Credit Union National Association
CUNA

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The Honorable Maxine Waters
Chairwoman
U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members. On behalf of our members, thank you for holding the hearing titled "Examining Legislation to Protect Consumers and Small Business Owners from Abusive Debt Collection Practices."

The collection of debt payments from borrowers is critical to the safety and soundness of any lending institution; therefore, regulation of this function as it pertains to creditors collecting their own debts should remain a part of safety and soundness regulation under the supervision of the prudential regulators.

The Fair Debt Collection Practices Act (FDCPA) was enacted to establish guidelines and limitations on the practices of third-party debt collectors. Congress limited the scope of the FDCPA to third-party collectors, recognizing that the relationship that exists between creditors and borrowers incentivizes creditors to maintain goodwill with their customers or members in order to maintain an ongoing banking relationship with the consumer long after the collections process has been concluded. The dynamics that lead Congress in 1977 to limit the scope of this legislation to third-party collectors with no ongoing relationship with debtors have not changed over the years.

The limited scope of the FDCPA carries added significance when considering credit union members' structure as not-for-profit financial cooperatives. In contrast to a bank or other for-profit lender whose shareholders have the ultimate interest in the repayment of debts, credit unions' stakeholders are their members who have the ultimate interest in ensuring the credit union can take appropriate steps to collect debts owed by their fellow members. After all, credit union members will pay the cost of uncollected debts as well as the cost of debt collection practices through higher interest rates on loans, lower rates on savings and higher fees on products and services.

Expanding the scope of the FDCPA to creditors could disrupt creditors' ability to actively manage their lending portfolios, increase the cost of credit and reduce access to credit. Therefore, credit unions would strongly oppose any bill that would expand the scope of the FDCPA to cover creditors collecting their own debts, and we urge the committee to reject such legislation.

On behalf of America's credit unions and their 115 million members, thank you for considering our views.

Sincerely,

Jim Nussle
President & CEO