



Credit Union National Association

cuna.org

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August 4, 2010

The Honorable Richard Durbin
Majority Whip
United States Senate
Washington, DC 20510

Dear Senator Durbin:

On behalf of the Credit Union National Association (CUNA), I am writing regarding remarks you made on the Senate floor yesterday related to credit unions. CUNA is the largest credit union advocacy organization in the United States, representing nearly 90% of America's 7,700 state and federally chartered credit unions and their 93 million members.

While I understand and share your concern with rising consumer fees, it is important to put credit union fees in context. I take issue with your criticism of credit unions and urge you to take a more complete look at the facts regarding how credit unions and banks offer credit cards differently. We believe credit unions should be commended – not condemned – for the way that they offer credit cards to consumers.

In your statement, you said:

“Credit unions, which are often viewed as the hometown, small town mom-and-pop, closest to the people, your best friends when it comes to banking--listen to this: At credit unions, annual fees soared 67 percent in that same period to \$25. During the same period, the median cash-advance and balance-transfer fees jumped by 33 percent.”

While it is unfortunate that any fee increase was necessary, the average annual fee of a credit union-issued credit card remains significantly lower (\$25) than the average annual fee on a bank-issued credit card (\$59), as reported by the Pew Charitable Trust in its July 22, 2010, report entitled, “Two Steps Forward: After the Credit CARD Act, Credit Cards Are Safer and More Transparent – But Challenges Remain.”¹ Further, the average annual fee charged by banks and credit unions has increased nearly the same dollar amount, and this increase for credit unions was a consequence of the effect that the implementation of the CARD Act has had on them. Clearly, consumers with credit cards carrying annual fees are better off using a credit union rather than a bank. In addition, many credit unions still offer “no annual fee” credit card options to their members.



¹ A copy of this report can be found at: http://www.pewtrusts.org/our_work_detail.aspx?id=616

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With respect to cash-advance fees and balance-transfer fees, we believe your statement incorrectly attributes these increases to credit unions. In fact, the median cash-advance and balance transfer fees at banks jumped 33 percent, from 3% to 4% for both figures; the median cash-advance fee charged by credit unions did increase from 2% to 2.5%, but the median balance transfer fee remained unchanged. Regardless of any change, these fees remain significantly lower on credit union-issued credit cards than on bank-issued credit cards.

As you will recall, credit unions did not oppose the CARD Act when it was enacted because we believed that it would bring meaningful protections to consumers. We applauded efforts to end discriminatory, predatory, deceptive and abusive lending practices. However, we also urged Congress to balance these efforts to avoid unintended consequences that would ultimately be adverse to consumers, including making credit more expensive and less available. We noted that several provisions of the CARD Act would almost certainly increase the cost of credit cards for everyone.

Nevertheless, credit unions continue to fulfill their mission by offering their members low-cost access to financial services. The Pew Study confirms this. As the “Key Findings” chart on page 3 and 4 of the report shows, without exception, credit union-issued credit cards are more consumer friendly, carry lower fees, lower interest rates and better terms than credit cards issued by banks.

TABLE 1

KEY FINDINGS AT A GLANCE AS OF MARCH 2010

All APRs and fees below are medians.

	Banks	Credit Unions	Comments
Purchase APR (Lowest Advertised)	12.99%	9.90%	Banks: Up 6% since 7/09 and 30% since 12/08. Credit Unions: No increase since 7/09.
Purchase APR (Highest Advertised)	20.99%	16.15%	Banks: Up 17% since 7/09 and 31% since 12/08. Credit Unions: Up 17% since 7/09.
Cash Advance APR (Lowest Advertised)	24.24%	11.40%	Banks: Up 20% since 7/09. Credit Unions: Up 12% since 7/09.
Cash Advance APR (Highest Advertised)	24.24%	16.00%	Banks: Up 14% since 7/09. Credit Unions: Up 16% since 7/09.
Penalty APR (where disclosed)	29.99%	17.90%	Penalty rate practices changed significantly since 7/09. New legal rules prohibit imposing penalty rate increases with little or no notice. Still, they remained common. 94% of bank cards and 46% of credit union cards included penalty rates. But almost half the bank cards stopped disclosing their actual penalty APRs.
Late Fee	\$39	\$25	No significant change in prevalence of late fees (99.76% of bank cards and 95% of credit union cards). Amount of credit union fee rose from \$20 in 7/09.
Overlimit Fee	\$39	\$20	Only one in four cards charged the fee, down from more than 80% in 7/09. No change in fee amount.
Cards with Rewards-Related Penalties	23%	0%	Five banks tied rewards accrual to payment status. At least one issuer takes away already-accrued rewards if a cardholder becomes 60 days or more past due.
Any Time, Any Reason Change in Terms	APR Existing Balances: No Cards APR New Transactions: All Cards	APR Existing Balances: No Cards APR New Transactions: All Cards	Nearly every card in 7/09 had any time, any reason change in terms policies. The Credit CARD Act affected this practice by prohibiting issuers from changing rates or other terms on outstanding balances (with very few exceptions). It also requires 45 days' advance notice before changing terms for new transactions.
Cash Advance Fee	4.00%	2.50%	Banks: Up from 3.00% in 7/09. Credit Unions: Up from 2.00% in 7/09.
Balance Transfer Fee	4.00%	2.50%	Banks: Up from 3.00% in 7/09 Credit Unions: No change since 7/09.
Annual Fee	\$59	\$25	Up from \$50 for banks and \$15 for credit unions in 7/09. No significant change in prevalence of annual fees. 14% of all cards had them in 3/10 compared to 15% in 7/09.
Overdraft Advance Fee	3.00%	None	No significant change in prevalence or median fee since 7/09.

TABLE 1

KEY FINDINGS AT A GLANCE AS OF MARCH 2010

All APRs and fees below are medians.

	Banks	Credit Unions	Comments
International Transaction Fee	3.00%	2.00%	Some issuers charged a fee for international transactions made in dollars as well as for transactions made in a foreign currency.
Cards with Arbitration Clauses	10%	0%	Arbitration agreements were disclosed in 68% of bank cards in 7/09. No credit union cards disclosed arbitration agreements in 7/09.
Cards with Inactivity Fees	1%	0%	Likely higher because some issuers did not disclose the fee as part of online disclosures. Federal regulations will soon ban these fees.
Cards with Minimum Payment Formula Stated	5%	38%	Most issuers did not disclose the required minimum payment during the application process. Those that did typically required payment of 1 percent of the principal balance (2 percent for credit unions) plus current interest and penalty charges.

Note: Data represents all consumer credit cards offered online by the largest 12 bank and largest 12 credit union issuers, which together control more than 91 percent of outstanding credit card debt. APR is Annual Percentage Rate.

It is crystal clear that consumers are better off with a credit union-issued credit card than with a bank-issued credit card. Instead of being criticized for accounting for the impact of newly enacted legislation, credit unions should be commended for all that they have done to keep costs down for their members in a seemingly unending period of increased regulatory burdens.

We respectfully urge you to take advantage of this opportunity to commend credit unions for their commitment to serving their members by offering them lower interest rates, lower fees, and higher returns on deposits than banks. Credit unions should also be commended for continuing to lend to their members when so many large and community banks have pulled back on consumer and business lending.

In fact, credit unions would like to do more to help their members weather the economic crisis, and we look forward to the Senate passing legislation offered by Senator Mark Udall to increase the credit union member business lending cap. As you know, we estimate that this legislation would permit credit unions to lend an additional \$10 billion to small businesses in the first year after enactment, helping small businesses create over 100,000 new jobs at no cost to the taxpayer; this is yet another example of how credit unions can be a part of the solution for Americans who have been abused or forgotten by the banks.

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We agree with you when you say that credit unions are often viewed as the “hometown, small town mom-and-pop, closest to the people, your best friends when it comes to banking.” It was true before the CARD Act and it is true today. We look forward to working with you to ensure that credit unions continue to be able to serve their members proudly.

On behalf of America’s credit unions and the 93 million members, thank you for your consideration.

Best Regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping horizontal line extending to the right.

Bill Cheney
President & CEO