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National Association of Federally-Insured Credit Unions

B. Dan Berger
President & Chief Executive Officer

October 29, 2021

The Honorable Janet L. Yellen
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: Strategic Plan for Fiscal Years 2022–2026

Dear Secretary Yellen:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to the U.S. Department of the Treasury's (Treasury) request for feedback on its strategic plan. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 127 million consumers with personal and small business financial service products. NAFCU and its member credit unions appreciate the opportunity to provide input on Treasury's strategic plan for fiscal years 2022–2026. NAFCU recommends that Treasury provide easily understandable information on incentives and programs to underserved communities by working with credit unions to act as an intermediary; provide information, resources and support to strengthen cybersecurity efforts; avoid unnecessary and burdensome reporting requirements; and provide regular updates and easy access to developments in the strategic planning.

Underserved communities

The underutilization of government incentives and programs by underserved communities can be primarily attributed to poor communication and the widespread perception that these tools are difficult to access. As a preliminary matter, most Americans, and most American communities, underserved or not, are unaware of all but the most popular or newsworthy government programs. Treasury should work to make information about its programs available to underserved communities in formats that are easily accessible and easily understandable. It should also ensure that this information is widespread and frequent in its distribution.

Deservedly or not, the perception of the federal government among the American public is of a vast organization encumbered by bureaucracy and red tape. For many Americans, the prospect of applying for these programs, be they Social Security benefits or climate-friendly investment incentives, is likely to conjure up images of expensive attorney's fees and mountains of paperwork. To the extent that Treasury desires increased adoption of its programs among underserved communities, it must ensure that the process for qualifying for climate-friendly investment incentives is straightforward, intuitive, and not overly burdensome. At a minimum, this would require streamlined applications, a minimum of paperwork, and use of technology to create an efficient system.

Credit unions provide an ideal solution to the problems present in the communication and ease-of-use of government programs. Credit unions' structure as not-for-profit, member-owned cooperatives allows them to act as a mechanism for dissemination of information to entire communities. Credit unions derive their members from distinct geographic communities, groups of employees, members of associations, or combinations of these groups. They act as sources of financial knowledge and can work in partnership with the federal government to ensure that their members have accurate and timely information about the financial resources available to them.

Credit unions also have the potential to act as an intermediary in the allocation of funds. This capability was best exemplified by the Paycheck Protection Program (PPP) in which credit unions quickly adapted to Small Business Administration guidance and helped their members access and navigate the loan process. If credit unions and their staff are provided with guidance and training on the incentives or programs, their members would have a trusted and reliable contact within their community to go when they need assistance navigating the incentives or programs.

NAFCU requests that Treasury support legislation, such as the "Expanding Access for Underserved Communities Act" currently before the Committee on Financial Services in the U.S. House of Representatives, that allows all federal credit unions, and not just multiple common bond credit unions, to add underserved areas to their fields of membership. Passage of this bill would allow more credit unions to reach communities in need. Providing financial services and products to underserved populations is inherently aligned with the credit union mission and credit unions that wish to add underserved areas to their field of membership should be permitted to do so. Too many Americans are unbanked, underbanked, or underserved by financial institutions and do not have the access that they need to financial services. Credit unions are uniquely positioned to address this need if permitted to add underserved areas to their fields of membership.

Coordination with non-governmental partners

Treasury can strengthen coordination with non-governmental partners in advancing financial stability and equitable economic growth by maintaining robust and consistent lines of communication. This communication should be issued on a regular basis and provide financial institutions with information and resources about emerging trends and best practices.

Essential to promoting financial stability is continued information sharing to address cybersecurity risks. NAFCU supports Treasury's engagement with credit unions and other financial sector stakeholders to coordinate responses to cybersecurity incidents. Given the potential severity of cyber events originating outside of traditionally supervised financial institutions, NAFCU encourages Treasury to work with other financial regulators to ensure that all sector participants, particularly non-depository technology companies, are implementing appropriate cybersecurity controls. NAFCU also supports a comprehensive data security standard that extends to merchants, fintechs, and other unregulated entities.

Treasury should continue to improve information sharing and collaboration by partnering with industry and government agencies to increase cybersecurity information flow among private and public partners. Successful information sharing would include improved quality, quantity, relevance, and timeliness of the information shared as well as an increase in the number of organizations actively sharing information. Partnerships with the private sector to identify and subsequently manage potential vulnerabilities could potentially be expanded to offer smaller, resource-constrained institutions tools to better contextualize indicators of compromise. This would result in financial institutions being better protected and allow their boards of directors to make better and more informed decisions regarding appropriate levels of cyber and operational risk they are willing to accept.

In order to advance equitable economic growth, Treasury should avoid introducing requirements and regulations that unduly burden community financial institutions such as credit unions. NAFCU is strongly opposed to the provision in the fiscal year 2022 (FY 2022) Budget Resolution that proposes a new reporting requirement on financial institutions for account inflow and outflow information of American taxpayers to the Internal Revenue Service (IRS) for accounts with \$10,000 in transactions. This intrusive reporting requirement, and the data security and privacy risks it entails, could help drive Americans out of the financial system and deter others from opening accounts. According to the Federal Deposit Insurance Corporation's (FDIC) research, more than one third of unbanked Americans cite distrust of financial institutions as a reason for not having an account. Requiring institutions to report more of their financial activity to the IRS would likely not help bring them into the system. Credit unions need to be able to assure members and prospective members alike that the financial services they provide are secure and that individuals' financial data and privacy will not be put at risk by the IRS.

Additionally, instituting these requirements would require credit unions and other financial institutions to completely revamp and overhaul their internal reporting structures, which would be cumbersome and costly even without future expansions of the reporting regime. Modifications to this proposal, such as increasing the threshold or exempting certain activities, do not alleviate these concerns. An increase in the reporting threshold would still require credit unions to assess all accounts for potential applicability, and adding exemptions for some transactions, such as paycheck deposits and rent or mortgage payments, would only increase the burden on credit unions as they would be required to identify and exclude those activities before aggregating the remaining annual inflows and outflows.

Although NAFCU supports efforts to increase taxpayer compliance, adding untested reporting requirements to an already heavily regulated industry is not the answer. Instead, Treasury should seek better solutions for taxpayer compliance, such as increased funding and support for IRS improvements to conduct targeted account auditing.

Progress on the strategic goals

Treasury can best demonstrate and visualize progress on its strategic goals by first clearly defining those goals and widely disseminating them to the public and private sectors, including financial institutions. This will provide a distinct framework to help the public understand how Treasury intends to make progress, and in doing so, allow the public to evaluate Treasury's rules and regulations against that framework. This sense of accountability will result in increased engagement from the public and ensure that Treasury maintains focus on its strategic goals and avoids taking actions that would run counter to those goals.

As Treasury works toward achieving the goals outlined in the strategic plan, it should provide quarterly updates to the public to demonstrate and visualize progress. It should also make access to this progress readily available to the general public by creating a website that updates quarterly. In order to ensure general accessibility, Treasury should synthesize the data and information that may be difficult for the general public to digest and provide graphs and physical representations that demonstrate the progress on the strategic goals. Additionally, Treasury can hold annual meetings that specifically provide updates to the strategic goals. These meetings should allow the public to attend virtually, much like a listening session.

Conclusion

NAFCU appreciates the opportunity to provide input on the strategic plan for fiscal years 2022–2026. NAFCU recommends that Treasury provide access to information on incentives and programs to underserved communities by allowing credit unions to act as intermediaries; work with the private sector to ensure strong and secure financial institutions; avoid unnecessary and burdensome reporting requirements; and provide regular updates and easy access to information related to Treasury's progress on its strategic plan. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

B. Dan Berger
President & CEO