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B. Dan Berger
President & Chief Executive Officer

May 20, 2015

The Honorable Richard Shelby
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Tomorrow's Mark-up of the *Financial Regulatory Improvement Act*

Dear Chairman Shelby and Ranking Member Brown:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing our nation's federally chartered credit unions, I write today in conjunction with tomorrow's committee mark-up of the *Financial Regulatory Improvement Act*. We appreciate the committee's ongoing focus on regulatory relief and support this legislative effort.

Credit unions are being overrun with cost and compliance burdens stemming from increased regulation. We are pleased that the need for regulatory relief for credit unions has bipartisan recognition and we urge the members of the committee to work together to ultimately enact substantial regulatory relief for credit unions.

The impact of this growing regulatory burden on credit unions is evident in the declining number of credit unions, dropping by 23% (more than 1,800 institutions since 2007). A main reason for the decline is the growing cost and complexity of complying with the ever-increasing onslaught of regulations. Since the second quarter of 2010, we have lost 1,200 federally-insured credit unions, 96% of which were smaller institutions below $100 million in assets. Many smaller institutions simply cannot keep up with the new regulatory tide and have had to merge out of business or be taken over. There is an urgent need for Congress to enact meaningful regulatory relief.

There are a number of provisions in the discussion draft of the *Financial Regulatory Improvement Act,* many of which stem from bipartisan pieces of standalone legislation, that provide relief to credit unions and are supported by NAFCU including:

- Section 122: Requiring the National Credit Union Administration (NCUA) to hold public hearings and receive comments on its annual budget. NAFCU has urged greater budget transparency at NCUA.

- Section 124: Granting credit unions parity with community banks under the *Federal Housing Finance Act* when it comes to the definition of community financial institution and requires Federal Housing Finance Agency (FHFA) to withdraw its burdensome proposed Federal Home Loan Bank (FHLB) membership rule.
- Section 110: This section indexes some of the arbitrary asset thresholds found in the Dodd-Frank Act for inflation, including the debit interchange $10 billion cap and the CFPB exam threshold. The current static numbers continue to capture more institutions over time. NAFCU would also support exempting all credit unions from the thresholds outright (or raising the arbitrary threshold), as a way to provide additional relief.
- Section 104: Creating an Office of the Ombudsman at the Federal Financial Institutions Examination Council (FFIEC) to be an independent source to investigate financial institutions' complaints or concerns about their examination process.
- Section 116: Requiring financial regulators to study and report to Congress about the capital requirements for mortgage servicing assets (MSAs). It would specifically require NCUA to study the requirements for MSAs as part of their risk-based capital proposal. NAFCU believes this proposal from NCUA is unnecessary and should be withdrawn by the agency. We also support Congressional efforts to require the agency to slow down the rulemaking process and study the issues, such as the burden, cost and legality, surrounding their proposal further.
- Section 101: Providing additional relief from the requirement to mail annual privacy notices.
- Section 106: Providing "Qualified Mortgage" (QM) protection for institutions holding a mortgage loan in portfolio so long as certain criteria are met.
- Section 103: Directing the CFPB to establish an application process for designating an area as "rural" if it hasn't been already.
- Section 107: Giving relief on the calculation of points and fees for QM consideration on escrow for future payment of insurance. It also requires study of additional concerns about points and fees issues.
- Section 111: Requiring a Government Accountability Office (GAO) study about the privacy risks of all the new data fields to be collected on HMDA.
- Section 117: Removing the 3-day waiting requirement for the combined TILA/RESPA mortgage disclosure if the only change from the prior disclosure is a reduction in the borrower's interest rate. It also provides lenders a safe harbor from liability after August 1st until the CFPB certifies that the use of the new forms does not conflict with State law.
- Section 125: Requiring NCUA and the CFPB to participate in the EGRPRA process to review their regulations (NCUA already voluntarily participates) and include Dodd-Frank regulations in that review.

We believe the provisions outlined above make the Chairman's discussion draft of the *Financial Regulatory Improvement Act* a solid step forward to provide credit unions regulatory relief and we urge the committee to advance this legislation at the mark-up tomorrow.

We also recognize that there may be areas of the bill that could be expanded or improved as the legislation moves forward through the legislative process. One example would be clarifying the importance of a role for smaller community financial institutions such as credit unions on the Secondary Market Advisory Committee and the new Board of Directors for the Securitization

Platform in Title VII. We welcome an opportunity to work with you on these issues as the bill moves forward in the legislative process.

Thank you for your continued focus on regulatory relief. We look forward to continuing to work with the Banking Committee as you move forward in addressing many of these issues. If my staff 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 Vice President of Legislative Affairs Brad Thaler at (703) 842-2204.

Sincerely,

Thanks!

B. Dan Berger
President & CEO

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