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National Association of Federal Credit Unions | nafcu.org

July 5, 2016

The Honorable Tom Marino
Chairman
Subcommittee on Regulatory Reform,
Antitrust and Commercial Law
House Judiciary Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Hank Johnson
Ranking Member
Subcommittee on Regulatory Reform,
Antitrust and Commercial Law
House Judiciary Committee
U.S. House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing and the Impact of Federal Regulations on Credit Unions

Dear Chairman Marino and Ranking Member Johnson:

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 examining the impact of regulation on jobs, wages and economic recovery. NAFCU appreciates the subcommittee's attention to this matter and the devastating impact that over-regulation can have on community financial institutions and their communities. We look forward to continuing to work with you to look for ways to cut down on crippling regulations.

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 the *Dodd-Frank Act*, 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.

During the consideration of financial reform, NAFCU was concerned about the possibility of over-regulation of good actors such as credit unions, and this is why NAFCU was the only financial services 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. While there are credible arguments to be made for the existence of the CFPB, its primary focus should be on regulating the unregulated bad actors, not adding new regulatory burdens to good actors, like credit unions, that already fall under a prudential regulator. 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.

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 1,499 federally-insured credit unions – over 20% of the industry. The overwhelming majority (96%) 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, this trend has accelerated since the passage of the *Dodd-Frank Act*. 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 the *Dodd-Frank Act*. We would encourage the subcommittee 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. Over-regulation 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.

NAFCU looks forward to continuing to work with the subcommittee to curb over-regulation and provide regulatory relief to community financial institutions such as credit unions. 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 or cadams@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Regulatory Reform, Antitrust and Commercial Law