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National Association of Federally-Insured Credit Unions

July 20, 2021

The Honorable Ed Perlmutter
Chairman
Subcommittee on Consumer Protection and
Financial Institutions
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Subcommittee on Consumer Protection and
Financial Institutions
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing, "Banking the Unbanked: Exploring Private and Public Efforts to Expand Access to the Financial System"

Dear Chairman Perlmutter and Ranking Member Luetkemeyer:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of tomorrow's hearing, "Banking the Unbanked: Exploring Private and Public Efforts to Expand Access to the Financial System." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 125 million consumers with personal and small business financial service products. NAFCU supports the Subcommittee's efforts to examine ways to expand access to quality financial services to Americans who are unbanked or underbanked, and we thank you for holding a hearing on this critical issue.

NAFCU strongly supports the *Expanding Financial Access for Underserved Communities Act* discussion draft, which would expand the ability of credit unions to add underserved areas to their field of membership (FOM). In 1998, as part of the *Credit Union Membership Access Act*, Congress provided federal credit unions with the ability to add underserved areas to their FOM. However, subsequent legal challenges by the banking industry over the reading of the statute led the National Credit Union Administration (NCUA) to limit this authority to only multiple common bond credit unions in 2006.

As Congress grapples with ways to ensure that underserved and unbanked populations have access to affordable financial services, credit unions want to be able to help. Unfortunately, many credit unions are limited by the restriction on adding underserved areas to their FOM. One area where this legislation would be extremely helpful is in rural areas. According to a recent report by the Federal Reserve, between 2012 and 2019 credit unions grew their branch presence in rural areas by 2 percent, while community banks decreased rural branches by 5 percent and large banks decreased rural branches by 19 percent. Credit unions are proud to be at the forefront of efforts to expand financial services access to rural areas, many of which are underserved, and want to do more. However, not all credit unions can add underserved areas to their field of membership, making it challenging for some to expand in rural areas. We urge the Committee to support this draft legislation that would allow all types of credit unions to add underserved areas and make it easier to make critical member business loans to small businesses in those areas.

TABLE 2.1: BRANCH CHANGES BETWEEN 2012 AND 2019					
Institution Type	County Type	Starting branches	Ending branches	Net change	Percent Change
Large Banks	Urban	48,707	42,298	-6,409	-13
	Rural	6,479	5,267	-1,212	-19
Community Banks	Urban	23,798	22,240	-1,558	-7
	Rural	13,890	13,137	-753	-5
Credit Unions	Urban	17,513	17,599	+86	+0
	Rural	3,458	3,537	+79	+2

Notes: Urban counties are those that were part of a metropolitan statistical area in 2017. Excludes U.S. territories as well as counties that have undergone code changes. Bank branches are assigned according to the institution it last reported under. Community banks are those with assets below \$10 billion in June 2019 or the last reported total. Bank branches include only those coded as types 11 or 12 in the FDIC data.

We would also like to take this opportunity to reiterate our concerns with proposals before the Subcommittee today to create an entirely new government-run consumer banking system, such as the “FedAccounts” proposal and postal banking. These proposals could cause major disruptions in the U.S. banking system that have not been fully vetted. Tasking the Federal Reserve with developing a wholly new retail banking operation would divert resources away from other important initiatives. The Federal Reserve may not have the bandwidth to develop a FedAccounts system, and NAFCU believes its resources would be better directed toward finalizing FedNow, its proposed real-time payment system. As for postal banking, NAFCU and our member credit unions are very concerned that allowing the USPS to provide banking services will be beyond its core competencies, will raise serious regulatory and consumer protection questions, and will present significant competitive issues for private sector entities. For these reasons, we do not support expanding the capabilities of the USPS to provide additional banking services. We believe there are better, and already established, approaches to address access to financial services, such as allowing all credit unions the ability to add underserved areas to their field of membership as discussed above.

We thank you for your leadership and ongoing efforts to help American consumers. We appreciate the opportunity to share our input and look forward to continuing to work with the Subcommittee on these issues. Should you have any questions or require any additional information, please contact me or Sarah Jacobs, NAFCU’s Associate Director of Legislative Affairs, at (571) 289-7550 or sjacobs@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Consumer Protection and Financial Institutions