NAFCU

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Fred R. Becker, Jr.
President and CEO

April 14, 2010

The Honorable Christopher J. Dodd
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Dodd and Ranking Member Shelby:

I am writing on behalf of the National Association of Federal Credit Unions (NAFCU), the only trade organization exclusively representing the interests of our nation's federal credit unions, regarding the important need to focus on the bad actors on Wall Street as part of the *Restoring American Financial Stability Act of 2010* and its language establishing a Bureau of Consumer Financial Protection.

We agree with Treasury Secretary Timothy Geithner when he says that we need "…strong constraints on risk-taking by large institutions…" and with President Obama's goal that he wants to "…ensure that the bill I sign into law reflects not the special interests of Wall Street, but the best interests of the American people." We applaud the Administration's focus on reining in the bad actors on Wall Street, a concept NAFCU has supported from the start in regulatory reform and looks forward to continue working with you on, for as Senate Majority Leader Harry Reid recently stated "Wall Street took advantage of America". Finally, as you stated at the bill's mark-up Mr. Chairman, "We must reform our regulatory structure so a crisis on Wall Street doesn't wipe out working families and businesses."

Credit unions are proud to be one of those businesses on Main Street in America that have continued serving 92 million Americans throughout this crisis. It has been widely recognized that credit unions were not the cause of the current economic problems and did not make the loans that helped lead to the downfall of the housing market, but have instead been an important part of the solution.

NAFCU applauds the Administration and the bipartisan leadership of both the House and Senate in seeking to find a remedy to our current financial crisis, and we support efforts to reform our financial regulatory system and prevent future problematic products from evading regulation. The abuses that took place on Wall Street and in the unregulated mortgage market, at the expense of hard-working

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Americans, should never be allowed to occur again. Credit unions have long fought the prevalence of these bad practices and have led the way in consumer protection by seeking to offer better financial products and exceptional customer service to their members. In addition, there are many consumer protections already built into the Federal Credit Union Act, including a prohibition on pre-payment penalties and the only federal usury ceiling on financial institutions.

We firmly believe that the largest risk-taking financial institutions, along with unregulated predatory lenders and mortgage brokers, should be brought within a more effective regulatory rubric, and we will support efforts to ensure that this is accomplished. We do not, however, want to see good actors like credit unions bearing the cost and burden associated with this new regulation. The cost of compliance with the rules of a new regulator for a not-for-profit credit union will far exceed those of a large financial firm that has thousands of employees and can turn to its shareholders or capital markets to raise funds. Unfortunately, because credit unions are not-for-profit cooperatives, they cannot absorb these costs and will be forced to pass them down to their 92 million members in the form of lower dividends or higher interest rates on loans. We do not want to see credit unions and those that they serve on Main Street suffer any more financially than they have already in a well-intentioned effort to rein in the bad actors on Wall Street.

Credit unions stand ready to help enact financial regulatory reform legislation at this critical time. NAFCU is prepared to do its part to encourage our members to lend their support to the *Restoring American Financial Stability Act*, to help pass the bill as quickly and smoothly as possible. However, we cannot move forward on this issue so long as not-for-profit cooperatives, such as credit unions, are included within the broad authority of a new Consumer Financial Protection Bureau (CFPB). We therefore ask for your assistance in removing credit unions from the purview of the new CFPB in order to limit the impact of the cost of these burdens on them and their members on Main Street. We hope that as the legislation moves ahead, the final language will recognize the good actors, such as credit unions, while reining in the unregulated and overly large entities in the financial services marketplace before they prey on consumers once again.

We thank you for your attention to our concerns as the Senate takes up comprehensive financial regulatory reform. If we can answer any questions or provide you with further information on this matter, please do not hesitate to contact NAFCU's Executive Vice President of Government Affairs, Dan Berger, at 703-842-2803.

Sincerely,

Fred R. Becker, Jr.

Fred R. Becker, Jr.
President/CEO

cc: Members of the United States Senate