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The Honorable Stephen Lynch
Chairman
House Financial Services Committee
Task Force on Financial Technology
Washington, DC 20515

The Honorable Tom Emmer
Ranking Member
House Financial Services Committee
Task Force on Financial Technology
Washington, DC 20515

Chairman Lynch and Ranking Member Emmer:

On behalf of America's credit unions, I am writing to express credit unions views ahead of the hearing titled "Inclusive Banking During a Pandemic: Using Fed Accounts and Digital Tools to Improve Delivery of Stimulus Payments." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

The Task Force's hearing is timely as we now have experience with several programs that were part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted to provide economic relief and bolster the economy in response to the COVID-19 pandemic. We appreciate the hearing's focus on economic impact payments (EIP) or "recovery rebates" as they were also called in the hearing memorandum. EIPs were payments to individuals that were distributed by the Internal Revenue Service (IRS) in conjunction with the Treasury Department's Bureau of the Fiscal Service.

As you are aware, it appears that the majority of EIPs were made by direct deposit though a significant number of payments were also made by check. Payments by check could ultimately be as high as 65 million according to the Hearing Memorandum. While there are numerous reasons why individuals received checks instead direct deposits, the focus at this hearing is the lack of access to financial services. According to the Federal Deposit Insurance Corporation (FDIC), there are approximately 8.4 million households (6.5 percent of all households) that are unbanked with another 24.2 million households (18.7 percent) that are "underbanked," meaning they may have an account at a financial institution but utilize other non-banks for some financial service needs.

Chairwoman Waters introduced the "Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act," to address numerous issues arising from the pandemic. The bill includes a provision to provide monthly stimulus payments and for these payments to be distributed by direct deposit or to a new, basic bank account backed by the Federal Reserve, called "FedAccounts." Senator Brown has also introduced the "Banking for All Act," which would create similar methods of payment. The creation of FedAccounts is similar to past proposals that would create deposit accounts at post offices allowing them to be used as banks.

While credit unions agree with the spirit of those proposals to create FedAccounts, we think that Americans would best be served by leveraging the banking system already in place. There is no need to pass legislation requiring the Federal Reserve or the United State Postal Service to provide products and services that the organizations were not designed to provide. Instead, Congress should be using its public platform to encourage all consumers, especially the most vulnerable among us, to seek out financial services from a community-based, not-for-profit credit union. As the nation's original consumer protectors, credit unions have a long history of providing affordable, responsible

access to banking services. In fact, membership in a credit union provides a consumer with protections and access not available through a FedAccount:

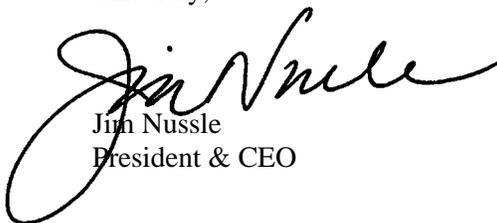
- **Affordable Products and Services:** Credit unions provide best in the business products and services at lower rates than their bank counterparts. For example, as of December 2018, credit unions' average interest rate for classic credit cards stood at 11.61 percent compared to banks' average interest rate of 13.47 percent.
- **Usury Cap:** The Federal Credit Union (FCU) Act and National Credit Union Administration (NCUA) Board has set a usury cap of 18 percent for most financial products, including credit cards.
- **Broad Access for Consumers:** The Shared Branching Network and other arrangements have established a wide-ranging, surcharge-free ATM network that allows a credit union's members to use branches of other credit unions. This cooperative network ensures members have access their money almost anywhere.

Congress and credit unions can work together to increase awareness among the unbanked giving options for affordable financial services that are available and convenient through the credit union system. A part of that effort would be erasing misconceptions about credit unions: while everyone cannot join the same credit union, there is a credit union for everyone to join.

We agree that consumers should have access to financial services, but we think that credit unions are the best organization to deliver financial services. That is why CUNA has advocated for solutions to help consumers access credit unions, including reduced regulatory burden, increased authority for credit unions to expand product offerings, and increased ability to expand fields of membership into areas in need of high-quality financial services. If the door to a credit union was open a bit wider, then the underserved and unbanked would be a lot better off.

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

Sincerely,



Jim Nussle
President & CEO