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March 19, 2020

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

Dear Chairwoman Waters,

On behalf of America's credit unions and their 115 million members, I am writing in response to your letter of March 11, 2020, regarding the credit union industry's response to the novel coronavirus (COVID-19). I am pleased to respond to your letter.

**Background:**

The credit union sector is a small but critical part of the financial services market. There are 5,506 credit unions with \$1.6 trillion in assets serving nearly 122 million memberships.<sup>1</sup> While the credit union sector has grown over the last thirty years, credit union market-share has consistently represented between 6% and 8% of the total depository institution market.

Credit unions have a well-established history of service following disasters, emergencies and disruptions, providing direct assistance to their members in the form of low- and no-interest loans, payment forbearance, fee waivers, payroll advances, loan modifications, and other services that help meet the needs of their members in crisis. The credit union "People Helping People" philosophy is alive every day, but during uncertain times credit union members feel its impact greatest.

The COVID-19 pandemic will impact every aspect of our society. It is a humanitarian crisis on a global scale, that will stress our health care, government, distribution, small business and educational structures. America's credit unions serve those on the front lines, members who are working to keep others safe during the pandemic. More than 2,100 credit unions have a primary field of membership that includes schools, military, health care, police, fire, transportation, utilities and government employees. These credit unions serve 46 million members and represent nearly 40% of all credit union assets. All credit unions will be impacted by the pandemic, but these credit unions are likely to be on the front lines.

Similarly, credit unions are active lenders in their communities and have increased the amount of credit extended to small businesses in recent years. Overall 1,900 credit unions serving over 98 million members are active business lenders. Credit unions originated \$25 billion in commercial loans in the past year – and those capital infusions sustained roughly 386,000 jobs nationally.

## **Key Credit Union Concerns and Adaptive Measures**

Credit unions' top concern and priority at this moment is keeping their members, volunteers and employees safe while continuing to provide service to their members.

As the national association representing federal and state credit unions throughout the country and in cooperation with the various state credit union leagues and associations, we are in the field with a survey of our members in order to better understand how they are planning for disruptions in service and livelihood, the steps they are taking to keep their employees safe and the needs they anticipate their members will have as the pandemic peaks and in the months following the worst of the crisis. We, of course, also maintain regular contact with our members throughout the country.

### *Immediate Concerns*

Based on the interactions we have had with our members in recent weeks, we bring to your attention three concerns of immediate and critical importance.

First, in response to media reports urging consumers to hold a month's worth of cash, credit unions in certain parts of the country have seen an increased demand of cash. The safest place for people to keep their money is in an insured financial institution. Government leaders should do more to assure depositors that their deposits in credit unions and banks are federally insured and guaranteed by the full faith and credit of the United States government.

Second, credit unions have expressed some concern with plans to distribute checks to Americans. The concern does not have to do with the dispersal of funds, but rather in the method those funds may be dispersed. The concern is that if the government issues millions of checks, recipients will flood credit unions and banks to deposit these checks, putting themselves and financial institution employees at undue risk. We urge the government to consider disbursement alternatives that do not encourage recipients to violate the public health recommendations under which many are currently living.

Third, some credit unions have seen an uptick in cyberattacks and financial elder abuse and have communicated to their staff and member on how to protect personal data, raising awareness of phishing scams, and how to recognize scams of the elderly. It is important for leaders in government to raise awareness of these scams and work to prevent them.

### *Adaptive Measures*

Based on the early results of our survey and our ongoing dialogue with our members, we assert with confidence that many credit unions have already implemented emergency programs such as payday advance loans, 0% personal loans, and deferred payment options. They are offering loan modifications to existing loans and debt consolidations. In addition, credit unions are waiving fees, such as early withdrawal fees on CDs, skip a payment fees, overdraft fees, and loan application fees. They are also increasing ATM/debit card limits and offering new lines of credit for small business borrowers.

Credit unions are also taking great effort to ensure that their members know and understand that these options exist, utilizing email, website postings, messages on their telephone systems, person-to-person front line staff, social media, and even posters in branch lobbies.

## **Statutory and Regulatory Impediments:**

Credit unions are in a strong position to continue to serve their members and they are taking steps now to continue service through the crisis. Nevertheless, there are several steps that Congress, regulators and the administration should take to further facilitate credit union service to their members.

### *Chairwoman Waters' Proposed Legislative Response*

CUNA appreciates the proposed legislative responses to COVID-19 that you have put forward, especially utilizing the Community Development Financial Institutions (CDFI) Fund to support small businesses as well as low-income communities. We applaud your efforts to provide a supplemental appropriation of \$500 million for fiscal year 2020. CDFIs are designed to help the types of community-based financial institutions, like credit unions, that are perfectly positioned to receive this funding the quickest and then turn it around and provide emergency financial assistance to the people and small businesses that need it the most.

Additionally, CUNA fully supports your proposal to prohibit financial regulators from adopting rules not directly related to responding to the coronavirus for the length of the crisis. We stand ready to work with you to ensure that regulators make the appropriate accommodations for financial institutions during this crisis. CUNA has written to the National Credit Union Administration (NCUA) and the Consumer Financial Protection Bureau (CFPB) requesting targeted regulatory flexibility such as:

- NCUA and CFPB should suspend all routine onsite examinations for at least the next 120 days.
- NCUA and CFPB should not penalize credit unions that work with their members to weather the crisis through the implementation of short-term emergency loan programs, skip-a-payment programs, loan modifications, fee waivers and other accommodations.
- NCUA should issue guidance to Federal credit unions allowing membership meetings and board meetings to be conducted virtually.
- CFPB should allow consumers to waive the rigid requirements related to the specific timing of disclosures (e.g. the three-day closing disclosure requirement) under the TILA-RESPA Integrated Disclosure (TRID) rule.
- CFPB should expedite its amendment to the Remittance Rule increasing the “normal course of business” safe harbor and make an accommodation for transfers sent to individuals affected by the growing pandemic.
- CFPB should act to provide temporary flexibility for the consumer disclosure and application processing requirements related to loss mitigation efforts, especially for COVID-19 related loan modifications, forbearance agreements, and repayment plans.

### *Statutory Changes Congress Should Enact*

As you are aware, credit unions are restricted in the business lending that they can provide at 12.25 percent of their asset size. Overall, 800 credit unions serving 50 million members are subject to the Member Business Lending (MBL) cap and currently doing some form of business lending. Nearly 150 of those, serving 10 million members, are constrained by the MBL cap - with MBL/asset ratios over 8 percent. Additionally, over 400 credit unions serving 52 million members utilize the U.S. Small Business Administration's 7(a) and 504 loan programs which are covered, in part, by the MBL cap.

That said, CUNA calls on Congress help to bolster our current efforts by:

- Enacting legislation exempting credit union business loans made during federally declared disasters and emergencies from the Credit Union Member Business Lending Cap;
- Enacting legislation to exempt fully government-guaranteed loans made through programs at the Small Business Administration, Department of Agriculture and other agencies from the Credit Union Member Business Lending Cap;
- Ensuring that any new small business lending programs created through the Small Business Administration or other government agencies include an opportunity for credit unions to participate; and
- Increasing appropriations for the Community Development Financial Institution Fund (CDFIF) and the Community Development Revolving Loan Fund (CDRLF).

Even though credit unions are generally well-capitalized entering this crisis, capital levels will be under pressure as credit unions work with their members as we have described above. For most credit unions, the only way to raise capital is through retained earnings; they have no access to the capital markets or the government infusions of capital that are often contemplated for other institutions. We encourage Congress to enact legislation to allow credit union to access secondary capital for the purposes of prompt corrective action during this national emergency, and we would be happy to work with the Committee on how to structure this legislation.

#### *Additional Action Needed*

In addition to the matters addressed above, Congress should consider permitting corporate credit unions to serve as agents for credit union access to NCUA's Central Liquidity Facility (CLF). We anticipate that as the crisis persists credit unions will need to be able to efficiently access additional liquidity sources. We are concerned that the CLF may not be structured to efficiently handle liquidity requests from thousands of credit unions; however, it may be able to efficiently serve the small number of corporate credit unions that could act as agents for a larger number of natural person credit unions. This would require a statutory change and we would be happy to work with the Committee to structure the legislative language necessary to affect this change.

We also urge you to encourage the Financial Accounting Standards Board (FASB) to further postpone the implementation deadline for its new Current Expected Credit Loss (CECL) standard. Credit unions need to be focusing on the needs of their members and communities. Given the unprecedented nature of this global pandemic and the economic disruption it is causing, it makes absolutely no sense to expect financial institutions to change the way that they assess expected credit loss. FASB should postpone the implementation date until 2024 at the earliest.

We hope you will also call on the Federal Reserve to eliminate the Regulation D restrictions that limit the number of automatic transfers between savings and checking accounts to six per month. During this crisis, consumers should not face an arbitrary government-imposed obstacle to accessing their deposits.

Finally, it is incredibly likely that Congress and regulators will need to take additional steps as the crisis unfolds and as society and the economy eventually recover. We urge you to keep credit unions as part of the solution; it's why Congress created credit unions in the first place – to be part of the solution for consumers and small businesses seeking to save money and have safe and affordable access to credit.

#### **Credit Union National Association**

We appreciate that you also asked about the steps that the Credit Union National Association is taking as an employer and business to respond to the pandemic. The health and safety of our employees and members is paramount.

We have instituted several measures to ensure that we are doing our part to mitigate spread of the virus and to keep our teammates safe. We have implemented a remote work policy and employed a business travel restriction

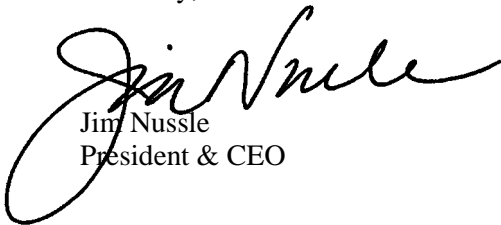
(domestic and international) on a rolling 30-day basis. In addition to advocacy, the association also offers a significant number of education programs, both on-line and face-to-face. We have postponed our face-to-face meetings through May 15 and continue to evaluate whether it will be possible to offer meetings, schools and conference this summer. We are carefully following recommendations from the Centers for Disease Control and the World Health Organization, as well as local and national government leaders.

Additionally, we have advised our staff to prepare for increased cyberattacks related to COVID-19 and encouraged the use of VPN. In fact, several of our member credit unions are reporting attempts disguised as information from international organizations on COVID-19, as well as emails with links to make donations to various causes in support of phony COVID-related charities.

## **Conclusion**

CUNA, America's credit unions, and our league partners are taking the steps necessary to ensure that our members can continue to meet the financial services needs of those impacted by COVID-19 and stand ready to work with you to continue those efforts. Thank you for your leadership on this issue and for the opportunity to share the credit union industry's efforts during this time of crisis.

Sincerely,



Jim Nussle  
President & CEO

cc: The Honorable Patrick McHenry  
The Honorable Brad Sherman  
The Honorable Gregory Meeks  
The Honorable Wm. Lacy Clay  
The Honorable Emanuel Cleaver  
The Honorable Al Green  
The Honorable Joyce Beatty  
The Honorable Bill Foster  
The Honorable Stephen Lynch