NAFCU

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

National Association of Federal Credit Unions | www.nafcu.org

March 4, 2014

The Honorable Patrick McHenry
Chairman
Subcommittee on Oversight & Investigations
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Al Green
Ranking Member
Subcommittee on Oversight & Investigations
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Re: The Need for Regulatory Relief for Our Nation's Credit Unions

Dear Chairman McHenry and Ranking Member Green:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federally chartered credit unions, I write today in advance of tomorrow's hearing, "The Growth of Financial Regulation and its Impact on International Competitiveness." Credit unions and their 97 million members appreciate the subcommittee's willingness to explore how community-based financial institutions, including credit unions, are struggling under an ever-increasing regulatory burden.

The impact of the growing compliance burden under the *Dodd-Frank Act* is evidenced in the fact that the number of credit unions continues to decline, dropping by more than 700 institutions since 2009. Credit unions didn't cause the financial crisis and shouldn't be caught in the crosshairs of regulations aimed at those entities that did. Unfortunately, that has not been the case thus far as all credit unions are subject to rule writing authority of the new Consumer Financial Protection Bureau. Accordingly, finding ways to cut-down on burdensome and unnecessary regulatory compliance costs is a chief priority of our members.

As outlined in the attached document, and first shared with Congress in February 2013, NAFCU's five point plan for regulatory relief includes several important provisions aimed at ensuring credit unions aren't subject to over burdensome, outdated, or duplicative regulation. As the subcommittee looks for ways to reduce regulatory burden moving forward, we ask that you keep in mind the need for regulatory relief for our nation's credit unions.

Thank you for the opportunity to provide additional information with respect to the overwhelming amount of regulatory burden credit unions face. We look forward to the subcommittee's review of how financial over-regulation is harming our nation's financial institutions and stand ready to provide additional input should you have questions about the impact on credit unions.

If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Director of Legislative Affairs, Jillian Pevo at (703) 842-2836.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Oversight and Investigations Subcommittee

Enclosure: NAFCU's Five-Point Plan for Credit Union Regulatory Relief

Learn How NAFCU's Five-Point Plan Will Bring Regulatory Relief to Credit Unions

In February 2013, NAFCU was the first trade association to call on this Congress to provide comprehensive broad-based regulatory relief for credit unions. As part of this effort, NAFCU sent Congress a five-point plan for regulatory relief that will significantly enhance credit unions' ability to create jobs, help the middle class, and boost our nation's struggling economy. The five-point plan is built on a solid framework of recommendations that provide regulatory relief through the following:

1. Administrative Improvements for the Powers of the NCUA

- Allow a federal credit union to petition NCUA for a waiver of a federal rule in favor of a state rule.
- Provide NCUA the authority to delay implementation of CFPB rules that affect credit unions and to tailor those rules for credit unions' unique structure.
- Require a cost/benefit analysis of all rules that includes a three-year look back and reevaluation of rules that cost 20 percent or more than their original cost estimate.
- Enact new examination fairness provisions to help ensure timeliness, clear guidance and an independent appeal process free of examiner retaliation.
- Improve the Central Liquidity Facility by removing the subscription requirement for membership and permanently removing the borrowing cap.

2. Capital Reforms for Credit Unions

- Direct NCUA and industry representatives to conduct a study on prompt corrective action and recommend changes.
- Modernize capital standards by directing the NCUA Board to design a risk-based capital regime for credit unions that takes into account material risks and allows the NCUA Board to authorize supplemental capital.
- Establish special capital requirements for newly chartered federal credit unions that recognize the unique nature and challenges of starting a new credit union.

3. Structural Improvements for Credit Unions

- Direct NCUA, with industry input, to conduct a study of outdated corporate governance provisions in the Federal Credit Union Act and make recommended changes to Congress.
- Improve the process for expanding a federal credit union's field of membership by allowing voluntary mergers among multiple common bond credit unions, easing the community charter conversion process and making it easier to include those designated as "underserved" within a credit union's field of membership.

4. Operational Improvements for Credit Unions

- Raise the arbitrary cap on member business loans to 27.5% or raise the exemption on MBL loans from $50,000 to $250,000, adjusted for inflation, and exempt loans made to non-profit religious organizations, businesses with fewer than 20 employees and businesses in "underserved areas."
- Remove requirements to mail redundant and unnecessary privacy notices on an annual basis, if the policy has not changed and new sharing has not begun since the last distribution of the notice.
- Allow credit unions greater authority and flexibility in how they invest.
- Provide NCUA the authority to establish longer maturities for certain credit union loans and greater flexibility in responding to market conditions.
- Provide federal share insurance coverage for Interest on Lawyers Trust Accounts (IOLTAs).

5. 21st Century Data Security Standards

- Establish national standards for safekeeping of all financial information.
- Establish enforcement standards for data security that prohibit merchants from retaining financial data, and require merchants to disclose their data security policies to customers.
- Hold merchants accountable for the costs of a data breach, especially when it was due to their own negligence; shift the burden of proof in data breach cases to the party that incurred a breach and require timely disclosures in the event of a breach.

For more information, visit **www.nafcu.org/regrelief.**