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President & Chief Executive Officer

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April 14, 2014

The Honorable Barack H. Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

RE: Open Seat on Federal Reserve's Board of Governors

Dear Mr. President:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing to you to urge you to consider a credit union representative to sit on the Board of Governors of the Federal Reserve.

Credit unions play a vital role in our nation's economy, and offer numerous benefits to both the 97 million credit union members and to all financial services industry consumers. NAFCU commissioned a study to examine what would happen to the U.S. economy if the presence of credit unions was reduced significantly as a result of eliminating the credit union tax exemption. The study identified the total benefit to U.S. consumers from the presence of credit unions in financial markets to be \$153 billion from 2005-2013, or \$17 billion per year.

Further, credit unions continued to help the American economy by lending throughout the financial crisis when the banks, both large and small, stopped doing so. NAFCU applauds your recognition in the most recent State of the Union address of the need for creditors to continue to fund small businesses. The nation's credit unions are uniquely qualified to help make this a reality by strengthening access to financial services in communities throughout Main Street America. A 2011 study commissioned by the Small Business Administration's Office of Advocacy found that, even during the financial crisis, credit unions have the ability to provide some extra business lending in response to the reductions in bank business lending (James A. Wilcox, *The Increasing Importance of Credit Unions in Small Business Lending*, Small Business Research Summary, SBA Office of Advocacy, No. 387. September, 2011).

The Honorable Barack H. Obama
April 14, 2014
Page 2 of 2

The study also found that to the extent that increased credit union supply of business credit has and will offset reductions in bank loan supply, credit unions can help small businesses and reduce the cyclical nature of their local economies.

Separately, while credit union financial health continues to improve, today's regulatory environment is characterized by overregulation and high compliance burdens. The credit union industry works to mitigate some of these issues through its robust dialogue with the Federal Reserve Board of Governors, and it would be instrumental to that dialogue to have a member on the Board with deep credit union knowledge and experience. A well-educated, experienced credit union CEO would add value to the Federal Reserve Board of Governors by offering both the credit union perspective and, more generally, the perspective of smaller community lenders.

Broadly speaking, the following regulatory issues are paramount to credit unions: potential changes to interchange fees and rules through ongoing litigation and regulation, complying with the new rules related to mortgage lending, and obtaining guaranteed access to the secondary market.

NAFCU appreciates the opportunity to share its thoughts on the importance of having a credit union representative on the Federal Reserve's Board of Governors. Should you have any questions or concerns, please feel free to contact me by telephone at (703) 842-2215.

Sincerely,



B. Dan Berger
President and CEO

cc. Valerie Jarrett, Senior Advisor to President Barack Obama