America’s Credit Unions’ 2018
ADVOCACY AGENDA

Credit unions work every day to help their 110 million members afford life by encouraging savings and providing safe and affordable access to credit. Unfortunately, their impact is hindered by archaic and prescriptive laws and regulations written to address abuses credit unions have not perpetrated.

The foundation of America’s credit unions’ 2018 Advocacy Agenda is a bold goal: to revolutionize the operating environment for credit unions so they are able to more fully serve their members.

We seek to achieve this goal by:
• Reducing regulatory burden so that credit union members have access to more efficient and affordable financial services from credit unions.
• Expanding and protecting credit union powers so consumers and small businesses can more easily access the credit union services they need and demand.
• Enhancing payment security to reduce the impact that merchant data breaches have on credit unions and their members.
• Preserving the credit union tax status so that credit union members continue to enjoy not-for-profit cooperative financial services.

Working with our League partners, we have taken steps in this advocacy agenda to incorporate state advocacy priorities to help drive our nationwide agenda.
Credit unions have a vision for the Consumer Financial Protection Bureau under new leadership. We want the CFPB to fix the burdensome rules it has implemented over the last several years and to slow the pace of new rules. We also want the CFPB to transfer supervisory authority of the very large credit unions back to NCUA, retain the Credit Union Advisory Council and make broader and deeper use of its existing exemption authority.

In the states, credit unions will work to make sure that new state level regulation does not impede the delivery of safe and affordable financial services to credit unions and we will fight regulation by litigation.

The Federal Credit Union Act has not been significantly updated since 1998, and the financial services sector looks much different than it did then. Congress should work to modernize the federal credit union charter to ensure it evolves so that credit unions remain competitive with other providers. It is also important that change to other laws do not adversely impact credit unions. As Congress considers housing finance reform legislation, it is critical that credit unions retain equitable access to the secondary mortgage market.

In the states, we will work with Leagues to pursue legislation that puts more competitive pressures on the federal charter including interstate branching legislation and field of membership modernization.

We will continue to pursue legislation that subjects merchants to strong data security and data breach notification requirements, and we will continue to work with policymakers to strengthen the cyber infrastructure to protect consumer data from attack. Importantly, we will continue to aggressively pursue entities that have allowed consumer data to be exposed in court, as we did successfully in the Home Depot case and as we are currently doing in the Equifax case.

Across the country, we will work with leagues that pursue data security legislation in their state capitols with the hopes that the pressure that can be put on them in the states will help us advance legislation in Washington.

America’s credit union members thank Congress for persevering the credit union tax status in the recently enacted tax law. Through the enactment of this legislation, Congress reaffirmed that the structure and mission drives the tax status and that credit unions are fulfilling their mission. As Congress considers corrections to the 2017 law, we urge Congress to maintain credit unions’ tax status.

Our agenda is ambitious but achievable. Working together – CUNA, Leagues and credit unions – we will build on the progress we made in 2017 and deliver even more positive results for credit unions and credit union members in 2018 and ultimately revolutionize the operating environment for credit unions.
Credit Union Difference: 101

Credit unions are not-for-profit financial service cooperatives with a mission to promote savings and provide access to credit for provident purposes.

Members benefit from credit unions’ not-for-profit nature through more attractive savings and loan rates as well as generally lower fees. Credit unions are democratically owned and controlled institutions that take pride in their “People Helping People” philosophy. Credit unions have no outside stockholders, so earnings are returned to members in the form of dividends on savings, lower loan rates and fees or additional services.

- Credit unions primarily engage in consumer lending and residential real estate lending with their members. In recent years, a growing number of members have had a need for small business loans.

- Credit unions are working hard to meet the small business demand, but they are often hampered by the arbitrary and unnecessary statutory cap on business lending.

- Credit unions rank first among industries in the American Customer Satisfaction Index and reflect double the score of big banks on the Chicago Booth Kellogg School Financial Trust Index.

- Credit unions received among the highest marks for service that have ever been given to any industry by Consumer Reports.

What can Congress do TO HELP?

Keep the credit union charter competitive
Stop merchant data breaches
Reduce the regulatory burden
Preserve the tax status
Big Banks Increasingly Dominate

Bankers know that credit unions are not a threat to banks.

American Bankers Association (ABA) Competitiveness Survey revealed that only 1.9% of bankers viewed credit unions as chief competitors in business lending. It took 106 years for credit unions to grow to a total of $1.4 trillion in assets, while U.S. banks grew by a total of $1.4 trillion in just the past two years.

- One half of all U.S. credit unions report less than $30 million in total assets. Only 3.4% of banks are this small.

- Credit union market share of financial institution assets is small and has not changed significantly in over twenty-five years: Credit union market share was 5.6% in 1992 and has 7.4% at the end of September 2017.

### Each of the Nation’s Four Largest Banks is Larger than the Entire Credit Union Movement

<table>
<thead>
<tr>
<th>Group</th>
<th>Total Assets</th>
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</thead>
<tbody>
<tr>
<td>JPMorgan Chase Bank, National Association</td>
<td>$2.15 Trillion</td>
</tr>
<tr>
<td>Wells Fargo Bank, National Association</td>
<td>$1.74 Trillion</td>
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<tr>
<td>Bank of America, National Association</td>
<td>$1.73 Trillion</td>
</tr>
<tr>
<td>Citibank, National Association</td>
<td>$1.41 Trillion</td>
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Source: CUNA

### Market Share of Total Assets

- **Largest 100 Banking Institutions**
  - 1992 = 41.1%
  - 2017 3Q = 74.9%

- **Smaller Banking Institutions**
  - 1992 = 53.3%
  - 3Q 2017 = 17.7%

- **Credit Unions**
  - 1992 = 5.6%
  - 3Q 2017 = 7.4%

Sources: FDIC, NCUA, CUNA
For many Americans, credit unions are their opportunity for affordable financial services, but regulatory burden continues to provide challenges to credit unions and their members.

The total financial impact of regulations on credit unions is large and has grown considerably over the past several years. The total financial impact of credit union regulatory burden has increased by $800 million in the two years between 2014 and 2016.

Credit union members end up paying the price for regulatory burden.

**Regulatory Burden Subjects 110 million Credit Union Members to:**

- Higher loan rates
- Longer wait time for loan approvals
- Less available and more expensive services and products
- Increased inconvenience on services
- Less access to modernized technology

Regulatory burden costs each credit union member household an average of $115 per year.

**Congress should pass legislation that modernizes the CFPB and incentivizes common-sense regulation.**
One-Size-Fits-All Regulations Do Not Work for Main Street!

Mortgages Take Longer and Cost More
Protecting home buyers from the greedy Wall Street bankers who fleeced millions and ruined the economy is good public policy, but Washington imposed new mortgage rules on all lenders – even local credit unions that engage in responsible lending.

Unfortunately, the result of one-size-fits-all regulations results in higher costs, longer wait times and more paperwork for credit union members seeking home loans. The government even requires credit unions to collect more personal financial data than needed.

This is NOT common sense.

Problematic Litigation Under the ADA Costs Credit Unions and Members
Due to a lack of clear standards, credit unions across the country are being threatened with predatory litigation from plaintiffs’ law firms seeking to profit from ambiguities in requirements for website accessibility under the Americans with Disabilities Act.

This is NOT common sense.

Member Service Suffers
In order to comply with costly new regulations, many credit unions are having to cut back on member services, charge more for loan products, and delay investments in new technology to better serve members.

1 out of every 5 credit union employees now spend significant time completing government paperwork, instead of serving their members.

This is NOT common sense.

Source: www.commonsenseregulations.com
Common-Sense Steps to Addressing Regulatory Burden

CFPB Structural Reform
CFPB structural reform is necessary to ensure consumers continue to have access to local credit unions and small banks. One-size-fits-all regulation does not work for Main Street – local credit unions, small banks and the consumers and small businesses they serve. It has created an anti-competitive system favoring the largest institutions who can afford to comply with Washington. Over-regulation is hurting consumers, costing them time and money. Local member-owned credit unions know their members better than Washington.

Now is the time to reform the CFPB so that it works for credit union members.

CFPB Multi-Person Commission
The single director leadership structure at the CFPB invests too much authority in one person and does not provide enough oversight and accountability. Modernizing the CFPB to include a multi-person commission would enhance consumer protection by ensuring that diverse perspectives are included in final rules and prevent disruptions caused by personnel changes. Credit union members will benefit from policymaking that includes more voices.

A multi-person commission is much more consistent with the traditions of our democracy.

Clarify Exemption Authority
The CFPB has statutory authority to exempt local member-owned credit unions from its rulemaking. Its failure to use this authority has harmed consumers seeking safe financial services, including remittances and mortgages, from credit unions by making these services more expensive and less available.

Congress should enact legislation to clarify that credit unions are exempt from CFPB rules unless the CFPB demonstrates credit unions are harming consumers.

Increase CFPB Supervisory Threshold
Congress should do more to ensure that the CFPB focuses on abusers of consumers. Local credit unions and small banks do not present significant risk to consumers and have federal prudential regulators capable of supervising compliance with consumer protection laws.

Increasing the supervisory threshold and indexing it for inflation will allow the CFPB to focus supervisory resources on large Wall Street banks and nonbank financial services providers, which present the greatest risk to consumers.
**Regulatory Relief**

Congress should have oversight of agency rulemaking for regulations with an economic impact of $100 million or greater and should also provide protection to credit unions for good faith reporting of suspected financial elder abuse. Very well-capitalized credit unions should have reduced regulatory requirements.

Credit unions are different than Wall Street banks and other abusers of consumers – and they should be treated differently because they have a history of and a mission to protect consumers.

**CFPB Should Consult with NCUA About Rules**

Several of the rules the CFPB has finalized over the past few years have harmed credit unions’ ability to provide safe and affordable products and services. New mortgage rules, the rule for international remittances, other proposed rules and CFPB enforcement actions that have conflicted with credit union statutory rights have harmed credit union members by forcing credit unions to eliminate product offerings and in some instances, limit credit offerings to riskier borrowers.

Credit union members will benefit if the CFPB makes appropriate rule changes and provides clarification to address the impact of its current rules and proposals on credit unions.

**Address CFPB’s Abuse of UDAAP Authority**

Through the use of its Unfair, Deceptive and Abusive Actions and Practices (UDAAP) authority, the CFPB has failed consumers by ignoring basic tenets of the rule of law. Regulations should be clear, publicized, stable and just, but the CFPB has used this authority as a broad tool to sweep credit unions into proposed regulations consistent with its ideological goals, despite no evidence of harm to consumers. In their supervisory role, they have used this authority to set expectations that conflict with longstanding guidance from credit unions’ prudential regulator, the NCUA.

CFPB circumvents the will of Congress and harms consumers by creating an uncertain operating environment for credit unions serving them. Congress should repeal the CFPB’s UDAAP authority.

**Affordable Rental Housing**

The renter population in the United States is increasing, creating a considerable gap in rental supply and demand and putting affordable rental housing out of reach for many. Credit unions face statutory barriers to helping finance small rental housing because the Federal Credit Union Act treats loans for 1-4 family, non-occupied residential properties as commercial loans, but similar loans made by banks are considered residential loans.

Congress should correct this disparity and encourage credit unions to help with the affordable rental housing crisis.
Change CFPB Leadership to a Multi-Person Commission

This system is much more consistent with the traditions of our democracy.

**CFPB Multi-Person Commission**

The current structure – with one powerful director – gives too much authority to one person and does not provide enough oversight and accountability. Modernizing the CFPB to include a multi-person commission would enhance consumer protection by ensuring that diverse perspectives are included in final rules and prevent disruptions caused by personnel changes. Credit union members will benefit from policymaking that includes more voices.

The CFPB, as currently structured, is not working for credit unions and their member-owners. By not recognizing the credit union difference and forcing community financial institutions to comply with regulations intended for Wall Street banks, the CFPB has actually limited consumer friendly products. Overall, 40% of credit unions have five or fewer full-time equivalent employees, which has made dealing with overly complex compliance requirements a major challenge. Changing the structure of the agency and creating a multi-person commission will help bring much needed balance and perspective to the decision-making process, which would better protect against policymaking that has had unintended consequences.

A multi-person commission would enhance rulemaking by ensuring diverse perspectives are included in final rules and would prevent disruptions caused by personnel changes. The CFPB was created to protect consumers and a diverse commission would better account for consumer concerns and needs.

A commission would provide certainty that is essential for consumers and the financial services industry, regardless of which political party is in the White House. A single director allows for drastic swings in the approach to regulation which is costly and prevents credit unions from long-term planning. A commission will promote the CFPB’s ability to make bipartisan and reasoned judgments, will offer consumers the protection they deserve and the industry the certainty it needs, which in turn will help strengthen the economy, and will avoid the risk of politically motivated decisions.

As Congress continues to work on regulatory relief matters in the 115th Congress, changes should be made to the CFPB so it can effectively carry out its mission to help America’s consumers.
Clarify the CFPB Exemption Authority

The CFPB has statutory authority to exempt local member-owned credit unions from its rulemaking.

Its failure to use this authority has harmed consumers seeking safe financial services, including remittances and mortgages, from credit unions by making these services more expensive and less available.

• The CFPB’s regulations should be tailored to address the bad actors in the industry and those that caused the financial crisis.

• Section 1022 of the Dodd-Frank Act provides the CFPB with authority to exempt ‘any class of covered entity’ from its rulemaking. The CFPB’s failure to use this authority has harmed consumers by creating an anti-competitive regulatory environment that benefits the too-big-to-fail banks.

• Congress should raise the supervisory threshold to index the threshold for inflation.

• Credit unions of all sizes, even those with much less than $10 billion in assets, have been harmed by CFPB rules and policies. The NCUA, as credit unions’ prudential regulator for many decades, understands their unique size, structure and mission and is better suited to create policies for them.

• The CFPB should figure out how to focus its rules on Wall Street and get out of the way of Main Street – local credit unions, small banks and the consumers and small businesses they serve.

Congress should enact legislation to clarify that credit unions are exempt from CFPB rules unless the CFPB demonstrates credit unions are causing consumer harm.
The National Credit Union Administration (NCUA) is the prudential regulator for federally-insured credit unions. As Congress explores regulatory reform, credit unions have the following priorities regarding the NCUA:

**NCUA Regulatory Relief**
The NCUA should streamline reporting, eliminate regulatory redundancies and modernize the way in which credit unions are supervised. The NCUA continues to make efforts – such as the 2018-2022 Strategic Plan – to bring agency operations into a technology-driven future, and to ensure a robust credit union market.

**Expanding NCUA Examination Cycle**
Until recently, federally insured credit unions have been subject to an annual examination cycle. As the credit union risk landscape is evolving, the NCUA has responded to improve their ability to adapt to economic changes and emerging issues by implementing numerous changes to both their procedural processes and their technology that have enabled them to reduce the frequency of exams for healthy credit unions while maintaining a robust supervisory framework. They have adopted an extended exam cycle for low-risk credit unions and implemented an exam flexibility initiative that will ultimately leverage new technology, make exams more efficient and reduce onsite presence. Credit unions appreciate NCUA’s efforts to date and urge continued momentum for these modernization efforts.

**NCUA’s Independent Status Must Be Retained**
Credit union member deposits fund the NCUA and the National Credit Union Share Insurance Fund (NCUSIF). A separate, independent federal regulator is essential to the safety and soundness and viability of the unique credit union system. Credit unions would oppose legislation that jeopardizes or dilutes NCUA’s independence.
Consistent and Fair NCUA Examinations

Credit unions across the country should receive consistent and fair examinations from all NCUA regional offices. The process should provide for independent, third-party review of field examiners, separate from the internal NCUA feedback mechanisms. Independent reviews could also highlight areas of inconsistency, where additional training may be needed, and provide potential benchmarks for recognition.
Merchant Data Breaches

Consumer data is at considerable risk because merchants do not have to follow strong data security requirements like credit unions. All who hold personal data should be subject to strong federal security requirements.

Credit unions cover the costs of fraud, blocking transactions, reissuing cards, increasing staffing at call centers and monitoring consumer accounts, but no one compensates the consumers for harm from the information that is lost. Merchants have been vulnerable to large and small data breaches, which cost credit unions and their members significantly and enrich criminal and other cyberterrorists.

- Nearly 60% of consumers expect to be a victim of data breach at some point.
- In 2017, 1,579 data breaches occurred in the U.S., a 44% increase from 2016.

Data breaches continue to be a problem, even when they are not in the news cycle. The number of compromised records jumped 389% in 2017 to a total of nearly 180 million records.

Financial institutions are subject to strict data security standards under the Gramm Leach Bliley Act (GLBA). Retailers are not.

- Merchant data breaches have compromised millions of American consumers’ personal financial information, causing them to be at risk for identity theft and other fraud.
- More breaches occurred in 2017 by the business community than breaches in the healthcare industry and government combined.
- Business breaches accounted for 55% of total breaches and 91% of compromised breach records in 2017. In contrast, banking/credit/financial firms (including credit unions), accounted for 8.5% of breaches and 1.7% of compromised breach records.

Congress should pass legislation that would impose data security standards on merchants to protect consumers and reduce criminal access to financial information.

Source: ITRC (Identity Theft Resource Center)
To be protected, American consumers need:

**Strong National Data Protection**
and consumer notification standards with effective enforcement provisions are needed to ensure sensitive data is protected.

**Recognition of Robust Data Protection**
and notification standards that credit unions and banks are already subject to.

**Preemption of Inconsistent State Laws**
and regulations in favor of strong Federal data protection and notification standards.

**Ability for Credit Unions and Banks to Inform**
customers and members about a breach, including where it occurred.

**Shared Responsibility**
for all those involved in the payments system for protecting consumer data. The costs of a data breach should ultimately be borne by the entity that incurs the breach.
Credit Union Principles for Housing Finance Reform

Credit unions support housing finance reform proposals that are consistent with the following principles, and have been subject to full and fair consideration with respect to potential impact on all market participants:

Neutral Third Party:
There must be a neutral third party in the secondary market, with its sole role as a conduit to the secondary market. This entity would necessarily be independent of any firm that has any other role or business relationship in the mortgage origination and securitization process.

Durability:
The new system must ensure mortgage loans will continue to be made to qualified borrowers even in troubled economic times. Without the backstop of an explicit federally insured or guaranteed component of the revised system, credit unions are concerned that private capital could quickly dry up during difficult economic times, effectively halting mortgage lending altogether.

Loan Limits:
The new housing finance system should apply a reasonable conforming loan limit. That should adequately take into consideration local real estate costs in higher cost areas.

Equal Access:
The secondary market must be open to lenders of all sizes on an equitable basis. Credit unions understand that the users of a secondary market will be required to pay for the use of such market through, for example, fees, appropriate risk premiums and other means. However, guarantee fees or other fees/premiums should not have any relationship to lender volume.

Mortgage Servicing:
Credit unions should continue to be afforded the opportunity to provide mortgage servicing services to their members in a cost-effective and member service-oriented manner. This is done in order to ensure a completely integrated mortgage experience for credit union members/borrowers.

Financial Education:
The new housing finance system should emphasize consumer education and counseling. This is as a means to ensure that borrowers receive appropriate mortgage loans.

Predictable and Affordable Payments:
The new system must include consumer access to products that provide for predictable, affordable mortgage payments to qualified borrowers. Traditionally this has been provided through fixed-rate mortgages (such as the 30-year fixed rate mortgage), and it is important that qualified borrowers continue to have access to products that provide for predictable and affordable mortgage payments.

Strong Oversight and Supervision:
The entities providing secondary market services must be subject to appropriate regulatory and supervisory oversight to ensure safety and soundness. By ensuring accountability, effective corporate governance and preventing future fraud; they should also be subjected to strong capital requirements and have flexibility to operate well and develop new programs in response to marketplace demands.

Reasonable and Orderly Transition:
The transition from the current system to any new housing finance system must be reasonable and orderly.

Financial Education:
Preserve the Credit Unions’ Tax Status

Credit unions are democratically owned and controlled not-for-profit cooperative financial institutions that take pride in their “People Helping People” philosophy. Credit unions are exempt from federal income tax because of their structure as not-for-profit financial cooperatives and their mission to promote thrift and provide access to credit for provident purposes.

Purpose Driven.
The credit unions’ tax status does not create an unfair market advantage. In exchange for not paying federal income taxes, credit unions do not make a profit. Any bank interested in operating as a not-for-profit financial cooperative can convert to a credit union and get the same deal.

Member-Owned.
As not-for-profit, member-owned financial institutions, credit unions know and work for their members, not shareholders. This makes credit unions inherently risk averse and able to navigate financial turmoil better than for-profit financial institutions.

Congress should retain the credit union tax status in any comprehensive tax reform legislation.
Community Development
Financial Institutions Fund &
the Community Development
Revolving Loan Fund

Community Development Financial Institutions (CDFIs), such as Community Development Credit Unions, are charged with supplying low-income, distressed communities with traditional banking services such as savings accounts and personal loans, and offering individuals the tools needed to become self-sufficient stakeholders in their own future.

The CDFI Fund uses small amounts of federal dollars to leverage significant amounts of private and non-federal funding.

Operated through the NCUA, the Community Development Revolving Loan Fund (CDRLF) is a loan program as well as a provider of technical assistance grants, which are used to assist credit unions serving low-income communities by:

• Providing financial services to their communities;
• Stimulating economic activities in their communities, resulting in increased income and employment; and
• Operating more efficiently.

It is imperative that Congress continues to fully fund both the CDFI and CDRLF. Credit unions across the country use funds available from these important programs to spur economic activity in their local communities. Congress should be investing more in these programs, not less.

St. Louis Community Credit Union in Missouri, a CDFI credit union, received a financial assistance grant from the CDFI Fund in 2013 to help launch a Sure Rides program. The Sure Rides program’s goal is to create economic impact through mobility by providing affordable car loans to low- and moderate-income individuals and families so they are able to access reliable transportation to get to and from work. The $849,000 CDFI grant was leveraged into $22.7 million in auto loans.

Congress should maintain or expand funding for the CDFI Fund and the CDRLF.
The World Council of Credit Unions (the World Council) uses United States Agency for International Development (USAID) funding to develop and grow credit unions around the world.

By accessing these funds, the World Council is able to provide policy development and technical support to credit unions and communities in distressed countries – programs which contribute to a more stable and secure world.

In the past few years, the World Council has had active programs in Ukraine, Guatemala, Haiti and Colombia. US credit unions continue to demonstrate the desire to step in and provide international relief when disasters happen, and provide market solutions to promote peace and develop economic empowerment.

Through USAID funding, the World Council was able to provide policy development and technical support to credit unions in Ukraine with the Credit for Agricultural Producers project. The four-year program will mobilize US credit union volunteers to teach their Ukrainian peers how to expand from simple consumer lending to more complicated and risky agricultural and small business lending. By providing financing to farmers, credit unions are able to help farmers increase their production and per capital income.

However, there is bureaucratic and political red tape that the World Council needs to navigate prior to gaining access to funds at the USAID. Congress should continue to push the USAID to ensure small contractors like the World Council are able to access the necessary funds to carry out their mission to reduce poverty and promote stability through sustainable community-based financing, private entrepreneurship and agriculture.

In addition to funding the USAID, Congress should ensure small contractors are also able to access funds.
Total member and non-member
BENEFITS IN MILLIONS

Credit unions generally provide financial benefits to members through lower loan rates, higher saving rates and fewer, lower fees than other financial institutions. Credit unions provided members and non-members $14.1 billion in financial benefits in 2017.

* Data as of September 2017