



3138 10th Street North
Arlington, VA 22201-2149
703.842.2234 | 800.336.4644
f: 703.522.0594
chunt@nafcu.org | nafcu.org

Carrie R. Hunt
Executive Vice President of Government Affairs
and General Counsel

National Association of Federally-Insured Credit Unions

June 28, 2019

The Honorable Rodney E. Hood
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

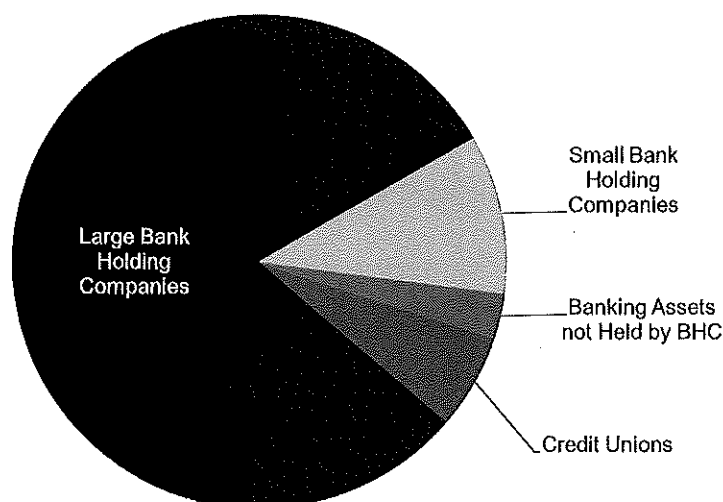
RE: ABA Report on Credit Union “Equality Commitment”

Dear Chairman Hood:

NAFCU would like to thank you for overseeing the NCUA’s thoughtful and heartfelt commemoration of the 85th Anniversary of the *Federal Credit Union Act*, which highlights the historical mission of credit unions, our industry’s humble beginnings, and a sustained commitment helping people. As you well know, credit unions are a different kind of financial institution, purposely designed to promote a cooperative, not-for-profit approach towards improving financial well-being and democratizing access to credit. Recently, the American Bankers Association (ABA) issued a report to assess credit unions’ “equality commitment.” The report is full of factual inaccuracies, no original data or analysis, and an aggregation of sources that provide very little support for the report’s conclusions. When competitor institutions question our mission and principles, they do so not out of concern for the average consumer or small business, but to draw attention away from their own, less appealing legacy, and to eliminate threats to shareholder returns. In this context, NAFCU supports the NCUA remaining focused on priorities that will help credit unions serve their 117 million members, rather than appease the political noisemaking of banks.

The report, commissioned by an association representing the real bad actors in the financial services industry, fails to recognize the countless fines levied against banks and their endless attempts to thwart the law. For example, banks have been fined at least \$243 billion since the financial crisis, including \$44 billion in fines levied against JPMorgan Chase and \$76 billion levied against Bank of America. Currently, credit unions have a net worth of \$167 billion, so these fines would be enough to wipe out the entire industry. Furthermore, the bankers continue to point to the competitive advantage of credit unions while ignoring that the share of total assets held by credit unions pales in comparison to that held by large bank holding companies.

Share of Total Banking Organization Assets



Sources: National Information Center; FR Y-9C; FFIEC 031; FFIEC 041; NCUA 5300

Additionally, banks continue to help criminals harm innocent consumers – in January 2018, the Office of the Comptroller of the Currency assessed a \$70 million civil penalty against Citibank for failing to comply with a 2012 consent order to complete corrective actions to address *Bank Secrecy Act* (BSA) compliance issues; and in February 2018, US Bank was assessed over \$600 million and charged with two felony violations of the BSA. Both of these banks were given opportunities to address issues with their compliance programs, yet they refused to do so. This is symptomatic of a larger issue within the banking industry, namely pursuing profits over the best interests of consumers, even if that means violating the law.

As you have rightly observed, there is room for improvement in the credit union system, but not in the way the banks are suggesting. NAFCU appreciates your desire to explore opportunities for regulatory relief to support the growth and vitality of our industry. Recently you testified that allowing federal credit unions with a community or single common-bond charter the opportunity to add underserved areas would open up access for many more unbanked and underbanked households. NAFCU agrees and asks that you continue to ask Congress for such change, even if opposed by the very same entities who at the time of the report were responsible for causing the financial crisis and now are questioning credit unions' commitment to financial inclusion.

Despite this obstacle, the NCUA has worked to provide more opportunities for credit unions to expand their charters to serve the underserved. For many years, the NCUA has worked to support more credit unions receiving the low-income designation; retooled and streamlined its chartering process, so that more credit unions can be designated as community development financial institutions (CDFIs); and researched ways that small community credit unions can expand their charters to serve underserved areas. This is important work and NAFCU encourages the NCUA to continue its commitment to modernizing its processes and procedures and providing more resources for credit unions.

It also appears that the bankers want the NCUA to allocate agency resources to peripheral questions that have already been settled by not only the NCUA, but by other regulators, such as whether credit unions should be subject to the *Community Reinvestment Act* (CRA). In 2018, the Department of the Treasury released its recommendations on how to update the CRA and did not propose expanding the law to cover credit unions. These recommendations were formed after consideration of decades worth of data and independent, government studies. Since, one government study after another has shown the value credit unions provide to their communities, including NCUA's own reports, the ABA had to resort to buying their own study.

If the ABA had their way, they would regulate credit unions out of existence. NAFCU supports a safe, and sound credit union system, a strong, independent NCUA, and a vibrant financial system in the country where credit unions and banks co-exist. It appears the banks want the entire pie for themselves. We urge you to focus on what matters most right now – continuing to help credit unions provide the best products and services to their communities. NAFCU looks forward to working with you to achieve your priorities as Chairman. Should you have any questions or require additional information, please do not hesitate to contact me at (703) 842-2234 or chunt@nafcu.org.

Sincerely,



Carrie R. Hunt
EVP of Government Affairs and General Counsel

CC: Board Member J. Mark McWatters
Board Member Todd M. Harper