Credit Union National Association
CUNA

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The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the Credit Union National Association (CUNA), I am writing to thank you for holding this hearing, "Holding Megabanks Accountable: An Examination of Wells Fargo's Pattern of Consumer Abuses." CUNA represents America's credit unions and their 115 million members. Credit unions are Americans' best option for financial services. I respectfully request that this letter be made part of the hearing record.

While media accounts of the consumer abuses at Wells Fargo are numerous, I would like to take this opportunity to briefly make the case for credit unions as an alternative to the profit-driven model of commercial banking.

The importance of having not-for-profit credit unions as vibrant and viable alternatives in the financial services marketplace is as significant today as it has ever been. The fact that this hearing is happening at all provides ample evidence of the need for this alternative in the marketplace. Credit unions provide accessible and affordable basic financial services to people of all means and encourage the equitable distribution of capital across all individuals, families, communities and small businesses. Credit unions infuse financial market competition with multiple and differentiated competitive business models. They help keep financial services accessible – and affordable – for all consumers, whether they are members of a credit union or not.

Credit unions provide significant financial benefits to their members. The nation's 115 million credit union members benefit by $12 billion a year as a result of paying fewer and lower fees and lower loan rates and earning higher rates on deposits compared to banking institutions. This $12 billion is not retained by just a few large stockholders. Instead it is distributed across all 115 million members based on their usage of the credit union. In fact, relatively more of the benefit accrues to lower income members than would be explained by their volume of business at the credit union because credit union pricing tends to be friendlier to lower balance accounts than at banks and alternative financial institutions. For example, the 2017-2018 CUNA Fees Report reveals more than 85% of credit unions with assets of $2 million or more provide checking accounts to their members. The vast majority of them (83%) offer at least one type of "free" checking account. According to Bankrate, only 38% of banks offer such accounts.

Free checking is defined as an interest-bearing or noninterest bearing account with no monthly or per-check fees, regardless of the balance or number of checks written on the account. The 2017-2018 CUNA Fees Report found that two-thirds (64%) of credit unions' interest-bearing checking accounts and more than 80% of their noninterest-bearing accounts come with no monthly maintenance fees. Of all credit unions offering some type of checking account, 62% provide interest-bearing accounts and 42% provide noninterest bearing accounts. (Not all credit unions that offer checking provide both types of accounts.)

Moreover, among the relatively small proportion of credit unions that don't offer free checking, the majority do have provisions allowing accountholders to avoid monthly charges by meeting a minimum-balance requirement. This is particularly true with respect to interest-bearing accounts, where nine out of ten credit unions that have some sort of monthly fee will waive the fee if the member meets his or her minimum balance requirement.

Although bank customers benefit because of the existence of credit unions, other financial institutions continue to thrive in the presence of credit unions. The FDIC recently reported that banks recorded record profits in 2018, with $28.8 billion directly attributable to tax breaks from recent tax reform. Credit unions now account for only 7.5% of the combined assets of all depository institutions. At the growth rates of the past decade, it will take until the year 2028 for the credit union share to climb to just 10%.

Society benefits in a number of ways from the nation's not-for profit credit unions. Both members and nonmembers benefit from the existence of credit unions. Part of that benefit stems from having a sector of the financial services industry with the provision of service to the less fortunate in our society as an integral part of their strategic mission. This benefits the nation's modest means households both directly through credit union services and indirectly by serving as an example to other financial service providers.

As a result of credit unions in the marketplace, bank customers and credit union members received benefits estimated at $16.4 billion in 2018. Further, credit unions pay very little compensation to directors, with the savings passed on to members. Credit unions' ratios for expenses and loan losses compare very favorably to similarly sized banks. Credit unions also provide an important source of loans to America's small businesses at a time when credit from other sources is becoming less available.

Credit union members benefit both financially and non-financially by virtue of their membership in a credit union. In terms of non-financial benefits, they have the opportunity to belong to and participate in a democratically controlled financial cooperative. Further, they may volunteer to participate in the governance of their financial institution. Crucial to credit unions is the control exerted by the tens of thousands of volunteers who serve on boards and committees. Credit unions are also known for offering consumer education and financial counseling services.

Credit unions are the original consumer financial protectors. Because of their not-for-profit, member-owned cooperative structure, credit unions are not subject to the same revenue-driven motives that are characteristic of for-profit financial services providers. Instead, credit unions' member-centric focus means they approach their members differently than other market participants approach their customers. Consumers lose when one-size-fits-all rules force credit unions to pull back safe and affordable options from the market, pushing consumers into the arms of entities engaged in the very activity the rules were designed to curtail.

America's credit unions value the Consumer Financial Protection Bureau (CFPB) mission, "to make consumer financial markets work for consumers, responsible providers, and the economy as a whole." Unfortunately, credit unions' ability to provide their members with high-quality and consumer-friendly financial products and services has been impeded by several rules promulgated under past leadership. Instead, the Bureau's rulemakings and supervisory efforts should be effectively tailored to focus on Wall Street banks and the unregulated and under-regulated sectors of the financial services industry. If the Bureau spent fewer resources on regulating and supervising credit unions, then it could spend more time focusing on entities actively engaged in predatory practices that exploit consumers.

On behalf of America's credit unions and 115 million members, thank you very much for your consideration of our views.

Sincerely,

Jim Nussle
President & CEO