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National Association of Federally-Insured Credit Unions

June 23, 2023

The Honorable Kay Granger
Chairwoman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Re: FY 2024 Financial Services and General Government Appropriations Bill

Dear Chairwoman Granger and Ranking Member DeLauro:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on the Subcommittee-reported Fiscal Year 2024 Financial Services and General Government (FSGG) appropriations bill. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve nearly 137 million consumers with personal and small business financial service products. NAFCU appreciates your work to ensure funding for financial services and general government expenditures, and we would like to take this opportunity to express the views of our members.

NAFCU has previously communicated its support for increased funding for the Community Development Financial Institutions (CDFI) Fund and the Community Development Revolving Loan Fund (CDRLF). We were disappointed by the Subcommittee funding the CDFI Fund at $278 million and the CDRLF at $3.5 million. We urge the Committee to raise these levels to the President's proposed FY 2024 budget levels of $341 million for the CDFI Fund and $4 million for the CDRLF, at a minimum. This would provide the resources needed to keep these important programs properly functioning. These programs have proven to be an invaluable means of providing financial services to underserved areas. We would also encourage the Committee to ensure that the Financial Crimes Enforcement Network (FinCEN) has the funding levels it needs to carry out its programs.

NAFCU is supportive of several of the policy provisions included by the FSGG Subcommittee in its bill, including:

Changing the Consumer Financial Protection Bureau's (CFPB) governance structure from a single director to a bipartisan commission and subjecting the CFPB to the annual appropriations process. The current CFPB single-director structure has been detrimental to consumers, industry, and the economy due to political influence creating regulatory uncertainty and disturbing the marketplace. It is important that this be addressed in order to protect consumers from the impacts and instability of political shifts with each new presidential administration to come. A bipartisan commission has long been the traditional structure for our nation's regulators of depository institutions and would provide a balanced approach to those overseen, regulated, and impacted by the CFPB. Subjecting the CFPB to the annual appropriations process would ensure greater Congressional oversight of the Bureau.

Prohibiting the CFPB from expending funds to implement the Section 1071 final rule. Section 1071 of the Dodd-Frank Act tasked the CFPB with promulgating a rule to collect information on small business lending at financial institutions. NAFCU has long advocated that the current rulemaking effort stands to put significant compliance costs on our member credit unions. This rule would require significant one-time costs to implement new data collection systems and long-term, ongoing costs in training staff, information technology, and auditing expenses. Small institutions like community-based credit unions cannot afford the cost of complying with these new regulatory burdens. These costs would result in fewer lenders supporting our nation’s small businesses, which would in turn result in less availability of credit for small businesses.

Prohibiting a central bank digital currency (CBDC). NAFCU strongly opposes the creation of a CBDC. NAFCU believes that any advantages of a CBDC are outweighed by a multitude of risks, including those related to consumer privacy, financial stability, misallocation of Federal Reserve resources, and government intrusion into banking services traditionally provided by the private sector. Whatever benefits a CBDC might hypothetically provide can be achieved more reliably and with less risk using existing financial sector infrastructure, including the Federal Reserve’s soon to launch FedNow service. Furthermore, studies that consider the role of a CBDC in relation to other countries’ use of digital currency—particularly China—tend to overlook critical issues around privacy and have not fully considered whether adoption of digital currency in foreign jurisdictions serves primarily a surveillance purpose. Given the strong position of the U.S. dollar today and public wariness of CBDC as a surveillance tool, near-term attention should be devoted instead to policy actions that can strengthen institutions like credit unions that stand ready to offer affordable and safe financial products and services to millions of Americans without fear of financial institutions acting as a government monitor.

Finally, we would also like to bring to your attention issues several of our members have told us they are having with the CDFI Fund. First, a number of credit unions have reported long delays stemming over 12 months to respond to their applications for certification. Additionally, several of our members have told us they have been deemed to no longer qualify for the CDFI Fund and have subsequently lost their status as a CDFI, without any chance to take remedial action and re-qualify. Additionally, the CDFI Fund is in the midst of making changes to the certification process that will likely make it more difficult for small and minority depository institution (MDI) credit unions to become certified. As part of this process, the Fund has paused accepting new certification applications since last fall with no clear end date to this pause in sight.

We encourage the Committee to examine this issue and consider adding in report language that would require the CDFI Fund to address these concerns. We also urge the Committee to include the text of H.R. 3161, the CDFI Fund Transparency Act, in the final Committee product. This legislation would increase CDFI transparency by requiring the Treasury Secretary or the Director of the CDFI Fund to testify before Congress annually about the operations of the Fund.

We thank you for the opportunity to share our thoughts and look forward to working with you on these issues as the bill heads toward Committee markup. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Senior Associate Director of Legislative Affairs, at 703-842-2261.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Appropriations Committee