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Fred R. Becker, Jr.
President and CEO

March 15, 2011

The Honorable Shelley Moore Capito
Chairman
House Financial Services Subcommittee on
Financial Institutions
and Consumer Credit
United States House of Representatives
Washington, D.C. 20515

The Honorable Carolyn Maloney
Ranking Member
House Financial Services Subcommittee on
Financial Institutions
and Consumer Credit
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Capito and Ranking Member ~~Maloney~~: Chairman Capito

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, I write today to commend the subcommittee for holding an oversight hearing on the new Consumer Financial Protection Bureau (CFPB).

As you know, the creation of the CFPB is potentially problematic for credit unions as it will have rule-writing authority over credit unions of all size, and examination and enforcement authority over credit unions exceeding $10 billion in assets. You may recall that during consideration of the *Dodd–Frank Wall Street Reform and Consumer Protection Act* (PL 111-203), NAFCU consistently opposed efforts to include credit unions, regardless of size, under this new regulatory framework due to the costly new compliance burdens it could mean for them.

NAFCU has long recognized the need for additional consumer protection in the financial services arena and understands the importance of regulating bad actors on Wall Street. We also supported NCUA's establishment of an office dedicated to consumer protection. Given that credit unions were not the bad actors that helped lead to the financial crisis, it is very difficult to understand why they were ultimately placed under the jurisdiction of the CFPB.

With new information about the focus of the CFPB surfacing, it appears that credit unions will likely face a new set of regulatory hurdles regarding credit card portfolios, mortgage disclosure procedures and many other areas. While the details remain to be seen, NAFCU cannot overstate how costly new compliance burdens can be to credit unions and their members.

NAFCU was pleased to see that the Financial Stability Oversight Council (FSOC) was granted some "veto" ability over some proposed CFPB rules if they are deemed to create safety and

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soundness concerns. We would encourage members of Congress to enhance the role of this important council by lowering the threshold of votes needed to "veto" rules that go too far.

NAFCU would also like to draw the subcommittee's attention to section 1100G of the Dodd-Frank Act that says that the CFPB must evaluate, as part of its regulatory flexibility analysis, the impact actions have on "small entities." We believe credit unions meet the definition of a "small organization" as defined in Title 5, Section 601 of the U.S. Code as "any not-for-profit enterprise which is independently owned and operated and is not dominant in its field…" We urge Congress to make sure that the CFPB abides by this Congressionally-mandated standard, and does not try to narrow the definition of "small entity" in order to strengthen its authority over credit unions.

Clearly Congressional oversight will be a key aspect of ensuring that the new CFPB is operating within the letter of the law. NAFCU believes that one important step would be for the Bureau to have a Senate confirmed director in place before taking any significant actions. As you know, last week many questioned the merit of the proposed State Attorneys General draft settlement with certain mortgage servicers, and the role of the CFPB played in these discussions. We are concerned that this type of broad CFPB action could create new rules that would lead to regulatory creep in which community based financial institutions could once again pay the price for poor decisions made by others and Wall Street.

Again, NAFCU commends the committee for holding this important hearing and looks forward to working with both Congress and the Consumer Financial Protection Bureau on regulatory issues that will impact credit unions and their 92 million members. Should you or your staff have any questions or require any additional information please do not hesitate to contact Brad Thaler, NAFCU's Vice President of Legislative Affairs, at 703-842-2204 or me.

Sincerely,

Fred R. Becker, Jr.
President/CEO

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