



October 23, 2017

Charles E. Schumer  
U.S. Senator for the State of New York  
322 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Schumer:

We at the National Federation of Community Development Credit Unions write to state our strong support for the Consumer Financial Protection Bureau's (CFPB) arbitration rule and our strong opposition to S.J. Res. 47, which would repeal this crucial consumer protection.

The Federation promotes the financial independence of working families and communities, expanding access to safe and responsible financial products and services through credit unions. More than 300 credit unions are certified as Community Development Financial Institutions (CDFIs), continuously reinvesting more than \$90 billion in economically vulnerable communities around the country. CDFI credit unions – also known as CDCUs – serve more than 8.5 million members in low-income rural and urban communities across 46 states. As the national trade association and CDFI intermediary committed to building the capacity and expanding the reach of these mission-driven credit unions, we advocate for policies that strengthen the *institutions*, their *members* and the *communities* they serve.

The CFPB arbitration rule is a commonsense response to a growing crisis in the financial industry. Forced arbitration clauses in fine print of contracts block consumers from holding financial institutions accountable when they break the law. Consumers are forced to bring disputes in a secretive one-on-one proceeding before a private arbitrator chosen by the company, with no right to appeal or review. The result is that these institutions can harm consumers without financial consequence and keep widespread wrongdoing secret.

As mission driven institutions, CDCUs build a business based upon trusted relationships and engagement with members. We do not believe that using forced arbitration is consistent with this approach, or with preserving consumers' basic right to be heard in court.

According to a 2015 CFPB study, just 3 percent of all credit unions include forced arbitration clauses in their credit contracts, compared to 60 percent of the largest banks. Our members have a fundamental interest in their customers' financial health, and our members recognize that it will benefit those we serve if people have stronger tools to fight financial predators that drain assets and wealth from their communities.

The CFPB arbitration rule protects consumers in two key ways: 1) it restores the right of consumers to join together in court and hold wrongdoers accountable for widespread misconduct by prohibiting class action bans and 2) it creates transparency in individual arbitration by publishing claims and outcomes (without identifying information), ensuring bad actors cannot hide illegal behavior from public view.



In addition to restoring a fundamental right of the communities they serve, a key effect of the CFPB rule on our credit union members will be to level the playing field so that they are no longer at a disadvantage as compared to large financial institutions willing to profit by defrauding large swaths of customers with virtual impunity. On behalf of the National Federation of Community Development Credit Unions and our more than 200 members, we strongly urge you to oppose S.J. Res. 47 and allow the CFPB arbitration rule to restore consumer rights and strengthen our financial system.

Thank you for considering our views on this matter.

Sincerely,

Cathie Mahon  
President and CEO  
National Federation of Community Development Credit Unions