

Letter to all members of the Senate and House regarding the Renaissance Commission

June 22, 2001

Dear Senator

As the largest trade group representing federal and state-chartered credit unions, the Credit Union National Association (CUNA) has begun the task of addressing concerns that have been voiced by the credit union system regarding impediments to credit unions' ability to serve their 80 million members more effectively.

Credit unions provide services that are crucial to American consumers, and have been required to respond to changes in the U.S. economy that no one as recently as 20 years ago could have predicted. Yet, credit unions have faced these changes and remained safe and fiscally sound while being forced to operate within a regulatory scheme that is more than 70 years old.

Unlike other financial institutions that have been granted extensive regulatory relief and statutory modernization, credit unions continue to be constrained by the most stringent regulations in the industry. This fact remains true even when considering the legislative victory credit unions achieved in 1998 with the passage of the Credit Union Membership Access Act. While this Act restored the ability of credit unions to serve multiple groups, it did not ensure that credit unions could remain up-to-date and vital members of the financial services industry. In fact, the new law imposed additional constraints that affect the ability of credit unions to fully serve their members. This point was made clear in a recent Treasury Department study titled *Comparing Credit Unions with Other Depository Institutions* that found, "In general, federal credit unions have more limited powers than national banks and federal savings associations."

With these points in mind, credit unions last year empowered CUNA to create a commission to investigate ways to ensure the continued viability of the federal and state credit union charters. This body is known as the Renaissance Commission, and is comprised of a cross-section of credit union leaders from across the country. Over the last year it has embarked on the most comprehensive inventory of credit unions' future ever taken. This has been a careful, thoughtful and inclusive process with input from numerous focus groups and nationwide polls, the results of which have been communicated during the many hearings held across the country.

The Commission has completed the information gathering process and has delivered a set of vision statement recommendations (enclosed) to CUNA's Board of Directors. The recommendations outline the Commission's views of policies and principles CUNA should

pursue to ensure the long-term viability and relevance of the credit union system. The Board is now reviewing the information and will determine what legislative or regulatory changes, if any, we should pursue. CUNA plans to complete this second phase by the fall of this year.

We expect the remainder of the Renaissance process to be a deliberative one. It has taken more than 70 years for credit unions to progress to where they are today, and CUNA is well aware that modifications to appropriate statutes and regulations will not occur overnight.

We hope to have an open dialogue with Congress as we continue this process, and we look forward to working closely with you on these issues.

If you have any questions about the Renaissance Commission process please feel free to contact me.

Sincerely,

Daniel A. Mica  
President & CEO

Enclosure

## **CUNA RENAISSANCE COMMISSION RECOMMENDATIONS TO CUNA BOARD**

### ***Vision Statement on the Mission of Credit Unions***

The purposes of credit unions are to promote the economic well being of all people through a credit union system which is cooperative, member-owned, not-for-profit, and therefore tax-exempt; to provide a secure financial alternative for all consumers, and to provide financial and related products and services to members.

- Financial institutions that conform to the above principles should not be subject to income tax, and must have their own unique regulatory and share insurance system.
- Cooperative financial institutions generate wealth and benefits for their members in a number of ways, and those members incur tax obligations as the benefit is distributed in the form of dividends.
- Credit unions include service to people of modest means in their business activities because of the inherent dedication of not-for-profit, cooperative financial institutions to such service, the traditions and values of credit unions, and the commitment of boards of directors to credit union values.

### ***Vision Statement on Powers and Authorities***

Credit unions, including corporate credit unions, must be able to engage in business activities necessary to meet the needs of and to provide opportunities to their members. The decision of what specific products and services should be offered must rest with the member/owners of the credit union. Credit unions must be able to accept shares and deposits on the terms defined by the credit unions, to make loans of any type appropriate to their membership, and to place funds in a wide range of investment alternatives to be competitive in the marketplace. Credit unions must

have the ability to build alternative capital, subordinated to their share insurance fund, so that they have the financial base to offer these services and adjust to fluctuating economic conditions.

***Vision Statement on Field of Membership***

All consumers have the right to improve their financial well being through the services of not-for-profit financial cooperatives. Credit unions, through their boards of directors, must have the right to determine their own fields of membership to enhance safety, soundness and service.

***Vision Statement on Regulation and Insurance***

The government should regulate only those activities that are materially unsafe and unsound. In addition, regulators must ensure compliance with applicable laws. A regulatory environment must exist that advances the interests of credit unions by empowering them to provide the range of products and services they determine are important to their memberships. There should be a viable dual chartering system. The National Credit Union Administration (NCUA) and state supervisory authorities should act cooperatively. Actions taken by the NCUA Board on National Credit Union Share Insurance Fund (NCUSIF) matters should be separate from those taken on NCUA regulatory and supervisory matters. In addition, a private insurance alternative should be available to all credit unions.