



3138 10th Street North  
Arlington, VA 22201-2149  
703.522.4770 | 800.336.4644  
f: 703.524.1082  
nafcu@nafcu.org | nafcu.org

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

April 5, 2017

The Honorable Blaine Luetkemeyer  
Chairman  
Subcommittee on Financial Institutions  
and Consumer Credit  
House Financial Services Committee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Wm. Lacy Clay  
Ranking Member  
Subcommittee on Financial Institutions  
and Consumer Credit  
House Financial Services Committee  
United States House of Representatives  
Washington, D.C. 20515

**Re: Tomorrow's hearing, "Examination of the Federal Financial Regulatory System and Opportunities for Reform"**

Dear Chairman Luetkemeyer and Ranking Member Clay:

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 conjunction with tomorrow's subcommittee hearing entitled, "Examination of the Federal Financial Regulatory System and Opportunities for Reform." NAFCU appreciates the subcommittee holding this important hearing on the need for regulatory reform and relief.

During the consideration of financial reform, NAFCU was concerned about the possibility of overregulation of good actors such as credit unions, and this is why NAFCU was the only credit union trade association to oppose the CFPB having authority over credit unions. Unfortunately, many of our concerns about the increased regulatory burdens that credit unions would face under the CFPB have proven true. As expected, the breadth and pace of the CFPB's rulemaking is troublesome, and the unprecedented new compliance burden placed on credit unions has been immense. NAFCU continues to believe that credit unions should be exempted from CFPB rulemaking, with authority returned to the National Credit Union Administration (NCUA). As you examine the federal financial regulatory system, we urge you to support such a reform.

The impact of this growing compliance burden is evident as the number of credit unions continues to decline. Since the second quarter of 2010, we have lost more than 1,500 federally-insured credit unions – over 20% of the industry. The overwhelming majority of these were smaller institutions below \$100 million in assets. While it is true that there has been a historical consolidation trend in the industry, the passage of the Dodd-Frank Act has accelerated this trend. In 2016, the industry lost 5.6 percent of credit unions, which represents the highest rate of consolidation in a single year since World War II. The fact is that many smaller institutions simply cannot keep up with the new regulatory tide and have had to merge or simply close their doors. This is why regulatory relief remains a top priority for our nation's credit unions.

It is with that in mind that we would also like to reiterate our support for comprehensive regulatory relief for community financial institutions, such as the relief found in *Financial CHOICE Act* proposed in the last Congress. This legislation contained key elements of regulatory relief, including repeal of the Durbin Amendment, reforms to the structure, power and rules of the CFPB, greater cost-benefit analysis of new regulations, and improvements to the examination process for credit unions.

NAFCU looks forward to working with this subcommittee and Congress as we work towards comprehensive regulatory relief for credit unions. We thank you for the opportunity to share our thoughts with you today. If you have any questions, or if my colleagues or I can be of assistance in any way, please do not hesitate to contact me or NAFCU's Senior Associate Director of Legislative Affairs, Chad Adams, at (703) 842-2265.

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 Subcommittee on Financial Institutions and Consumer Credit