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National Association of Federal Credit Unions | nafcu.org

April 4, 2016

The Honorable Richard Shelby
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Tomorrow's Hearing, "Assessing the Effects of Consumer Finance Regulations"

Dear Chairman Shelby and Ranking Member Brown:

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 in conjunction with tomorrow's hearing, "Assessing the Effects of Consumer Finance Regulations." We appreciate the committee's continued focus on balancing consumer protection while addressing the effects of burdensome regulations on our nation's credit unions.

Credit unions have always been some of the most highly regulated of all financial institutions, facing restrictions on who they can serve and their ability to raise capital. Credit unions take the issue of consumer protection very seriously, and there are many consumer protections already built into the *Federal Credit Union Act*. Among these protections is the only federal usury ceiling on financial institutions and the prohibition on prepayment penalties that other institutions have often used to bait and trap consumers into high cost products.

Despite the fact that credit unions are already heavily regulated, were not the cause of the financial crisis, and actually helped blunt the crisis by continuing to lend to credit worthy consumers during difficult times, they are still firmly within the regulatory reach of Dodd-Frank, including all rules promulgated by the Consumer Financial Protection Bureau (CFPB). Lawmakers and regulators readily agree that credit unions did not participate in the reckless activities that led to the financial crisis, so they should not be caught in the crosshairs of regulations aimed at those entities that did. Unfortunately, that has not been the case thus far. Accordingly, finding ways to cut-down on burdensome and unnecessary regulatory compliance costs is a chief priority of NAFCU members.

The impact of the growing regulatory burden on credit unions is evident in the declining number of credit unions, dropping by 23%, or more than 1,800 institutions, since 2007. 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 1,200 federally-insured credit unions, 96% of which were smaller institutions below \$100 million in assets. Many smaller institutions simply cannot keep up with the new regulatory tide and have had to merge out of business or be taken over. There is an urgent need for Congress to enact meaningful regulatory relief.

As member-owned not-for-profit cooperatives, credit unions consistently strive to provide their members with financial products and services designed to help each member achieve their individual financial needs and goals. Credit unions are dedicated to ensuring their members' financial health by providing responsible products and services. Therefore, NAFCU believes it is critical for regulators to try to avoid any rulemaking that unjustifiably restricts the ability of credit unions to provide their members with the types of services they desire. This can be done through greater use of exemptions for credit unions and better tailoring of rules to recognize the unique nature of credit unions. For example, we believe that the CFPB can go much further than it has when it comes to using its exemption authority under Section 1022 of Dodd-Frank. We would encourage the Committee to further explore this topic.

Credit unions are unique and their track record as good actors within the financial services industry proves they should not be grouped together with the unscrupulous entities that the CFPB seeks to restrict. Overregulation has already had a substantially negative impact on credit unions and their members. Any additional unwarranted regulatory constraint is likely to further encumber products and services and ultimately hurt the consumers they mean to protect.

Thank you for your consideration and we look forward to continuing to work with the Banking Committee as you move forward in addressing many of these issues. Should you have any questions or require any additional information please contact me or Chad Adams, NAFCU's Associate Director of Legislative Affairs, at 703-842-2265 or cadams@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Thaler", with a long horizontal flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Committee on Banking, Housing, and Urban Affairs