NAFCU

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Fred R. Becker, Jr.
President and CEO

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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: Chairman Dodd

I am writing on behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federal credit unions, with regard to today's markup of the *Restoring American Financial Stability Act of 2009* Discussion Draft. There are a number of provisions in the bill of concern to credit unions, particularly with respect to the creation of a Consumer Financial Protection Bureau.

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.

In this vein, we applaud the efforts to address such abuses and strengthen consumer protection. We do not, however, believe that additional regulatory burdens should be imposed on credit unions. Unfortunately, this legislation lumps credit unions in with the "bad actors," and adds a number of new regulatory burdens within the creation of the new Consumer Financial Protection Bureau (CFPB). As not-for-profit financial cooperatives, the cost of these new burdens on credit unions will be borne by the 92 million Americans who are credit union members.

NAFCU therefore encourages you to support efforts to lessen the regulatory impact of this legislation on credit unions. We hope that as the bill moves forward, the final language will be one that recognizes good actors like credit unions, while reining in the unregulated entities in the financial services marketplace before they prey on consumers once again. Changing the arbitrary $10 billion threshold for examination and enforcement powers of the CFPB to $50 billion for insured credit unions would be one step in doing so. We also believe it is important that such thresholds in the bill be adjusted regularly to account for inflation, and we would encourage such a change to be made as well.

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NAFCU also urges the Committee to clarify the standard of federal preemption that applies to credit unions in the draft legislation. We believe that the National Credit Union Administration (NCUA) must maintain federal preemption authority at its current level. Allowing various states to create new and onerous burdens on federal credit unions that may have a limited presence or small number of members in their states would severely increase compliance costs and could ultimately force some credit unions to limit services to their members, as the cost of compliance for such a limited group would be too high for the institution.

We also encourage the Committee to ensure that no credit union is paying into the Orderly Liquidation Fund used to wind-down large financial companies. The purpose of such a resolution fund would be to reduce the economic threat that large, highly complex, interconnected firms pose to the financial system as a whole. Credit unions are small and simple institutions that do not fit this profile. Furthermore, as not-for-profit cooperatives, credit unions would be forced to pass on any additional costs they are assessed to their members in some form.

With respect to credit risk retention provisions for issuers of asset-backed securities, NAFCU urges that the NCUA be recognized as one of the federal banking agencies writing rules in this area. Since credit unions originate loans sold to securitizers, we believe that the NCUA should have a say in how risk retention obligations will be allocated among securitizers and originators.

Finally, we agree that the *Restoring American Financial Stability Act* is not the vehicle for the reform of Government Sponsored Enterprises (GSEs). We look forward to working with the Committee on improving the GSE system in the future.

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 Director of Legislative Affairs, Brad Thaler, at 703-522-4770.

Sincerely,

Fred R. Becker, Jr.
President/CEO

cc: Members of the Senate Banking, Housing, and Urban Affairs Committee