

June 29, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of American's credit unions, I am writing to express our views ahead of the hearing titled "The Digitization of Money and Payments." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

The Committee'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 the digitization of money and payments as credit union are poised to leverage technology to deliver innovative financial services to members.

Although technology is the focus of this hearing, we remind the Committee of the integral part that credit unions have played in delivering necessary financial services Americans have needed during the pandemic. Whether it was providing Payroll Protection Program (PPP) loans, ensuring economic impact payments were delivered to members or helping members work through issues with their mortgages, credit unions have helped members and proven once again that they are an integral part of the financial services ecosystem.

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. Although we think that technology and innovation are important, we should not lose focus on the importance of bringing the unbanked and underbanked into the financial services system so that they can enjoy the many benefits of holding a deposit account at a financial institution.

Recently the House of Representatives introduced H.R. 6321, "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 allows 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 S. 3571, "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 financial 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:

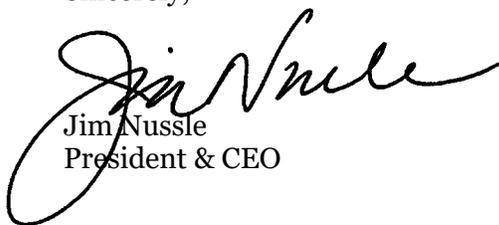
- **Affordable Products and Services:** Credit unions provide best in the business products and services at lower rates than their bank counterparts. For example, as of December 2018, credit unions' average interest rate for classic credit cards stood at 11.61 percent compared to banks' average interest 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large initial "J" and "N".

Jim Nussle
President & CEO