Credit Union National Association
CUNA

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United States Senate
Washington, DC 20510

Dear Senator:

On behalf of America's credit unions, I am writing in opposition to Section 203 of S. 3503, the *American Housing and Economic Mobility Act of 2018*. The Credit Union National Association (CUNA) represents America's credit unions and their 110 million members.

On October 12, 1977, the Community Reinvestment Act was signed into law by President Carter after months of contentious debate by Congress. The intent of the legislation was to put an end to the pernicious and discriminatory bank practice known as redlining, whereby lending and other financial services were effectively denied by banks to certain neighborhoods with lower incomes or higher proportions of minority residents. The result of this practice was frequently for bank depositors' funds in these neighborhoods to be siphoned off and used for purposes outside their own communities, where investment was perceived to be too risky or unprofitable. The goal of the CRA, therefore, according to the Federal Financial Institution Examination Council, was "to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations."

Since it was enacted, however, Wall Street banks have fought to have this legislation extend to not-for-profit cooperative credit unions, despite the absence of any evidence that credit unions have ever engaged in the type of systematic lending discrimination the CRA was designed to combat, and despite the fact that credit unions already have a statutory mission consistent with the stated goals of the CRA. In fact, because credit unions are restricted by statute and regulation in the field of membership they may serve, and generally can only lend to their member-depositors, it is impossible for credit unions even to engage in the kind of diversion of depositor resources that led to the enactment of the CRA in the first place.

In fairness, the motives of those who would expand the CRA to govern credit unions and those of the for-profit banking industry are surely very different. It is no secret that banks would like to see credit unions eliminated from the financial services marketplace altogether, and they have long supported extending CRA to credit unions as one of several steps toward that end. Meanwhile, credit unions have a great number of champions in Congress with longstanding relationships with credit unions in their states and districts and who recognize that credit unions have a statutory mission to promote thrift and provide access to credit for provident purposes. We must assume these champions would prefer to see more credit unions lending to their constituents alongside large banks and non-bank entities.

We share and support this goal wholeheartedly. The problem is that extending the CRA to credit unions would represent a significant step backward in achieving expanded access to affordable mortgage credit and other financial services from reputable cooperative entities like credit unions.

By statute, credit unions already operate to achieve the purposes of the Community Reinvestment Act. And, unlike bank holding companies, broker-dealers, investment and private banks—many of which tailor their suite of consumer financial products and services to high income, high net worth individuals—credit unions are community-based financial cooperatives that exist as an important alternative to these profit-driven banking models, to offer pooled savings and lending services for member-owners. They serve at the exclusive pleasure of their members, not shareholders, and work to advance the interests of the communities—geographic, workplace, faith-based, or educational—where those members live and work.

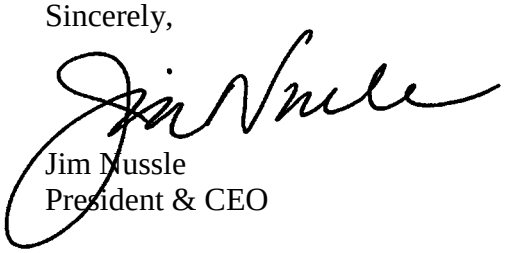
Any policymaker interested in achieving more credit union lending should support eliminating or at the very least significantly reducing statutory and regulatory barriers that limit credit unions' ability to serve their members consistently with their statutory mission, as opposed to erecting new barriers that will be cheered by the very same abusive banks and non-bank lenders many have fought so long to contain.

Applying the exact same standards imposed to remedy discriminatory bank behavior is not only unfairly punitive to credit unions, which because of their member-owned structure cannot engage in the practices the CRA was designed to prohibit, it is counterproductive to the very goal of expanding access to affordable credit and other financial services to underserved and minority communities.

Data show how credit unions equitably and successfully serve their members. Credit unions deliver more than $15 billion in benefit to all consumers each year, in the form of lower rates on lending and higher dividends on deposits. In the post-crisis period, credit union mortgage lending originations to low- and moderate-income borrowers have increased while banks have pulled back mortgage credit availability and unregulated non-bank lenders have aggressively entered this market.

There is no question that the legislation in question overall has a laudable goal: to lower the burden of housing costs on American families. The provision to extend the Community Reinvestment Act to credit unions, however, is not only unnecessary, but works directly counter to this goal. A better approach would be for those interested in expanding access to credit to disavow the banker advocacy agenda and support statutory changes to allow more credit unions to help more Americans achieve financial security.

Sincerely,



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