Making a difference in the lives of

115 million Americans

2019 ADVOCACY BRIEFING
The 2019 Credit Union Advocacy Agenda

Credit unions serve 115 million Americans in communities across the country. It’s our mission to support our members’ dreams through financial services that put their best interests first. That’s our not-for-profit, cooperative spirit, and it’s what drives us to be their best financial partner every day.

Consumer access to safe, affordable, modern services is unfortunately hindered by outdated and cumbersome laws and regulations that were made with bad actors, not credit unions, in mind. We want to work with lawmakers to foster a responsible, right-sized, modern operating credit union environment. Your support will help us even better serve America’s communities – one member at a time.

This briefing book highlights the CREDIT UNION DIFFERENCE with lawmakers, and explains how CONGRESS CAN TAILOR REGULATIONS to help us better serve American consumers.
Credit unions: Making a difference for 115 million Americans

Credit unions are democratically owned and controlled not-for-profit cooperative financial institutions. One member at a time, we serve diverse communities with our “People Helping People” philosophy.

Here are the key issues for credit unions and our members – and how Congress can help tailor regulations to better serve consumers.

Secure data and protect consumer privacy
The current patchwork of data privacy and security regulations leaves all of us vulnerable. A national standard is vital to securing America.

Forward-looking, tailored consumer protection
Credit unions are the original consumer financial protectors. Consumers lose when one-size-fits-all rules force credit unions to pull back safe and affordable options.

Bring federal credit union governance into the 21st century
The financial services landscape is changing, and the Federal Credit Union Act has fallen behind. Support simple, responsible updates to make a big difference for millions of Americans.

Preserve the credit union tax status
Credit unions are exempt from federal income tax because of our structure as not-for-profit financial cooperatives, and our mission to promote thrift and provide access to credit for provident purposes.

Catching up to consumer expectations: TCPA
Americans expect important alerts and messages via their mobile phones. Exempt texts and wireless calls from legitimate businesses with pre-existing consumer relationships by clarifying the definition of autodialer and not sweeping credit unions under this law.

Strengthen the housing finance system
As Congress looks to reform the current housing finance system, prioritizing key principles will help credit unions responsibly serve more Americans with the dream of homeownership.

Cannabis banking for safer communities
The cannabis industry has grown rapidly as more states choose legalization. Help get cash off the streets and into secure, legal depositories. Pass cannabis banking legislation and help keep state-sanctioned businesses in the mainstream financial system.

Improving and advancing credit unions around the world
Worldwide, 89,000 credit unions serve more than 260 million members in 117 countries. Continue to push USAID to increase funding and target underutilized partners such as credit unions.
The credit union difference

Credit unions put people over profits. That’s our difference.

We serve communities one member at a time. And credit unions are as diverse as the communities they serve.

Did you know: credit unions originate a higher percentage of mortgage loans to African American and Latinx borrowers than banks?

115 million Americans have chosen credit unions. They know the difference! At Credit Union National Association (CUNA) we’re working to ensure credit unions can keep delivering this difference to members.

More than 10% of credit unions are minority depository institutions (MDI).

Source: NCUA

Where are the female CEOs?

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<th>Credit unions</th>
<th>Fortune 500</th>
<th>Commercial banks</th>
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<td>Percentage</td>
<td>52%</td>
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“Credit unions are among the highest-rated services we’ve ever evaluated, with 96 percent of members highly satisfied.”

Source: 2018 Consumer Reports
What do credit union members own?

A piece of the pie!

Credit unions are not-for-profits that are owned by members.

Banks exist to make money for their stockholders.

At credit unions, profits are shared with members through:

- Higher savings returns
- Lower loan rates
- Fewer fees

Credit unions provide $12 billion in financial benefits to members annually.

Sources: DataTrac and CUNA

Are you a credit union member?

If you’re not, your co-worker, friend, or family member likely is. After all, 115 MILLION AMERICANS are member-owners of credit unions.
Credit unions: Champions of communities

Credit unions serve diverse memberships

From low-income families to high-performing businesses, credit unions serve a remarkably diverse membership – one that truly reflects the community.

Credit unions make mainstream financial products and services available to those who need them most. Half of all credit unions report a majority of their membership earn 80% or less than the area’s median family income.

Nearly 50% of all credit unions have a specific focus on low-income families.

Source: NCUA

Credit unions fuel business growth

Small business lending at credit unions is growing 10x faster than other lenders. That means new jobs, economic growth and reinvestment.

Credit union business loans created more than 315,000 new jobs in the last 10 years.

Source: Council of Economic Advisors, CUNA
Credit unions power the American Dream

Credit unions help put homeownership, the heart of the American Dream, within reach for more people.

More than HALF of credit union-originated mortgages go to BORROWERS EARNING MIDDLE INCOMES OR LESS

Source: FFIEC, HMDA Database

Credit unions see people first

When a life emergency strikes, there is no better financial resource than a credit union.

Short-term loans from credit unions typically have APRs 400% lower than those from payday loan companies

Source: CFPB, NCUA, CUNA

THE BOTTOM LINE

Credit unions embody our philosophy of “PEOPLE HELPING PEOPLE” by serving the financial needs of our diverse communities.
Every day millions of people’s privacy and security are threatened by sophisticated fraudsters and rogue state actors. A lack of regulatory standards and accountability leaves all of us vulnerable.

Here’s how to help secure data and protect Americans’ privacy:

1. **Fix weak links**

**FACT:** Hackers are skilled in attacking the weakest security link.

Since 2005

10,000 DATA BREACHES & more than 11.6 billion RECORDS EXPOSED

Source: PrivacyRights.org

We need a federal data security law that holds each link in the transaction journey accountable to:

- Incentivize market participants to strengthen weak security.
- Foster fair-share responsibility.
2 Standardize the patchwork of regulations

FACT: There is no national standard on data privacy or cybersecurity.

FACT: Hackers are often linked to foreign entities looking to disrupt U.S. interests.

3 Protect American interests

- The current patchwork makes it easier for hackers to identify and expose vulnerable targets.
- Americans must be protected by strong data protection rules consistent across every state, city and rural town across the country. These rules must be supplemented by consistent notification requirements to ensure consumers are aware of violations that can cause harm.
- Foreign actors and governments are often directly or indirectly linked to attacks.
- Data security and privacy needs to be a national security priority.

THE BOTTOM LINE

If Congress is serious about protecting Americans, then it’s time for REAL SOLUTIONS for data security and privacy.
Regulations

One-size-fits-all financial regulations lump credit unions with bad actors – punishing all for the misdeeds of a few. Credit unions have a strong history of delivering safe services and fair access to credit. Yet, credit union members are hurt by the ever-increasing cost to comply with regulations meant to solve problems their financial institutions didn’t cause.

Credit union members miss out
The full cost of wrong-sized regulations isn’t just a dollar figure. It’s the negative impact on benefits to members. Research shows that credit union CEOs would put the dollars towards better deposit and loan rates, mobile access and other enhancements, if the cost of compliance was reduced.

One-size-fits-all regulations cost $6.1 billion or an average of $115 per credit union member-household each year

Fast-rising costs are overwhelming
The cost of over-regulation to credit unions – and ultimately credit union members – is increasing more than three times faster than inflation. The weight of that burden is even heavier for smaller institutions (and the majority of credit unions) – threatening their ability to remain viable in the marketplace.

The cost to comply is rising 3X faster than inflation

Credit unions want to do more for members
One-size-fits-all regulation burdens credit unions with greater costs, reduced productivity and reduced revenues. Instead of serving more members and helping existing members through new products and updated technology, credit unions spend time and money on complicated, over-sized compliance.

1 in 5 employees’ time is spent on regulatory compliance 75% of regulatory expense is on staff cost

Source: Cornerstone Advisors Biennial Credit Union Regulatory Burden report

THE BOTTOM LINE

Don’t punish consumers for the deeds of bad actors. TAILOR REGULATIONS so credit unions can bring responsible financial services to more Americans.
Bring federal credit union governance into the 21st century

The financial services landscape is quickly changing, and the Federal Credit Union Act has fallen behind the times. It’s time for modernization.

Small changes, big improvements

Here are six small improvements that would have a positive impact for credit union members and their communities:

1. Permit establishment of their own fiscal year
2. Eliminate a requirement to file certain information regarding loan officers
3. Enhance flexibility of federal credit unions to schedule board meetings
4. Remove outdated responsibilities of federal credit union boards of directors
5. Allow the expulsion of disruptive members for just cause by the board or management
6. Permit electronic balloting for conversions from state to federal charter and from federal to state charter

Expanded access to affordable student and other loans

Except for mortgage loans, federal credit unions aren’t allowed to make loans with maturity limits in excess of 15 years. This prevents them from servicing many types of student loans as well as agriculture, fishing and other business loans with a high cost of entry. Unfortunately for borrowers, this means they can’t take advantage of the better interest rates and more viable options credit unions have to offer.

By eliminating the current maturity limit, student and small business borrowers would have more affordable opportunities in both the short and long term.

THE BOTTOM LINE

SUPPORT SIMPLE, RESPONSIBLE MODERNIZATIONS to the Federal Credit Union Act that would make a significant financial difference for millions of Americans.
Credit unions are member-owned and democratically controlled financial institutions that return earnings to our members. Credit unions move the economy forward one member at a time.

Credit unions are exempt from federal income tax because of our not-for-profit structure and mission to provide affordable financial services for our 115 million members nationwide.

Credit unions provide financial services focused on the needs of members and their communities, rather than maximizing profits for outside investors and Wall Street.
Providing value to local communities

Like banks, credit unions are insured and regulated. Unlike banks, we aren’t motivated by shareholder profits. The money credit unions earn stays with our members.

The value of credit unions extends beyond the $12 billion saved directly by our members. Credit unions provide more than $4 billion in indirect consumer benefits to local communities, especially in underserved areas that often have no other affordable option for financial services.

3 Taxed differently because we’re different

Credit unions earn our tax status every day through our service to members and communities.

Credit unions annually contribute more than $17 billion to federal, state and local taxes. Credit union members pay over $1.5 trillion in income taxes annually. Imposing an income tax on credit unions would raise enough revenue to run the government for only 4 hours.

FACT:
BANKS GOT $26 BILLION in tax breaks from 2017 tax changes.
Source: FDIC, CUNA

Where does the money go?

Congress gave credit unions our mission. Now, we serve 115 million Americans and their families. PROTECT THE CREDIT UNION TAX STATUS.
Forward-thinking, tailored consumer protection

Credit unions are the original consumer financial protectors. As not-for-profit cooperatives, credit unions don’t have the same motives or market pressures as for-profit financial services providers.

This difference, demonstrated by decades of providing consumer friendly financial services, is why consumer protection regulation should be tailored.

Consumers lose when one-size-fits-all rules force credit unions to pull back safe and affordable options.

Here’s how Congress can responsibly modernize and strengthen the CFPB:

1 Change CFPB leadership to a multi-person commission

Currently, a single CFPB director wields substantial authority without effective oversight. Changing the Bureau’s structure to a multi-person commission would enhance consumer protection by ensuring that diverse perspectives are considered in the regulatory process. It would also increase stability for consumers and regulated financial service providers, regardless of which political party is in the White House.

Multi-person commission

Diverse perspectives

Greater stability

More democratic

Better for consumers
Support a multi-person commission and CREATE MORE TAILORED REGULATIONS so credit unions can bring responsible financial services to more Americans.
Modernize the National Credit Union Administration

1 Shift to technology-driven operations

The NCUA is making progress with efforts such as the 2018-2022 Strategic Plan to bring the agency into a technology-driven future, and to ensure a robust credit union market. The NCUA should streamline reporting, eliminate regulatory redundancies and continue to modernize the way in which credit unions are supervised.

2 Retain the NCUA’s independent status

Credit union member deposits fund the NCUA and the National Credit Union Share Insurance Fund (NCUSIF).

A separate, independent federal regulator is essential to the safety, soundness and viability of the unique credit union system.
3 Review field examiners fairly and independently

Credit unions across the country should receive consistent and fair examinations from all NCUA regional offices. Internal NCUA feedback mechanisms should be complemented with independent, third-party review of field examiners.

4 Level the playing field for exams

The NCUA has not moved to grant an 18-month examination cycle to credit unions with $3 billion or less in assets following a provision in the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155) that raised the threshold for community banks from $1 billion to $3 billion. This competitive advantage given to banks translates into tangible costs for credit unions.

5 Protect NCUA funding

The NCUA is the appropriate body to determine the resources needed to keep the credit union system safe and sound. Subjecting the NCUA to the federal appropriations process would commingle credit union member resources with Treasury funds, creating a scenario where the government may collect more than is appropriate.

THE BOTTOM LINE

The NCUA has made some positive progress. Support a strong agency by urging continued MODERNIZATION, INDEPENDENCE AND TRANSPARENCY.
The majority of American homes only have wireless telephones

Source: Centers for Disease Control

Like most Americans, credit union members expect and appreciate communications and alerts via their mobile phones, especially when related to data security or account updates.

Current requirements under the Telephone Consumer Protection Act (TCPA) lack clarity and are so confusing that some credit unions have stopped calling and texting consumers because they don’t want to risk compliance violations.

This has been exacerbated by recent Circuit Court splits concerning what is considered an autodialer, and thus subject to the TCPA.

The Telephone Consumer Protection Act (TCPA) was enacted in 1991 before cell phones were commonly used.

When credit unions are discouraged from contacting their members, consumers may not be receiving important information about their accounts.

The Federal Communications Commission (FCC) needs to act on the TCPA issues and clarify that informational communications from credit unions should not be subject to TCPA requirements.

Overly burdensome restrictions on wireless calls and text messages prohibit credit unions from contacting their member-owners – even though that’s what members want and expect.

The Bottom Line

Allow credit unions to use MODERN TECHNOLOGY TO COMMUNICATE with members. The definition of autodialer should be in line with what Congress enacted.
Helping members make ends meet during the shutdown

Most American families don’t have enough savings to manage through an unexpected emergency. Whether it’s a natural disaster, a political crisis like the government shutdown, or something more common like a lost job or medical issue, life’s challenges come fast and hit many people so hard they struggle to recover.

62% of the families affected by the recent partial government shutdown reported that they depleted most or all their savings

54% of Americans are within two paychecks of severe financial stress

63% of Americans can’t cover a $500 emergency

Sources: 2018 Prudential Financial Wellness Census; 2019 Fox News Poll

Credit unions support members in good times and bad.

People need reliable and supportive financial services to weather whatever comes their way.

Thousands of credit unions immediately acted to help members affected by the 2019 partial government shutdown without lawmakers having to ask.

When our members needed us, we were there.

This is our “People Helping People” philosophy. Our mission and structure exist to serve our members.

Credit unions were there for the shutdown. We are there for wildfires, floods and hurricanes. We are there every day for 115 million Americans.

And we’ll continue to be there, whenever our members need us most.

When CUNA asked 500+ credit unions about how they helped, we learned some truly incredible things:

- 11,000+ members were afforded loan extensions and other modifications, often with associated fees waived
- Credit unions provided >$46 million in low- or no-interest loans
- >3,000 people joined a credit union to help them get through the shutdown’s financial challenges
- Credit unions provided >60,000+ members turned to their credit union for support

Credit unions were there for the shutdown. We are there for wildfires, floods and hurricanes. We are there every day for 115 million Americans.

And we’ll continue to be there, whenever our members need us most.
As Congress and the Administration look to reform the current housing finance system, prioritizing some key principles will help credit unions serve more members:

**Equal access:** The secondary market must be accessible to lenders of all sizes on an equitable basis.

**Affordability:** Qualified consumers must have access to predictable, affordable mortgage payments.

**A reasonable and orderly transition:** Any transition to a new housing finance system must be reasonable and orderly.

**Strong oversight and supervision:** Secondary market services should be subject to appropriate regulatory and supervisory oversight to ensure safety and soundness.

**Durability:** An explicit federally insured or guaranteed component is essential in order to ensure that, even in troubled economic times, the secondary mortgage market continues to exist.

**Preserving what works:** Keep the things that work, such as cost-effective and member-oriented credit union mortgage-servicing options, emphasizing consumer education and home-purchase counseling, and applying reasonable conforming loan limits that adequately consider local real estate costs in higher cost areas.

**THE BOTTOM LINE**

Support housing finance reform that helps credit unions RESPONSIBLY SERVE MORE AMERICANS with the dream of homeownership.
Safer communities through cannabis banking legislation

Credit unions serve communities one member at a time. It’s part of our statutory mission, and it allows us to serve typically underserved communities.

Credit unions do not take a position on legalizing or decriminalizing marijuana.

The cannabis industry has grown rapidly as more states choose legalization. We need to get cash out of backpacks and shoeboxes, off the streets and into secure, legal depositories.

Where is the money today?

Unlike other legal business operators, cannabis-related businesses don’t have equal access to financial services.

Credit unions that provide cannabis banking use rigorous screening and compliance protocols to appropriately monitor and maintain high-risk accounts, but they still face significant legal risks. They need Congress to provide a safe harbor.

Cannabis banking can be done safely and effectively

The legal uncertainty between state and federal law must be resolved to bring cannabis-related businesses into mainstream financial services.

Cannabis banking legislation would protect financial institutions and the communities they serve.

THE BOTTOM LINE

PASS CANNABIS BANKING LEGISLATION and help keep state-sanctioned businesses in the mainstream financial system.
Improving and advancing credit unions around the world

World Council of Credit Unions, the global credit union trade association and development agency, promotes the sustainable development of credit unions and other financial cooperatives around the world to empower people through access to high-quality, affordable financial services.

Worldwide, 89,000 credit unions serve more than 260 million members in 117 countries.

With U.S. government and private U.S. foundation support, World Council is working to promote economic freedom and growth, increase financial inclusion, expand financial access using mobile technology, help farmers and artisans obtain better prices for their goods and fill the agricultural lending gap to improve food security.

Current World Council projects:

Haiti: Promoting a stable and economically viable Haiti through Haiti Home Ownership and Mortgage Expansion (HOME) Program and the Accessible Finance Activity Program.

Ukraine: Strengthening the credit union sector to improve the quality of financial services and products offered to farmers and agribusinesses in rural areas through the Credit for Agriculture Producers (CAP) project.

Colombia: Expanding agricultural finance to micro- and small- and medium-sized enterprises in rural and remote areas through the Colombia Banca de las Oportunidades Project supporting financial literacy and improving savings mobilization.

Kenya/Guatemala: Improving small rural producers’ income through integrated access to financial services and agricultural markets.

To expand on these successful projects, WOCCU needs to navigate the bureaucratic and political red tape prior to gaining access for funds at the USAID.

THE BOTTOM LINE

Congress should continue to push the USAID to increase funding and TARGET UNDERUTILIZED PARTNERS such as credit unions.
Credit unions generally provide financial benefits to members through lower loan rates, higher savings rates and fewer, lower fees compared to other financial institutions. Credit unions provided members and non-members $16 billion in financial benefits in 2018.