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National Association of Federal Credit Unions | [nafcu.org](http://nafcu.org)

February 10, 2016

The Honorable Randy Neugebauer  
Chairman  
House Financial Services Committee  
Subcommittee on Financial Institutions &  
Consumer Credit  
United States House of Representatives  
Washington, D.C. 20515

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

**Re: The CFPB Should Make Greater use of its Broad Exemption Authority to Exempt Credit Unions**

Dear Chairman Neugebauer and Ranking Member Clay:

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, "Short-term, Small Dollar Lending: The Consumer Financial Protection Bureau's (CFPB) Assault on Access to Credit and Trampling of State and Tribal Sovereignty." NAFCU applauds the subcommittee's oversight of this issue and looks forward to working with you to find ways to avoid problems that could arise from related CFPB proposals.

Given the unique member-owner nature of credit unions and the fact that credit unions did not participate in many of the questionable practices that led to the financial crisis and the creation of the CFPB, subjecting credit unions to rules aimed at large bad actors only hampers their ability to serve their members. One area where the CFPB could be the most helpful to credit unions would be to use its legal authority granted by Sec. 1022 of the *Dodd-Frank Act* to exempt credit unions from various rulemakings. While the rules of the CFPB may be well-intentioned, many credit unions do not have the economies of scale that large for-profit institutions have, and may opt to end a product line or service rather than face the hurdles of complying with new regulation. The CFPB's expected proposal regarding payday lending is a perfect example of a well-intentioned rule where the CFPB should use its exemption authority.

On March 26, 2015, the CFPB released an outline of proposals under consideration for payday, vehicle title, and similar loans. While NAFCU supports the CFPB's objective of preventing consumers from becoming entangled in predatory payday lending debt traps, NAFCU has serious concerns with the limitations the Bureau is considering on short-term, small-amount loans offered by federal credit unions and other insured depository institutions. Unscrupulous actors need to be thoroughly regulated, and NAFCU looks forward to working with the CFPB

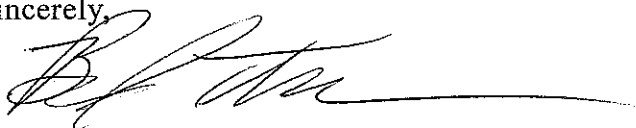
and Congress to ensure consumers have access to borrowing options from reputable lenders, like credit unions, whenever possible.

The relationship between the credit union and its member is based on fairness and responsible practices. NAFCU and our member credit unions believe that a blanket rule regulating all parties indiscriminately – good actors and bad actors alike – is likely to hinder the ability of credit unions to serve their members' financial needs. We have urged the CFPB to carefully craft any future rulemaking to ensure credit unions are not forced to withdraw from providing a viable alternative to predatory payday lenders. Additionally, NAFCU recommended that any future payday rulemaking promulgated by the CFPB include an express exemption for federal credit unions and other insured depository institutions conducting short-term, small-amount loans in accordance with current state or federal laws, such as the National Credit Union Administration's (NCUA's) Payday Alternative Loan (PAL loan) program, which was carefully crafted to protect borrowers by offering them a fair and cost-effective alternative to predatory payday loans.

Credit unions want to continue to provide their members with responsible financial products and services. While there must be adequate consumer protections to address the predatory practices of traditional payday lenders, NAFCU hopes that the CFPB will avoid creating any unworkable scenarios for credit unions that could prevent them from continuing to fairly and responsibly serve their members.

Thank you for the opportunity to voice our concerns. We look forward to continuing to work with the subcommittee on this and other issues of importance to credit unions. If NAFCU can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me, or NAFCU's 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 line extending to the right.

Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the House Financial Services Subcommittee on Financial Institutions and Consumer Credit