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Fred R. Becker, Jr.
President and CEO

April 5, 2010

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

Dear Chairman Dodd and Ranking Member ~~Shelby~~: Chairman [illegible]

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 *Restoring American Financial Stability Act of 2010* and its language establishing a Bureau of Consumer Financial Protection.

It has been well recognized in both houses of Congress that credit unions were not the cause of the current economic crisis and did not make the loans that helped lead to the downfall of the housing market. House Financial Services Committee Chairman Barney Frank himself recently stated that community banks and credit unions "have not been behind the abuses. If we only had community banks and credit unions, we wouldn't be in this problem." In the words of Senator Jon Tester, a member of the Committee on Banking, Housing and Urban Affairs, "I do not believe…community banks and credit unions caused the economic crisis, and I do not believe they should have to pay for the sins of Wall Street."

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 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 Main Street suffer any more financially than it has already.

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 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.

NAFCU offers a couple of possible options to accomplish this goal. First, we support a change to the bill's language to create a higher asset threshold of $50 billion (adjusted for inflation) for inclusion in the CFPB, for federally regulated and insured depository institutions. This threshold would be high enough to include those institutions that hold the bulk of the assets in the financial services industry, and to keep small institutions like credit unions from being lumped into one category with these large entities. We are also very concerned that the current language creates an arbitrary $10 billion dividing line for examination and enforcement, which arbitrarily splits the credit union community in these two areas of CFPB authority. Since some may be reluctant to exempt banks with assets up to $50 billion, an alternative may be to recognize that all credit unions are similar in nature, and *all* should therefore remain under NCUA's purview.

Second, NAFCU would also strongly support a legislative revision to the bill to remove not-for-profit organizations, such as credit unions, from the authority of the new regulator. As mentioned before, credit unions are already regulated by the National Credit Union Administration (NCUA) and its Office of Consumer Protection. Such an amendment would ensure that credit unions are not subject to needless additional regulation, the cost of which would ultimately have to be borne by their members. It would also prevent credit unions from being subject to higher regulatory burdens under the bill than unregulated entities like payday lenders and check cashers, which are nearly left out of the current language.

NAFCU recognizes the need for additional consumer protection in the financial services arena, and we believe it is important to protect consumers from the predatory practices that led to the current crisis. The need for additional consumer protection, however, arises directly from the conduct of the many unregulated bad actors that pushed ill-advised products onto unsuspecting consumers. 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.
President/CEO

cc: Members of the United States Senate