



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

July 26, 2023

The Honorable Patrick McHenry
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Committee Markup of Various Measures

Dear Chairman McHenry and Ranking Member Waters:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) regarding tomorrow's Committee markup of various measures. 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 the opportunity to share the perspective of credit unions on measures being considered by the Committee.

H.R. 4766, the Clarity for Payment Stablecoins Act

NAFCU appreciates the continued work of the Committee in examining the integration of digital assets into traditional financial products, including the creation of stablecoins, and seeking to legislate in this area. We are pleased that H.R. 4766, the Clarity for Payment Stablecoins Act, defines the term insured depository institution (IDI) to include credit unions and defines federal banking regulators to include the National Credit Union Administration (NCUA). As we have previously flagged, NAFCU believes that the Committee must be careful not to unintentionally create an uneven playing field among credit unions, banks, and non-depository institutions by establishing chartering and enforcement provisions based solely on the Federal Deposit Insurance Act, with which the NCUA cannot strictly comply. This bill makes important steps in that direction.

In order to operate most efficiently, regulatory frameworks for stablecoins should acknowledge the NCUA's role as the primary financial regulator for credit unions. Establishing barriers to credit union engagement with digital assets would undercut many of the financial inclusion benefits that may be realized through related technologies. The credit union industry has a long history of prioritizing the needs of underserved and low-income communities and desires to continue this important work. While the bill recognizes this for the most part, we would like to take this opportunity to express our concerns about the requirement in the bill for credit unions (which are already supervised by their primary federal regulator, the NCUA) to be subject to additional oversight from and reporting to the Federal Reserve. NAFCU supports enforcement and examination being left up to existing regulators for insured depository institutions. Additionally, if subsidiaries of insured depository institutions are engaged in stablecoin-related activities, then they should also be regulated exclusively by the same primary regulator charged with overseeing their parent institution.

The Honorable Patrick McHenry
The Honorable Maxine Waters
July 26, 2023
Page 2 of 2

In general, NAFCU also supports establishing a basic framework for oversight of non-depository stablecoin issuers. However, we believe that the Committee should also be cautious of granting bank-like chartering privileges to entities not offering insured deposits or engaged solely in stablecoin activities if doing so compromises safety and soundness. We would reiterate that fintechs and other emerging technologies in the financial services space pose enormous opportunities as well as risks for the industry. NAFCU has consistently advocated for a regulatory framework that provides common sense rules of the road to ensure that these disruptive technologies protect consumers and abide by existing laws as they continue to innovate. Some of the bills under consideration this week could raise questions about the possibility of using disruptive technology to facilitate regulatory arbitrage, and we encourage the Committee to use caution and be thoughtful in its approach to this sector of the industry.

H.J. Res. 66, Disapproval of CFPB's 1071 Rulemaking

Finally, NAFCU would like to express its strong support for H.J. Res. 66, disapproving of the Section 1071 rule required of the Consumer Financial Protection Bureau (CFPB) by the Dodd-Frank Act. This section tasked the CFPB with promulgating a rule to collect information on small business lending at financial institutions. NAFCU has long advocated that the rulemaking effort stands to put significant compliance costs on our member credit unions. As we testified earlier this year before the House Small Business Subcommittee on Tax, Entrepreneurship, and Capital Formation, 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. While NAFCU supports the intention of Section 1071, small institutions like community-based credit unions cannot afford the cost of complying with the wide scope of new regulatory burdens proposed by the CFPB. 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. We thank the Committee for considering this important measure and urge its support.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on including emerging technologies into financial services. 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) 258-4981 or lplush@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Financial Services Committee