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B. Dan Berger
President & Chief Executive Officer

National Association of Federally-Insured Credit Unions

June 7, 2019

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing,
& Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
& Urban Affairs
United States Senate
Washington, DC 20510

Re: Response to ICBA's Attack on the Credit Union Industry

Dear Chairman Crapo and Ranking Member Brown:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in response to a letter from Rebecca Romero Rainey, President & CEO of the Independent Community Bankers of America (ICBA), dated June 5, 2019. In the letter, ICBA questions credit union lending practices and charges that the National Credit Union Administration (NCUA) failed to regulate and supervise the industry due to regulatory capture.

ICBA's mentioning of the credit union tax status is evidence that the true nature of their request is political, and designed to stymie competition. The credit union tax exemption provides an incredible benefit to our nation's economy, upwards of $16 billion per year. When ICBA tries to drag the tax status of credit unions in to the debate, they fail to mention that nearly one-third of banks, including a number of their members, are Subchapter S corporations and pay no corporate income tax. Furthermore, as a result of the *Tax Cuts and Jobs Act* of 2017, their members have benefitted from additional tax breaks to the tune of $21 billion. When banks were lobbying for tax reform, they claimed that they would reinvest those savings into their communities. What did the banks do instead? They loaned less, fired employees by the thousands and padded their shareholders' pockets.

In regard to NCUA supervision of credit unions, it is important to recognize that the cost of a failed credit union is borne by other credit unions. The National Credit Union Share Insurance Fund (NCUSIF) is self-sustaining and is not funded by the U.S. Department of the Treasury or the American taxpayer. Unlike banks and the Deposit Insurance Fund, all federally-insured credit unions keep a 1 percent deposit in the NCUSIF. The mutual nature of the NCUSIF means that the capital of all credit unions stands between the fund and the American taxpayer. The NCUA oversees and administers the NCUSIF, and credit unions expect the NCUA to be a strong regulator due to this mutuality. Counter to ICBA's claims, this creates a strong built-in disincentive in the industry for a weak regulator.

One of NAFCU's top priorities is the maintenance of a strong, independent NCUA. Based on the mutual nature of the NCUSIF, the NCUA takes very seriously its obligation to monitor and examine the credit union industry. NAFCU supports prudent Congressional oversight of financial regulators and appreciates that the Committee has already heard testimony from NCUA Chairman Rodney Hood on his plans for the agency.

Bankers and their trade associations have long accused the NCUA of being a "cheerleader" for the industry. A closer look at the history of NCUA policy shows that these assertions are false. Nowhere is there an expectation of the NCUA to oversee its industry in a way that would essentially cripple its growth in an evolving world. If they had their way, ICBA would have the NCUA regulate credit unions out of existence.

The NCUA has taken steps in recent years to modernize its regulations and help create an environment for credit unions to thrive – but that environment is still a heavily regulated one that sees credit unions more heavily regulated than banks. Since 2010, the number of credit unions has declined by over 25 percent at a pace of roughly one per business day – exponentially more credit unions disappear from regulatory burden than from lending failures. We look forward to working with the new leadership in place at the NCUA to address these and other issues.

Thank you for your support of credit unions and for the opportunity to set the record straight. If I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me or NAFCU's Vice President of Legislative Affairs Brad Thaler at (703) 842-2204.

Sincerely,

B. Dan Berger
President and CEO

cc: Members of the Senate Banking Committee