

February 19, 2014

The Honorable Timothy Johnson
Chairman
Committee on Banking, Housing and Urban
Affairs
United States Senate
Washington, DC 20510

The Honorable Michael Crapo
Ranking Member
Committee on Banking, Housing and Urban
Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson and Ranking Member Crapo:

On behalf of the Credit Union National Association (CUNA), I am writing today to urge your leadership on two critical issues: housing finance reform and merchant data breaches. CUNA is the largest credit union advocacy organization in the United States, representing America's 6,500 state and federally chartered credit unions and their 99 million members.

Housing Finance Reform Legislation

As member owned, not-for-profit financial cooperatives, credit unions strive to meet their members' financial service needs; for many credit unions, mortgage lending is a vital part of meeting member demand. Traditionally portfolio lenders, credit unions' reliance on the secondary mortgage market has grown in recent years as a result of the financial crisis, low-interest rate environment, and post-crisis regulatory changes. With the economy in a fragile recovery and the housing market rebounding, now is the time for Congress to address changes to the housing finance system.

We were encouraged by the progress that the Committee made on this complicated issue in 2013, and appreciated the opportunity to present credit unions' views at several hearings. We further appreciated that the Committee solicited our suggestions for improvements to the comprehensive legislation introduced by Senators Corker and Warner. As you contemplate new legislation in this area, it is critical that credit unions have equitable access to a functioning, well-regulated secondary market. Equally important, new legislation should preserve the government guarantee of mortgages sold into the secondary market so that small lenders may continue to offer mortgage products with predictable payments, like the 30-year fixed rate mortgage.

We are grateful that the Committee has placed a high importance on ensuring small lenders can continue to play an important role in mortgage lending, and by the bi-partisan approach the members of the Committee have taken toward the development of legislation. We remain hopeful the Committee can move legislation in the very near future, and we stand ready to continue to work with you on this matter.

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Merchant Data Breaches

In the wake of the recent merchant data breaches at Target and Neiman Marcus, the Committee's leadership on data security matters has been welcomed, and we hope it will continue. We appreciate the hearing held in the Subcommittee on National Security and International Trade and Finance on February 3, as well as the attention the full committee gave the matter when several financial regulators testified on February 6. We strongly encourage you to hold additional hearings on this matter, and call witnesses from the credit union system that can describe how these breaches affect credit unions and the members they serve.

Consumers deserve to have confidence when using payment cards to conduct transactions; however, their confidence in the payments system is chronically undermined because data security standards are inconsistent among the participants in that system. Credit unions and other financial institutions are subject to high security standards under the *Gramm-Leach-Bliley Act*; merchants are not. Congress must address this inconsistency.

While we welcome the discussion, the pursuit and the deployment of new technology in the payment system, we are very skeptical that a solution to merchant data breaches can be achieved without first requiring all participants to follow similar data security standards. Further, until and unless merchants are held accountable for the damages that breaches to their systems cause financial institutions and consumers, we have little confidence that they will be incentivized to properly secure their systems.

Target and Neiman Marcus will not be the last merchant data breaches to capture the headlines unless Congress takes strong steps to enhance data security standards for merchants that accept payment cards. We appreciate that the Banking Committee has an important responsibility to provide leadership in this area. We look forward to working with you as the Committee moves forward on this matter.

On behalf of America's credit unions and their members, thank you for your timely consideration of our views.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping underline that extends to the right.

Bill Cheney
President & CEO