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Carrie R. Hunt
Executive Vice President of Government Affairs
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National Association of Federally-Insured Credit Unions

January 19, 2017

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

Re: Reintroduction of the *Financial CHOICE Act*

Dear Chairman Hensarling:

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 to share some thoughts on the *Financial CHOICE Act* as you prepare for its reintroduction in the 115th Congress.

First and foremost, NAFCU applauds you for your leadership in making regulatory relief and reform a top priority of the House Financial Services Committee. 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 *Dodd-Frank Act* have proven true.

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 1,500 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 either merge out of business or simply close their doors. There is an urgent need for Congress to enact meaningful regulatory relief.

Regulatory burden is the top challenge facing credit unions today. Reducing burdensome and unnecessary regulatory compliance costs is the only way for credit unions to thrive and continue to provide their member-owners with basic financial services and the exemplary service they need and deserve. NAFCU believes that credit unions must have a positive regulatory environment that allows them to succeed.

It is with that in mind that we would like to reiterate our comments on the *Financial CHOICE Act*.

Repeal of the Durbin Amendment

One of the most important sections for credit unions in the bill is the provision to repeal the Durbin interchange amendment in the *Dodd-Frank Act*. NAFCU strongly urges you to maintain this provision in any version of the legislation introduced in the 115th Congress. The Federal Reserve has found that the Durbin amendment has been nearly a \$40 billion windfall for merchants. Consumers are seeing little benefit, and many have seen programs, such as free checking, disappear, while retail prices keep rising. Furthermore, despite the amendment's attempt to exempt smaller institutions, the trickle-down impact of this price cap has dropped the average interchange fee for credit unions under \$10 billion as well. Quite simply, the Durbin Amendment is not doing what proponents said it would. It is time for its repeal.

CFPB Reform

NAFCU supports efforts to improve and reform the CFPB. As outlined above, we have lost over 20% of credit unions since the creation of the CFPB. We support moving the CFPB to a five-person board structure as proposed. NAFCU has long held the position that, given the broad authority and awesome responsibility vested in the CFPB, a commission structure has distinct consumer benefits over a single director. Regardless of how qualified one person may be, a commission would allow multiple perspectives and robust discussions of consumer protection issues throughout the decision making process. Credit unions and their nearly 106 million members are greatly impacted by the actions of the CFPB and believe the operating structure of the CFPB should be as fair and transparent as possible. Given its broad authority over the entire financial industry, we also believe it is important to hold the CFPB subject to greater congressional oversight via the appropriations process.

Cost-Benefit Analysis and Regulatory Relief

NAFCU supports the bill addressing the need for better cost-benefit analysis of rules and its effort to rein in overregulation.

NCUA Reforms

As we have previously shared with you, NAFCU maintains some concerns about the changes to the NCUA that were proposed in the *Financial CHOICE Act* as introduced last year. We are pleased that you and your staff have been open to dialogue on our concerns and we look forward to continuing our discussions.

Other Areas to Consider Adding

We would also encourage you to consider adding language from H.R. 4038, the *Community Financial Institution Exemption Act*, from the 114th Congress. This legislation would provide greater exemptions for community financial institutions from CFPB rulemakings. We would urge you to improve upon the language and apply it to all credit unions.

We would also urge inclusion of language from H.R. 5541, the *Financial Services for the Underserved Act*, from the 114th Congress. This legislation would clarify the ability of all credit unions to add underserved areas to their fields of membership.

Finally, we would urge you to add language from H.R. 389, the *Credit Union Residential Loan Parity Act*, to the bill. This bipartisan legislation would strengthen the bill from a credit union perspective by providing credit unions parity with banks on treatment of loans for 1-4 unit non-owner occupied dwellings. This legislation could free-up billions in capital for small business and the economy, and can be a key economic growth driver in the *Financial CHOICE Act* if included.

We thank you for the opportunity to share our thoughts on the *Financial CHOICE Act* as you prepare to reintroduce this legislation. We look forward to continuing to work with you to advance this important legislation. 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 Vice President of Legislative Affairs, Brad Thaler, at 703-842-2204 or bthaler@nafcu.org.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carrie R. Hunt".

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