Credit Union National Association
CUNA

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

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

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of America's credit unions, I am writing regarding the Committee's hearing entitled, "Monetary Policy and the State of the Economy." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

Under Chairman Powell's leadership, the Board of Governors of the Federal Reserve System (Board) have taken unprecedented actions to stabilize the economy during the COVID-19 pandemic. The unprecedented shutdown of the American and world economies has led to economic uncertainty for individuals and businesses of all types. Changes to regulations and the creation of new lending programs by the Board to provide loans to businesses will help individuals and business weather the storm.

The Board met the COVID-19 crisis head-on with a variety of decisive, impactful and far-reaching policy responses that clearly steadied financial markets and the broader economy – both here at home and abroad. Fed action substantially lowered borrowing costs; stabilized the repo and securities markets as well as securities firms; provided a backstop to money market mutual funds; temporarily relaxed a variety of regulations; provided for direct lending to large corporations; and improved borrowing capacity of states and municipalities among other impactful initiatives The Fed's work has obviously boosted confidence in the financial system and helped to ensure the economic crisis didn't spill over into a financial crisis.

For credit unions these changes have helped to keep member loan demand fairly steady and mortgage pipelines in particular have been near capacity. Near-record numbers of members have refinanced into lower-rate mortgages and effectively freed up cashflow to meet daily needs and build precautionary savings.

Of course, low market interest rates are keeping loan and investment yields low and are squeezing interest margins and bottom-line results. Deposit fees are likewise declining due to less spending overall and because credit unions are waiving such fees. Interchange income is also declining, again due to lower consumer transaction volumes. As loans roll off forbearance increases in loan losses will lead to more loss provision expense. The extreme pressure on bottom line results suggest the Federal Reserve and other regulators should tread lightly with additional regulatory requirements.

Regulation D
Credit unions fully support the changes the Board made to reserve requirements of transaction accounts. The changes announced on March 15th reduced reserve requirement ratios to zero percent, eliminating reserve requirements for all depository institutions. After eliminating the reserve requirements, the Board announced on April 24th an interim final rule to amend Regulation D (Reserve Requirements of Depository Institutions) to delete the six-per-month limit on convenient transfers from the "savings deposit" definition. This interim final rule made it clear that credit unions and other depository institutions could immediately suspend the six-transfer limit. This change to Regulation D allows consumers to make an unlimited number of convenient transfers and withdrawals from their savings deposits.

The amendment to Regulation D is a change that credit unions have long sought from the Board to simplify the operation of accounts and eliminate a requirement that can confuse credit union members. Removing the transfer limit also gives consumers more access to their money, which is especially important during the pandemic when consumers have less access to their accounts.

Paycheck Protection Program
We also note the Board quickly created the Paycheck Protection Program Liquidity Facility to provide liquidity to eligible financial institutions that made Payment Protection Program (PPP) loans. This facility provided a source of liquidity to financial institutions that may have needed flexibility after making PPP loans. This program made it easier for credit unions and other financial institutions to make PPP loans without causing anxiety about liquidity from the loans.

Main Street Lending Program
Just this week the Board has announced that through its Main Street Lending Program it will begin purchasing participations through its portal soon. Although the Main Street Lending Program is just getting started, the Board made several changes to the program to make small businesses eligible to borrow through the program. Changes that will help small businesses include:

- Lowering the minimum loan size for certain loans to $250,000 from $500,000;
- Increasing the term of each loan option to five years, from four years;
- Extending the repayment period for all loans by delaying principal payments for two years, rather than one; and
- Raising the Federal Reserve Bank's participation to 95% for all loans.

The first three bulleted changes will help smaller businesses borrow and increasing the Federal Reserve Bank's participation to 95% will help reduce risk to lenders from loans made through the Main Street Lending Program. CUNA will continue provide feedback to the Board on the Main Street Lending Program as credit unions make loans and sell the participation to the Federal Reserve Bank.

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

Sincerely,

Jim Nussle
President & CEO