepaper covering the Housing Finance Reform Principles that are important to credit unions. I urge you to read the whitepaper at: <http://www.nafcu.org/HousingFinanceReform/>.

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In addition to the top issues that impact most credit unions outlined above, there are also a number of key issues that are important to many credit unions and may be on the congressional agenda in the year ahead. We look forward to working with Congress to address credit union concerns in these areas:

### **Member Business Lending**

Credit unions have a 12.25% asset cap on their member business lending (MBL), with loans of only \$50,000 or less exempt from this cap. Passed in 1998, these arbitrary thresholds are severely outdated and have not increased with inflation. NAFCU asks that Congress increase the *de minimis* exclusion to exempt additional loans and consider exemptions for veterans applying for small business loans. We believe it is imperative that Congress increase the arbitrary 12.25% cap to help ensure that small business owners have as many resources as possible to access credit.

### **Field of Membership**

We urge Congress to support legislative improvements to sections of the *Federal Credit Union Act* that restrict the ability of credit unions to serve their desired fields of membership, including allowing all credit unions to add underserved areas.

### **Capital Reform/Risk-Based Capital**

In order to create a true and fair risk-based capital system for credit unions, NAFCU fundamentally believes that legislative reforms are necessary. We urge Congress to support legislative efforts for credit union capital reform, including creating a true risk-based capital system for credit unions and allowing all credit unions potential access to supplemental forms for capital.

### **Regulation of FinTech**

The growth of online marketplace lenders underlines the need for Congress and regulators to modernize existing laws and regulations for traditional financial institutions to facilitate greater access to credit (including in areas such as E-SIGN). Financial regulators must require online marketplace lenders to meet basic consumer protections such as the *Truth in Lending Act*, *Bank Secrecy Act* (BSA)/Anti-Money Laundering (AML) requirements, underwriting standards for loans, applicable state usury laws, and others. NAFCU will continue to advocate for a level playing field.

### **TCPA Reform**

A recent order by the Federal Communications Commission (FCC) on the *Telephone Consumer Protection Act* (TCPA) hinders the ability of credit unions to contact their members on important issues. NAFCU urges the FCC to reconsider or reform their order and calls on Congress to modernize the TCPA.

### **Patent Reform**

Despite the passage of major patent overhaul legislation in 2011 that provided some relief, patent trolls remain a consistent problem for credit unions. We urge Congress to provide relief for credit unions from the attacks of patent trolls.

The Honorable Mitch McConnell, The Honorable Charles E. Schumer,  
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**Flood Insurance Reauthorization**

The *Biggert-Waters Flood Insurance Reform Act of 2012* reauthorized the National Flood Insurance Program (NFIP) through Sept. 30, 2017. Congress recently passed a short-term extension. NAFCU urges Congress to ensure that the program doesn't lapse and that changes do not have a negative impact on credit unions work on as you work on a long-term reauthorization of the NFIP in 2017.

Thank you for your consideration and attention to these important matters. We look forward to working with you to address these priorities. If we can answer any questions or provide you with additional information on any of these issues, please do not hesitate to contact myself or NAFCU's Senior Associate Director of Legislative Affairs, Chad Adams, at 703-842-2265.

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the United States Senate  
Members of the United States House of Representatives