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National Association of Federal Credit Unions | nafcu.org

Carrie R. Hunt
Executive Vice President of Government Affairs
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July 11, 2016

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

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing on Title I of the *Financial CHOICE Act*

Dear Chairman Hensarling and Ranking Member Waters:

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 entitled "Making a Financial Choice: More Capital or More Government Control?" NAFCU appreciates the Committee's attention to the need for regulatory relief and reforms for community financial institutions and their communities. We applaud the Chairman for his leadership in advancing this debate by releasing a discussion draft of the bill, inviting comments and holding this hearing.

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. 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 are unique players in the financial services community - often less risky than other types of financial institutions. Still, they face many of the same regulatory burdens and capital requirements as riskier institutions. NAFCU has

long championed studying what appropriate capital levels for credit unions should look like, including backing the *Credit Union Risk-Based Capital Study Act of 2015* (H.R. 2769). We believe in the importance and uniqueness of credit unions, and that their regulatory regime should reflect that importance by giving them the flexibility they need to best serve their members.

The Dodd-Frank “off-ramp” proposed in Title I of the discussion draft is a novel approach to tackling this issue. NAFCU believes that this proposal deserves careful and thorough examination to ensure the capital requirements in the “off-ramp” can work for various types of institutions, including whether one level fits all types of institutions, or if 10% is the proper level for credit unions. We encourage the Committee to thoroughly examine this issue to ensure that financial institutions, such as credit unions, hold the appropriate amount of capital relative to risk and still have access to regulatory relief.

In conclusion, we are pleased to see the Committee examining ways to address this issue and look forward to sharing our comments with you on the discussion draft of the *Financial CHOICE Act*.

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 Vice President of Legislative Affairs, Brad Thaler, at 703-842-2204 or bthaler@nafcu.org.

Sincerely,



Carrie R. Hunt
Executive Vice President & General Counsel

cc: Members of the House Financial Services Committee