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November 19, 2018

ATTN: Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Docket ID OCC-2018-0008
"Reforming the Community Reinvestment Act Regulatory Framework"

To Whom It May Concern:

On behalf of America's credit unions, the Credit Union National Association (CUNA) respectfully offers this commentary to the Office of the Comptroller of the Currency (OCC) on its Advance Notice of Proposed Rulemaking on Reforming the Community Reinvestment Act Regulatory Framework. Specifically, as the OCC considers the steps needed to modernize the Community Reinvestment Act (CRA), it is essential for the Agency to be mindful of the distinctions between banks and credit unions. Accordingly, CUNA, credit unions, and the 110 million members they serve, urge the OCC to reject calls to recommend expanding CRA to apply to credit unions. We believe that a recommendation to that effect would be wholly inappropriate given CRA's inapplicability to credit unions and the OCC's lack of authority over credit unions.

Without the Community Reinvestment Act, Credit Unions Already Have A Record of Meeting the Needs of Traditionally Underserved Communities as Part of their Mission.

The CRA was enacted by Congress in 1977, in order to encourage banks to meet the credit and capital needs of the communities where they operate, including low- and moderate-income neighborhoods.[1] The law was passed in direct response to concerns related to banks engaging in redlining and other discriminatory lending practices.[2] In contrast, credit unions do not have a history of engaging in the redlining activity that precipitated passage of the CRA.

While not subject to CRA, credit unions do have a "specified mission of meeting the credit and savings needs of consumers, especially persons of modest means."[3] Consistent with that mission,

[1] 12 U.S.C. 2901
[2] Bernanke, Ben S. (March 30, 2007). "The Community Reinvestment Act: Its Evolution and New Challenges". Prepared Speech by the Chairman of the Federal Reserve System before the Community Affairs Research Conference. Federal Reserve System (FRB).
[3] Credit Union Membership Access Act, Pub. L. No. 105-219, 112 Stat. 913, 914 (1998).

credit unions have routinely provided access to credit to members with low and moderate incomes and those residing in traditionally underserved communities.

For example, since 2010, federal credit unions' efforts to expand into underserved areas gave nearly 30 million individuals living in traditionally underserved communities new access to credit union services. [4] This expansion in outreach stands in stark contrast to the actions of banks—which have closed nearly 9,000 bank branches since 2010.[5] Countless studies, reports, and analysis have shown that those bank branch closures have disproportionately impacted traditionally underserved or low- and moderate-income communities.[6]

In addition to providing new access to underserved communities, credit unions have consistently made mortgage loans to low and moderate-income individuals or borrowers purchasing homes in traditionally underserved areas. For example, CUNA's analysis of Home Mortgage Disclosure Act data shows that nearly a quarter of all 2017 credit union mortgages, 23.72% to be exact, met the criteria of a low- or moderate-income borrower or purchase in a traditionally underserved area. Consequently, credit unions continue to fulfill their mission of serving credit union members of modest means.

Given Credit Unions' Existing Mission, Expansion of CRA is Unnecessary, Burdensome, and Could Have the Unintended Impact of Reducing Access to Credit.

Because the mission obligations of credit unions already provide the impetus to serve underserved communities and individuals, any decision to expand CRA to include credit unions would not only be duplicative, but would also impose unnecessary additional costs for compliance.

Given credit unions' history of providing access to underserved communities, some have suggested that extension of CRA obligations should be unproblematic. That assertion, however, ignores the reality of the costs associated with implementing new and additional regulatory requirements. In 2016, CUNA contracted with Cornerstone Advisors, Inc., to conduct a Regulatory Financial Impact Study. That analysis was "the first-ever study to quantify the regulatory cost imposed on credit unions" and found that labor costs were the most prevalent expense associated with regulation.[7]

As noted by the current Chairman of the National Credit Union Administration, additional compliance costs in the form of added labor can have a significant negative impact for small credit unions:

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[4] National Credit Union Administration, Federal Credit Union Underserved Area Detail Reports 2010 – Third Quarter 2018, *available at* https://www.ncua.gov/analysis/Pages/chartering-and-mergers/underserved-area-report.aspx.

[5] Allison Prang, "Thousands of Bank Branches are Closing, Just Not at These Banks" Wall Street Journal (June 15, 2018), *available at* https://www.wsj.com/articles/the-bank-branch-is-dyingjust-not-at-these-banks-1529055000.

[6] See, e.g., National Community Reinvestment Coalition, "Bank Branch Closures from 2008-2016: Unequal Impact in America's Heartland," *available at* https://ncrc.org/wp-content/uploads/2017/05/NCRC_Branch_Deserts_Research_Memo_050517_2.pdf.

[7] Cornerstone Advisors, Inc. and CUNA, "Regulatory Financial Impact Study Report of Findings," (February 2016), *available at* https://www.cuna.org/regburden/.

> In 2016, the 3,510 credit unions nationally with less than $50 million in assets averaged $35,141 in net income. Yet, they paid an average of $52,165 in salary and benefits per employee. It seems clear that for many small credit unions, having to add a single compliance staffer—on average—could spell the difference between positive net income or a net loss. [8]

This negative impact does not stop with a credit union's bottom line. Rather, "the cost increases associated with government regulation are inevitably passed on to consumers in some form" and could instead be spent on "higher share rates, lower interest rates on loans and improved member services."[9] CUNA and our members strongly believe that those funds would be better spent on continuing to provide credit to credit union members of modest means, rather than hiring additional staff.

In conclusion, CUNA recognizes and applauds efforts to modernize financial regulations—especially those that have become outdated by the substantial passage of time. Because CRA applies strictly to financial institutions insured by the Federal Deposit Insurance Corporation, however, the statute has never been intended to apply to credit unions and, indeed, could not be applied to credit unions without the enactment of legislation.

On behalf of America's credit unions and their more than 110 million members, thank you very much for your consideration of our views.

Sincerely,

Mitria Wilson,
Sr. Director of Advocacy and Counsel
Credit Union National Association

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[8] Chairman J. Mark McWatters, "Safety, but at What Price," The NCUA Report (Second Qtr. 2017), *available at* https://www.ncua.gov/newsroom/Pages/ncua-report/2017/second-quarter/safety-at-what-price.aspx.
[9] *Id*.