NAFCU
3138 10th Street North
Arlington, VA 22201-2149
703.842.2215 | 800.336.4644
f: 703.522.2734
dberger@nafcu.org | nafcu.org

B. Dan Berger
President & Chief Executive Officer

National Association of Federally-Insured Credit Unions

December 2, 2019

The Honorable Todd M. Harper
Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Federal Consumer Protection

Dear Board Member Harper:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to your proposal to add a consumer compliance examination program for "large," complex credit unions as proposed in connection with the National Credit Union Administration's (NCUA) draft 2020-2021 Budget Justification. We look forward to meeting with you in the near future to discuss the proposal more fully. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 118 million consumers with personal and small business financial service products. NAFCU appreciates your commitment to protecting consumers and ensuring that credit unions can continue to provide the best products and services in accordance with Federal consumer protection laws. At the same time, NAFCU supports reducing regulatory burden and does not recognize a current need to expend additional resources to create a specific consumer compliance examination program beyond its current scope.

The credit union industry is well-capitalized and strong, but increased examination burdens may reduce credit unions' ability to serve their members and, more importantly, fail to recognize that credit unions are different. Unlike for-profit banks that primarily seek to line the pockets of their shareholders at the risk of violating consumer protection laws or other regulatory requirements, credit unions are a unique type of financial institution. Credit unions aim to provide the highest quality products and services to their members by putting them first. The credit union difference is evidenced by data that shows higher rates of minority and women inclusion and overall satisfaction from consumers.[1]

NAFCU does support the NCUA continuing to modernize existing examination processes and procedures including setting out clear exam expectations. Improved and streamlined examination processes and procedures would better enhance consumer protections than a duplicative examination program. Additionally, NAFCU objects to the concept of dividing the industry based

[1] *See* attached "The Credit Union Difference," NAFCU, *available at* https://www.nafcu.org/cu-difference.

on asset size; implicitly suggesting that the more complex a credit union becomes, the less it is concerned with consumer protections and compliance with Federal laws. Credit unions prioritize compliance with Federal consumer protection laws. In 2019, approximately 90 percent of the questions the NAFCU compliance team answered were related, in part, to consumer compliance.

NAFCU looks forward to continuing to discuss ways to improve the examination process and welcomes the opportunity to meet with you to further explore ways to enhance consumer protections. If you have any questions or concerns, please do not hesitate to contact me or Ann Kossachev, NAFCU's Director of Regulatory Affairs, (703) 842-2212 or akossachev@nafcu.org.

Sincerely,

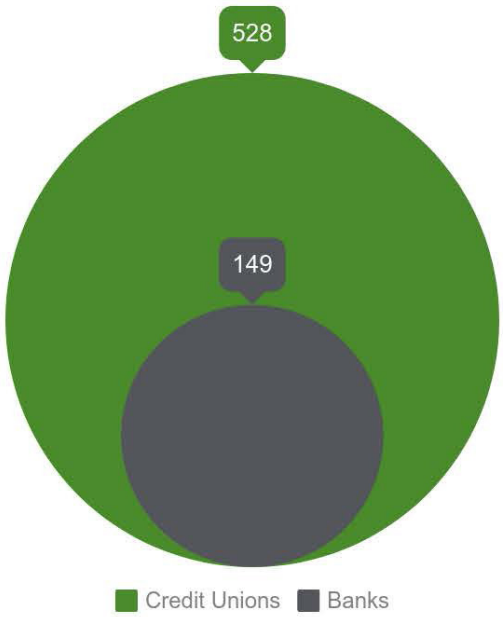
B. Dan Berger
President and CEO

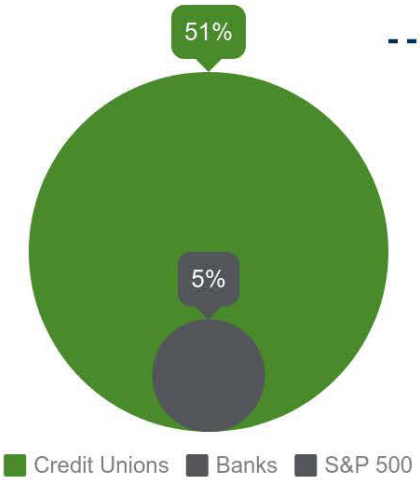
THE CREDIT UNION DIFFERENCE

MORE DIVERSE

The credit union industry is committed to diversity and inclusion.

There are more than 3X as many minority-designated credit unions as banks.



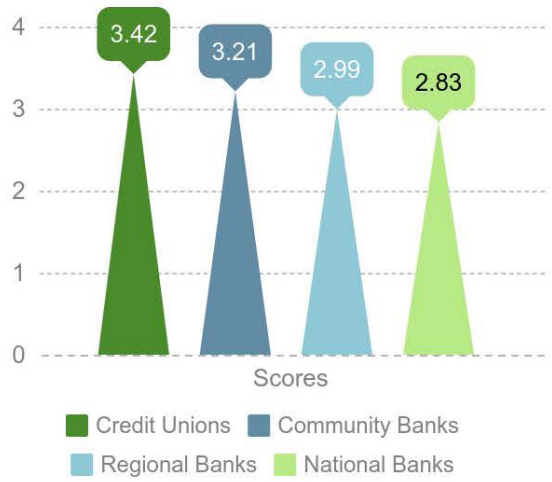


There are more than 10X as many female CEOs in credit unions than in banks.

SERVICE **FIRST**

Credit unions consistently beat banks in customer satisfaction surveys as consumers have a growing desire for safe and trustworthy institutions and better product and service offerings.

SATISFACTION SCORES



(Source: FIS PACE Findings, 2019)

FREE CHECKING

82% of large credit unions

38% of banks

(Source: Bankrate.com)

> **Credit unions are among the highest-rated services we've ever evaluated**, with 96 percent of our members highly satisfied.
>
> ***-- Consumer Reports***

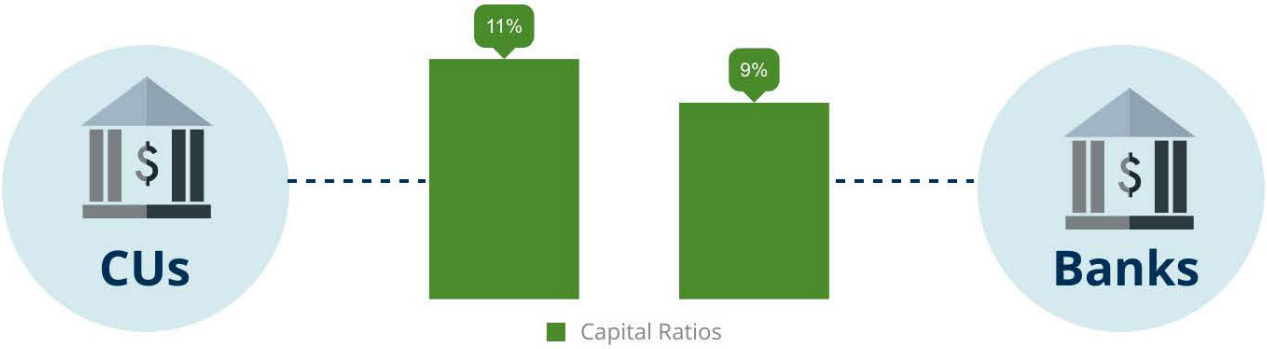
AVERAGE RATES & FEES

Credit Unions vs. Banks
% Difference

(Sources: Datatrac, Bankrate.com Checking Account Survey)

CAPITAL RESERVES FOR TOUGH TIMES

Since the financial crisis, regulators have placed greater emphasis on capital reserves as a first line of defense. Credit unions' leverage ratio is nearly 2 percentage points higher than banks.



More than **118 million** Americans are members of credit unions, while credit unions are a small slice of the financial services industry. They hold only **10% of transaction account balances**, and they represent less than **2% of total domestic financial assets**.

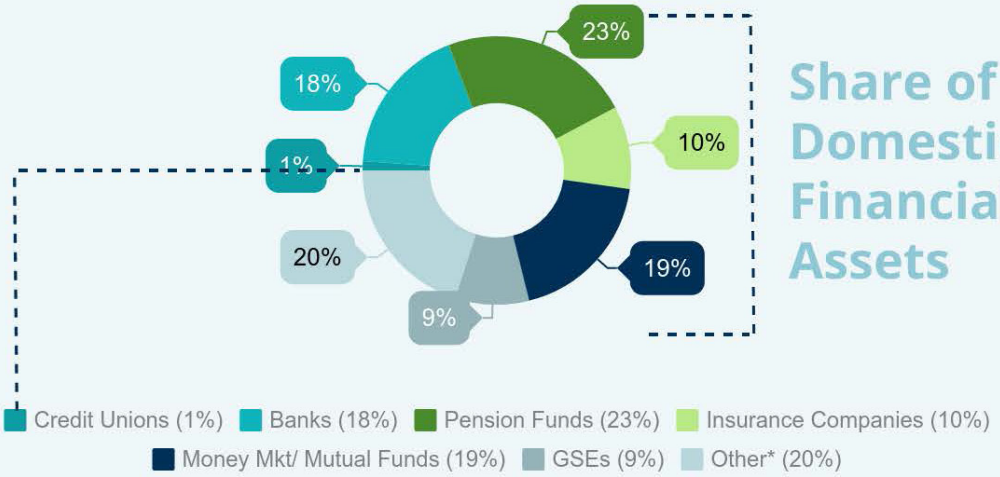
The median bank is over 6X larger than the median credit union.

The largest bank is over 23X larger than the largest credit union.

BANKS HIT WITH

$243 B

SINCE THE FINANCIAL CRISIS

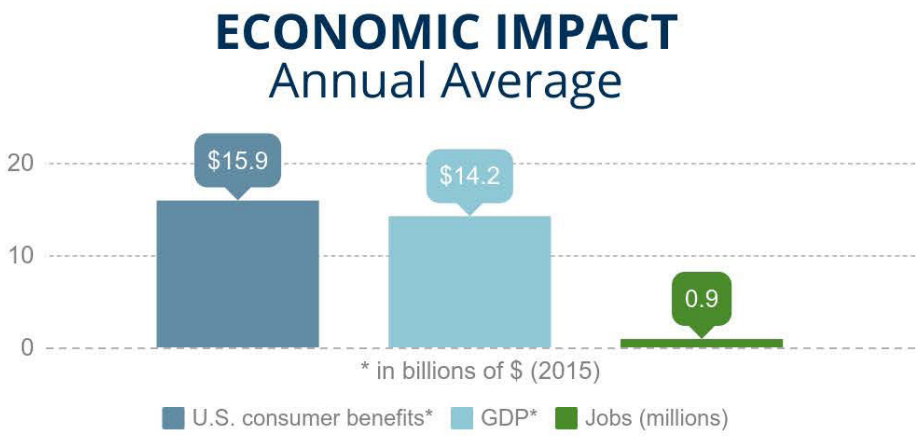


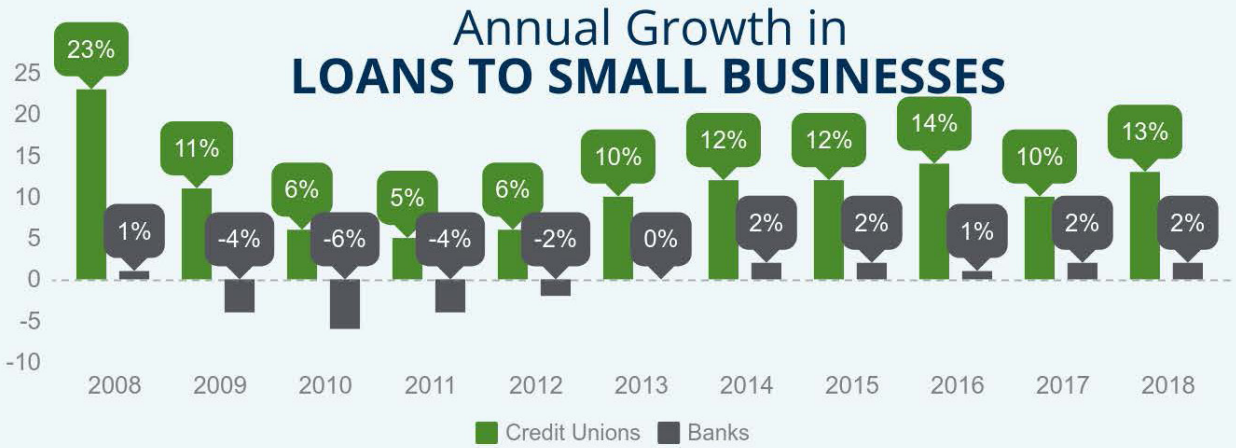
Share of Domestic Financial Assets

BENEFITS TO THE ECONOMY

Credit unions' federal income tax exemption significantly benefits the U.S. Economy

Over a 10-year span, the presence of credit unions put an average of **$16 billion** per year into the pockets of everyday Americans. If credit unions were to disappear, it would mean over **90,000** jobs would go with them.



Source: *Economic Benefits of the Credit Union Tax Exemption to Consumers, Businesses, and the U.S. Economy (2017)*

Credit unions played a large role in helping local communities through the financial crisis. When banks pulled back on lending to small businesses, credit unions stepped up to fill the gap.