Special Issue

NAFCU UPDATE®
The News You Need Weekly

National Association of Federal Credit Unions 3138 10th Street North Arlington, VA 22201 | 800-336-4644 www.nafcu.org

Tax exemption, reg relief top NAFCU priorities in 2015

'Enough is enough' message on CU overregulation continues strong

NAFCU witness Linda McFadden, president and CEO of XCEL Federal Credit Union in Bloomfield, N.J., testified on regulatory burden before the Senate Banking Committee, noting "enough is enough." (Cedeño photo)

Jan. 5, 2015 – NAFCU has had many successes in the past year in its work to advance credit unions' interests before Capitol Hill, the administration and the federal regulatory agencies. In the closing days of the 113th Congress, lawmakers passed and the president signed into law the "Credit Union Share Insurance Fund Parity Act," giving credit unions parity with FDIC-insured institutions offering escrow accounts like Interest on Lawyer Trust Accounts (IOLTAs). In the midterm elections, 93 percent of the candidates supported by NAFCU/PAC won their seats. And NCUA, as long urged by NAFCU, appears poised in coming weeks to issue a revised proposal on risk-based capital – with more time for credit unions to review this issue and provide their comments on the changes that will be offered.

These are important strides, and NAFCU will be working hard over the coming year to keep up that momentum.

Throughout 2015, we will continue to advance our message to lawmakers and regulators that "enough is enough," particularly with respect to the overregulation of credit unions and retailers' lack of accountability for data security breaches on their end. We will continue to press for regulatory relief so credit unions – which continue to see new highs in membership growth – have the resources and flexibility they need to satisfy the financial services needs of their members.

We will continue to seek improvements in overly restrictive field-of-membership requirements, and we will keep up our pursuit of national data security standards for retailers to help ensure credit union members' data is as safe as it can be. And we will keep as our highest priority the preservation of credit unions' federal corporate income tax exemption.

Following are NAFCU's top priorities for the coming year, as considered and approved by NAFCU's board.

■ Protect the credit union tax exemption

NAFCU remains vigilant on this issue as a new Congress begins with new chairmen for both the House Ways and Means Committee and Senate Finance Committee. No member of Congress has proposed legislation that would eliminate the credit union tax exemption, and H.R. 1, the 2014 tax reform package introduced by Ways and Means Chairman Dave Camp, R-Mich., would preserve the exemption.

As a NAFCU-commissioned, independent study shows, the credit union exemption from federal corporate income tax is vital to your credit union's survival and a significant benefit for the country's economy. NAFCU will continue to monitor tax reform discussions to make sure the exemption is protected.

■ Guarantee credit unions' access to the secondary mortgage market

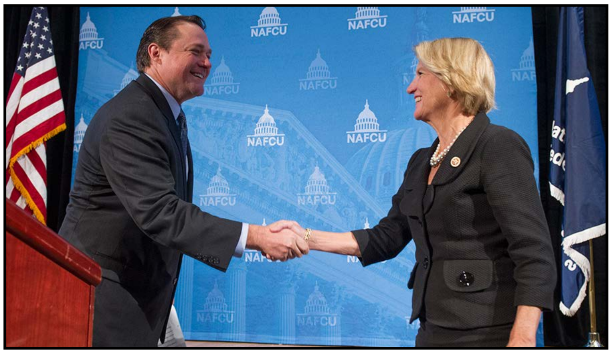
Congress and the administration continue to discuss housing finance reform, and it is unclear what government-sponsored enterprises Fannie Mae and Freddie Mac would look like under a new system. NAFCU has been an integral part of the conversation, advocating for unfettered, guaranteed access for your credit union to the secondary market and fair pricing for credit union mortgages based on loan quality, not volume.

NAFCU will continue to work with Congress and the administration on housing finance reform and related issues, including the Federal Housing Finance Agency's proposal to revise criteria for membership in the Federal Home Loan Banks.

■ End the overregulation of credit unions

NAFCU's message continues to be "enough is enough" with regard to the overregulation of the credit union industry. NAFCU's five-point plan for regulatory relief and its "Dirty Dozen" list of regulations that need to be updated or eliminated have both seen legislative and regulatory successes this year. One major victory was the IOLTA legisla-

(Continued other side)



Shown, from left: *NAFCU President and CEO Dan Berger greets then-Rep. Shelley Moore Capito, W-Va., at last year's Congressional Caucus (she is now a U.S. senator); Housing and Urban Development Secretary Julián Castro at Caucus. (Dietsch photos)*

tion mentioned above. NAFCU also saw victories in NCUA's final rule changing its rules on appraisals and in its proposal to remove the 5 percent cap on federal credit union investments in fixed assets. Both are on the "Dirty Dozen" list.

NAFCU staff will keep pushing for credit union regulatory relief. Along that line, the association will work to curtail any impact from CFPB's Home Mortgage Disclosure Act proposal on credit unions, and it will continue to engage with the bureau as it contemplates issuing a proposed rule on overdraft fees.

■ Support fair capital reform

After months of pressure from NAFCU, NCUA Chairman Debbie Matz announced the NCUA Board will issue a revised risk-based capital proposal with a second comment period lasting at least 90 days. While pleased that the NCUA Board has indicated that it will make a number of changes in the second proposal, NAFCU still believes NCUA lacks the legal authority to promulgate many aspects of the first proposal, such as imposing individual minimum capital requirements.

NAFCU supports a legislative solution that would update the credit union regulatory capital requirements without requiring some credit unions to shoulder a disproportionate amount of the burden, as the current proposal would do. The association will continue to advocate reform that reflects risk appropriately.

■ Promote a national data security standard for retailers

NAFCU continues to push for a national data security standard for retailers, especially given that the Target breach – expected to cost credit unions nearly $30 million – was followed last year by the even bigger Home Depot breach. We are having success getting our message out, and NAFCU President and CEO Dan Berger was in attendance at a CFPB event where President Obama called for a new national standard on data security.

Credit unions are already regulated under the Gramm-Leach-Bliley Act, and NAFCU will continue to put pressure on Congress for action to hold retailers accountable for losses caused by their negligence. NAFCU is also pushing for a bipartisan, bicameral working group in Congress to look for a legislative solution.

■ Support for member business lending

NAFCU continues to monitor and support legislation to raise the arbitrary credit union member business lending cap, a key aspect of the five-point plan for regulatory relief. It also supports creating an exemption from NCUA regulations for credit unions that have a history of doing MBL loans and will continue to press for improvement in the MBL waiver process.

■ Support industry leading the way on payments reform

NAFCU appreciates the Federal Reserve's efforts to discuss the future of the U.S. payments system, but NAFCU continues to support allowing industry to lead reform rather than risk unintended consequences from the Fed stepping in.

NAFCU will also push to eliminate the limit on "convenience transfers" under Regulation D, which would aid consumers confused by current outdated restrictions. It will also seek Regulation CC modernization to bring funds availability rules in line with the rest of the Fed's regulatory framework, applicable Dodd-Frank Act provisions and other statutory requirements.

■ Push for patent reform

Credit unions and others continue to suffer from the frivolous litigation and attacks of so-called "patent trolls" – the patent-assertion entities that purchase patents to profit from such litigation. NAFCU will continue to monitor progress in this area on Capitol Hill and to seek relief for credit unions.

■ Seek E-SIGN Act reform

The process set by the Electronic Signatures in Global and National Commerce Act for credit union member opt-ins to electronic statements and disclosures is poorly organized, cumbersome and outdated. NAFCU will continue to push for legislation to streamline the process so that a request from a member at a branch is all that is necessary.

■ Monitor the outcome of the debit interchange fee ruling

NAFCU continues to work with the financial services community to determine whether the Fed's debit interchange rule will become an issue that needs to be addressed by Congress. The association will monitor any legal developments that arise as merchants seek Supreme Court intervention. ◊

NAFCU UPDATE

Chair, Board of Directors
Ed Templeton
President and CEO
B. Dan Berger

EDITORIAL STAFF
Editor
Susan Broaddus
Associate Editors
Virginia Pasley | Rebekah Rast

NAFCU *UPDATE*® is published weekly by the National Association of Federal Credit Unions to provide member federal credit unions and their officials the latest information affecting them. Direct comments and inquires to Editor. Fax to NAFCU's offices: 703-524-1082. Phone: 703-522-4770. Send email to update@nafcu.org. For daily news, visit NAFCU's website at www.nafcu.org.