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National Association of Federally-Insured Credit Unions

July 11, 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, "Examining Legislative Proposals to Provide Targeted Regulatory Relief to Community Financial Institutions"

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, "Examining Legislative Proposals to Provide Targeted Regulatory Relief to Community Financial Institutions." NAFCU appreciates the subcommittee holding this important hearing as we work towards regulatory relief to provide a positive environment for credit unions.

NAFCU believes a healthy and appropriate environment is important for credit unions to thrive. History has shown that a robust and thriving credit union industry is good for our nation's economy, as credit unions fill a need for consumers and small businesses in the financial services marketplace that may otherwise not be met by other institutions.

There are some basic tenets of a healthy and appropriate regulatory environment that NAFCU supports:

NAFCU supports a regulatory environment that allows credit unions to grow. NAFCU believes that there must be a regulatory environment that neither stifles innovation nor discourages credit unions from providing consumers and small businesses with access to credit. This includes the ability of credit unions to establish healthy fields of membership that are not limited by outdated laws or regulatory red tape. It also includes modernized capital standards for credit unions that reflect the realities of the 21st century financial marketplace.

NAFCU supports appropriate, tailored regulation for credit unions and relief from growing regulatory burdens. Credit unions are swamped by an ever-increasing regulatory burden from the CFPB, often on rules that are targeting bad actors and not community institutions. NAFCU supports cost-benefit analysis in regulation, and wants to ensure that we

have an effective regulatory environment where positive regulations may be easily implemented and negative ones may be quickly eliminated. NAFCU also believes that enforcement orders from regulators should not take the place of regulation or agency guidance to provide clear rules of the road.

NAFCU supports a fair playing field. NAFCU believes that credit unions should have as many opportunities as banks and non-regulated entities to provide provident credit to our nations' consumers. NAFCU wants to ensure that all similarly situated depositories follow the same rules of the road and unregulated entities, such as payday lenders, do not escape oversight. We also believe that there should be a federal regulatory structure for non-bank financial services market players that do not have a prudential regulator, including emerging Fintech companies.

NAFCU supports transparency and independent oversight. NAFCU believes regulators need to be transparent in their actions, with the opportunity for public input, and should respect possible different viewpoints. We believe a bipartisan commission structure is the best form of regulatory governance for independent agencies, and all stakeholders should be able to have input into the regulatory process.

NAFCU supports a strong, independent NCUA as the primary regulator for credit unions. NAFCU believes that the National Credit Union Administration is best situated with the knowledge and expertise to regulate credit unions due to their unique nature. The current structure of NCUA, including a 3-person board, has a track record of success. NCUA should be the sole regulator for credit unions and work with other regulators on joint rulemaking when appropriate. Congress should make sure that NCUA has the tools and powers that it needs to effectively regulate the industry.

NAFCU firmly believes that regulatory relief is needed both from Congress and the regulators to ensure credit unions have a healthy and appropriate environment that allows them to meet the needs of the nation's 108 million credit union members.

It is with that in mind that we would like to reiterate our support for regulatory relief measures for community financial institutions, such as one of the subjects of this hearing, H.R. 2133, the *Community Lending Enhancement and Regulatory Relief Act of 2017* or *CLEAR Act*.

This legislation contains key elements of regulatory relief for credit unions including:

- increasing the "small servicer" exemption threshold to an annual 30,000 mortgages;
- repealing NCUA's risk-based capital rule and its treatment of mortgage servicing assets;
- exempting higher-risk mortgages of \$250,000 or less from appraisal requirements for loans held in portfolio for at least three years;
- waiving escrow mandates for loans held in portfolio by creditors with assets of less than \$50 billion;
- removing "abusive" from the CFPB prohibition against "unfair, deceptive, or abusive acts and practices" (UDAAP);
- repealing small business data collection requirements;

- allowing consumers to waive the waiting requirement associated with mortgage loan closing disclosures;
- amending the Dodd-Frank Act to raise the current \$10 billion asset-level exemption to \$50 billion; and,
- providing a qualified mortgage safe harbor for portfolio loans.

We are also pleased to see the subcommittee examining bills to provide relief on issues such as examination appeals, privacy notices, online banking and appraisal requirements. NAFCU looks forward to working with this subcommittee and Congress on these bills and more as we work towards 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