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CUNA
Credit Union National Association

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Please be mindful that there are similar lists for subcommittees of the Advocacy Committee.

Credit Union Powers

Field of Membership (NCUA)

Status: Proposed rule comment deadline closed February 8. Final rule pending; possibly on the September NCUA board agenda.

The proposal would give FCUs a broader menu of field of membership options to respond to changes in the marketplace and technology and advancement of state credit union charters. CUNA urged NCUA to reform these regulations and made dozens of recommendations. NCUA's proposal includes several CUNA-suggested changes, including:

- Expanding the population limit in a rural district from 250,000 to 1 million;
- Allowing a Congressional district to serve as a "Well Defined Local Community," thus allowing credit unions in states with only one Congressional district to serve the entire state;
- Adding flexibility to the use of "Core Based Statistical Areas" by eliminating the need to serve the "core" and allowing areas to be combined; and
- Streamlining the paperwork process for adding groups with 3,000 or more potential members to a multiple group credit union.

Overall, we believe the proposal is positive for credit unions. CUNA has commented on the proposal and believes the NCUA can and should do more such as eliminating the population limit for a Metropolitan Statistical Area, improving conversion processes, and reinstating a narrative process for purposes of establishing a well-defined Community.

Member Business Lending (NCUA)

Status: NCUA finalized the MBL rule on February 18.

In June of 2015, NCUA issued a proposed MBL rule designed to give credit unions greater flexibility and autonomy in offering commercial loans. We strongly support the proposed overhaul of NCUA's current MBL regulation. The proposal was finalized in February 2016. The final rule:

- Changed the MBL regulation from the current prescriptive approach to a more principle-based methodology. While this change provides more flexibility and autonomy to credit unions, it emphasizes and requires sound risk management practices for commercial lending.
- NCUA retains rigorous and prudential supervision of all credit union commercial lending activities.
- The MBL cap is presented as a multiple (1.75 times) of net worth which is more closely aligned with the language in the FCU Act. (Note: This proposed change would not increase the cap.)
- There is a new definitions intended to help differentiate commercial loans subject to the MBL cap from commercial loans that invoke the safety and soundness provisions but are not otherwise subject to the cap.
- Increased oversight by credit union boards is required to ensure policies and procedures are consistent with the rules and principles of safety and soundness.
- Examination of loans and policies will be more thorough.
- The personal guarantee requirement was eliminated in is effective now. The rest of the rule has a January 1, 2017 implementation date.

Member Business Lending (Congress)

Status: H.R. 1188 was introduced in the House/S. 2028 was introduced in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs.

Unfortunately, since 1998, credit unions have been subject to an arbitrary statutory cap on business lending of 12.25% of a credit union's total assets; as a result, today, many credit unions are rapidly approaching the cap while others choose not to engage in business lending because of the cap. CUNA continues to urge Congress to allow those credit unions approaching this cap to apply to NCUA for authority to lend beyond the cap—up to 27.5% of total assets (H.R. 1188/S. 2028). This approach, targeted toward well-capitalized credit unions with demonstrated success in business lending, enjoys the support of the Department of Treasury, which worked with NCUA to help develop proposed legislation.

If the cap is not increased, it will jeopardize the ability of credit unions at or approaching the cap to help small business-owning members raise capital. On the other hand, permitting credit unions with experience in business lending to expand lending to their small business-owning members, could result in an additional $16 billion to small businesses in the first year, helping them to create more than 150,000 new jobs.

Other policy changes could help spur capital formation in specific sectors, such as residential real estate. For example, whereas banks issuing loans secured by non-owner occupied residential properties with 1-4 units may count them as residential loans, credit unions that make identical loans must treat them as commercial loans, which count against the cap. Changing this policy not only would bring parity between credit unions and banks offering identical products but it would spur significant additional investment in affordable rental properties. CUNA supports the efforts by Representative Ed Royce and Representative Jared Huffman to fix this disparity (H.R. 1422).

<u>Supplemental Capital</u> (NCUA and Congress)

<u>Status:</u> Representatives Peter King (R-NY) and Brad Sherman (D-CA) introduced H.R. 989 in the House. NCUA is still working on a supplemental capital rule for purposes of its risk-based capital rule.

H.R. 989 would permit the NCUA Board to allow credit unions to accept supplemental forms of capital for purposes of complying with the statutory prompt corrective action requirements, if the Board's action does not alter the cooperative ownership structure of credit unions and is subordinate to other claims against the credit union. The legislation enjoys the support of NCUA. H.R. 989 will provide credit unions with an additional way to raise capital other than retained earnings without putting in jeopardy the "one member, one vote" principle that is the bedrock of the credit union ownership structure. As credit unions emerge from the financial crisis, this legislation would improve the safety and soundness of credit unions by allowing them to develop a supplemental cushion to reduce risk to the National Credit Union Share Insurance Fund.

<u>State Credit Union Act Modernization</u>

<u>Status:</u> Improving state credit union laws is at the top of the agendas of many credit union leagues. Many leagues are seeking to decrease credit unions' regulatory burdens and empower credit unions with increased authorities and greater parity with federal credit unions and other state financial institutions. Legislative proposals include, among others, field of membership expansions, authority to hold public funds and director compensation.

When modernizing their credit union acts, leagues undergo an intricate process. The process involves a great deal of input from member credit unions and discussions with credit union regulators. Many leagues rely on CUNA's Model Credit Union Act to help frame issues and initiate discussions within the credit union system and among public policymakers. The Model Credit Union Act provides model language for all 47 state credit union acts. To accomplish this, many of the provisions are general to allow for more specific editing by each league. Some provisions offer alternatives depending on how credit unions operate in a particular state and some provisions are very progressive.

<u>Prize-Linked Savings</u> (State)

<u>Status</u>: Twenty (21) states expressly allow prize-linked savings programs: Arizona, Arkansas, Connecticut, Illinois, Indiana, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Virginia, and Washington.

Prize-linked savings programs motivate people to save money by offering them prizes linked to their savings accounts. The concept of prize-linked savings was pioneered by Harvard Business School professor Peter Tufano and his non-profit, Doorways to Dreams Fund (D2D).

In 2009, D2D collaborated with the Michigan Credit Union League and others to launch a successful prize-linked savings program. Michigan credit unions were able to do this because a provision in the Michigan Credit Union Act allows savings raffles. Despite Michigan's economy, 11,666 members at eight Michigan credit unions saved $8.56 million in the first year of the program. Most of the savings comes from first-time members and under-banked members.

Public Deposits (State)

Status: Twenty-five (25) states have laws that expressly permit credit unions to accept public funds *and* permit government entities to deposit public funds in credit unions: Arizona, California, Connecticut, Hawaii, Idaho, Illinois, Indiana, Iowa, Louisiana, Maine, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Washington and Wisconsin.

Public deposits are public funds deposited in a financial institution by the treasurer of a state or local government, or any agency thereof. State and local governments deposit billions of dollars in financial institutions, primarily banks. Credit unions want the ability to accept these deposits; however, (i) some state credit union acts do not allow credit unions to accept public deposits and (ii) some state laws preclude government entities from depositing funds in credit unions.

Because credit unions carry similar levels of deposit insurance as banks and often pay higher interest rates on deposits than banks, state and local governments can benefit from a choice of where they deposit their funds. Allowing credit unions to accept public deposits is in the public interest because it could spur competition and lead to higher earnings for public entities. Additionally, allowing credit unions to accept public funds could reduce deposit risk for state treasurers by spreading the risk of such deposits over a greater number of financial institutions.

Key Accomplishments – 2016

- Field of Membership: More than 11,000 comment letters submitted.
- Member Business Lending: CUNA-supported rule finalized.
- State Credit Union Act Modernizations: Modernizations enacted in Alabama, Arizona, Colorado, Florida, Georgia, Illinois, Indiana, Louisiana, Michigan, Missouri, Virginia and Wisconsin.

Examination and Supervision

Regulatory Relief (NCUA)

Status: Continuing advocacy efforts to achieve regulatory relief, provisions included in Jeb Hensarling's Financial CHOICE Act reforms to Dodd-Frank.

Regulatory relief continues to be a significant issue of concern for credit unions, Leagues, and CUNA. Credit unions must comply with a number of new and revised requirements from not only NCUA and the CFPB, but also from the Federal Reserve Board, the Financial Accounting Standards Board, and others. Credit unions are rightly concerned about the range of rules they are facing.

CUNA continues to push for regulatory relief by urging NCUA to refrain from issuing even more regulations and to address examination concerns, and by seeking regulatory improvements such as eliminating restrictions associated with field of membership that are not statutorily required.

In Title 1 of Financial Services Chairman Jeb Hensarling's Financial CHOICE Act, credit unions with a leverage ratio above 10 percent would have an option to operate under reduced regulatory burden. This would include relief from NCUA's interest rate risk, liquidity requirements, and risk-based capital requirements.

Examination Issues (NCUA and Congress)

Status: Extended Exam Cycle Likely in 2017, NCUA Studying More Extensive Overhaul to Exam and Supervision Process.

Much progress has been made on an extended exam cycle. NCUA Chairman Metsger, in a letter to Jeb Hensarling, Chairman of the House Financial Services Subcommittee, stated that his goal was to have the extended exam cycle in place for the 2017 exam cycle. The letter was prompted by Chairman Hensarling’s announcement last week that the Financial CHOICE Act would include, among many other important provisions, an 18-month exam cycle for certain credit unions. Also, Rep. Frank Guinta (R-NH) introduced H.R. 5419 which would also amend the Federal Credit Union Act to extend the NCUA’s examination cycle to 18 months.

NCUA is forming a working group called the Exam Flexibility Initiative, which has the goal to recommend broader changes to NCUA’s examination and supervision program. This group is to look at all aspects of the supervision process including the length and scoping of examination, coordination with state regulators and other issues. NCUA has told CUNA staff that their long term goal is to completely rethink and reform the exam process.

CUNA has started a Supervisory Improvement Process initiative aimed at working with NCUA over the next several years as the agency updates its supervision, examination process and systems used for supervision. CUNA will work with all stakeholders to ensure that NCUA receives input from as many stakeholders as possible.

Credit unions continue to alert us to a number of exam-related issues, including examiners frequently directing credit unions to take actions without providing the authority for such actions. When this occurs, credit unions often feel examiners are acting arbitrarily and without justification.

While examination concerns seem to be abating in areas across the country, credit unions continue to have concerns that the appeals process and training for examiners are inadequate and that NCUA should address these concerns. CUNA will continue to push reforms of these areas with the agency.

Legislation pending in both chambers (the Financial Institution Examination Fairness and Reform Act, H.R. 1941/S. 775) would establish an independent ombudsman to which financial institutions could raise concerns with respect to their examination and establishes an independent appeals process before an administrative law judge. The bill passed the

House Financial Services Committee 45-13; Section 104 of the Shelby bill includes similar language. The Hensarling proposal for regulatory reform also includes H.R. 1941.

Credit Impairment (FASB)

Status: Final standard issued in June 2016.

In June, the Financial Accounting Standards Board (FASB) issued its changes to its accounting standard for determining credit impairment on loans and other financial instruments. The final standard delays by one year the effective date tentatively agreed on during a meeting last fall; the original proposal did not set forth a possible effective date. The impairment standard will be effective for credit unions (and other private companies) for annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. This is a big win for CUNA, which urged FASB to provide credit unions with at least three years (from issuance of a final standard) to comply with the changes.

In addition to the delayed effective date, FASB made several other positive changes to the standard since it was initially proposed three and a half years ago. In particular, during a meeting earlier this month, FASB announced changes that will provide additional flexibility, stating that there is no one methodology that entities must use. FASB's intent is that each institution apply the method that is appropriate for its portfolio based on the knowledge of its business and processes. This is a major improvement that CUNA specifically advocated for in a March letter we sent with the Community Bankers of America (ICBA) to FASB Chairman Russell Golden. Also in March, CUNA initiated its Grassroots Action Center to urge credit unions to contact Golden directly with their concerns, resulting in over 1,000 individual letters sent to the standard-setter.

The credit impairment standard will implement the CECL (current expected credit loss) approach for determining credit impairment. This contrasts with the current method because instead of using information on past performance the CECL model would require reporting entities, including credit unions, to estimate the present value of cash flows associated with all loans and other assets that are not expected to be collected over the life of the loan or asset.

National Credit Union Administration Budget (Congress)

Status: H.R. 2287 was voted out of the House Financial Services Committee (40-16). S. 924 was introduced in the Senate and referred to the Banking, Housing, and Urban Affairs Committee.

H.R. 2287/ S. 924, the National Credit Union Administration Budget Transparency Act would bring transparency and accountability to the National Credit Union Administration (NCUA) budgeting process by requiring the agency to hold a public hearing and allow for an open comment period where stakeholders can submit comments.

The National Credit Union Administration Budget Transparency Act would direct the NCUA to establish a process by which the public, including members of the credit union community, may examine and comment on NCUA's proposed annual budget prior to adoption. Additionally, this legislation would ensure that members of the NCUA Board, who must vote to adopt the annual budget, have adequate opportunity to review specific expenditures and overall methodology in order to make an informed decision as to whether the budget as proposed accurately reflects the needs of the agency. This process would increase transparency and accountability at the agency, and engender public trust, thereby strengthening and supporting the agency's mission.

In July 2015, the Financial Services Subcommittee on Financial Institutions and Consumer Credit held a hearing with then-NCUA Chairman Debbie Matz on the agency's budget process. During the hearing members of the subcommittee repeatedly pointed to a lack of transparency, bloated budgets, and dissatisfactory explanations from NCUA as a reason that passage of H.R. 2287 is necessary.

The NCUA budget provision is included in Financial Services Chairman Jeb Hensarling's Financial CHOICE Act proposal.

Operation Choke Point (Congress)

Status: H.R. 766 passed House 250-169, Senate companion S. 2790 referred to Banking Committee.

Operation Choke Point is a Department of Justice initiative that pressures financial institutions to terminate or restrict accounts with certain types of businesses considered "high risk" (e.g., payday lenders, gun vendors, pawn shops). H.R. 766/S. 2790 would limit Operation Choke Point's reach. The legislation would limit Federal banking regulators' ability to discourage or restrict depository institutions from entering into or maintaining a financial services relationship with specific customers unless certain criteria are met. The legislation would also limit regulators' ability to pressure financial institutions to terminate customer accounts, requiring regulators to have a material reason for termination that is not based solely on ideological reasoning. The bill passed the House and is awaiting Senate action. H.R. 766 is also included in the Hensarling Financial CHOICE Act regulatory reform package.

Incentive-Based Compensation (NCUA)

Status: The comment period closes July 22.

The Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); Federal Housing Finance Agency (FHFA); National Credit Union Administration (NCUA); and U.S. Securities and Exchange Commission (SEC) (Agencies) are seeking comment on a joint proposed rule that revised the proposed rule published by the agencies on April 11, 2011 that regulates incentive based compensation at financial institutions. The Agencies are required by section 956 of the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to jointly issue the proposed rule.

The proposed rule would (1) prohibit incentive-based payment arrangements that the Agencies determine encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss; and (2) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate Federal regulator.

The proposed rule applies to financial institutions, including credit unions that have $ 1 billion or more in assets a required by the Dodd Frank. These "covered" financial institutions or "covered" credit union (CCU) are divided into three tiers referred to levels by proposed regulation. The levels are:

- Level 1 - greater than or equal to $250 billion
- Level 2 - greater than or equal to $50 billion and less than $250 billion
- Level 3 - greater than or equal to $1 billion and less than $50 billion

Level 3 credit unions will mainly be subject to disclosure of incentive based compensation plans to regulators for review. Level 2 credit unions will be subject to deferral and clawback requirement for parts of incentive compensation over time for certain defined senior officials and significant risk takers.

Overhead Transfer Rate (NCUA)

Status: The comment period closed on April 26.

The NCUA Board recently published for notice and comment for the first time the NCUA Operating Fee methodology as well as the current methodology used to determine the Overhead Transfer Rate.

NCUA's operating budget has two primary funding mechanisms:

1. An Overhead Transfer which is funded by both federal and federally insured state chartered credit unions; and
2. Annual Operating Fees charged only to Federal Credit Unions.

CUNA will work to ensure that the methodology used to fund NCUA's operating budget is established consistent with fairness to state and federal credit unions and the Federal Credit Union Act and only support those expenses to the National Credit Union Share Insurance Fund that are legitimate substantiated "insurance-related costs.

In our comment letter, we urged the NCUA to ensure a fair distribution of the charges for the supervision of credit unions consistent with the FCU and proposed an alternative method that properly allocates charges pursuant to the

FCUA. The OTR has dramatically increased as well as NCUA's overall budget, yet the Operating Fee for Federal Credit Unions has declined. NCUA should rely more on state examiners and implement the extended exam cycle which will further reduce its budget. CUNA strongly advocates that the NCUA should not benefit a Federal credit union over a State-chartered credit union or a State-chartered credit union over a Federal credit union and should adjust the OTR and Operating Fees accordingly.

Risk-Based Capital (NCUA)

Status: Final rule issued in October 2015.

The NCUA Board voted 2 to 1 to finalize its second Risk-Based Capital (RBC2) proposal. As proposed, this final rule is effective on Jan. 1, 2019. This extended implementation timeline is something that CUNA pushed hard for and is glad to see.

Upon the NCUA's final vote, CUNA President/CEO Jim Nussle said, “Make no mistake—CUNA firmly believes the NCUA’s risk-based capital rule is a solution in search of a problem. Since the initial proposal 20 months ago, CUNA and the Leagues together executed one of the most coordinated and successful advocacy campaigns in the past 15 years to ensure the best possible result for credit unions in the final rule. Without our advocacy efforts, there is absolutely no question that the final rule would have been much worse for credit unions.”

The NCUA identified the following as the most significant changes the final rule is making:

- Reducing the effective weight for equity investments in CUSOs, perpetual contributed capital at corporate credit unions, and certain other higher risk equity investments to 100% if the total equity exposure is less than 10% of the sum of the credit union's capital elements of the RBC ratio numerator. The NCUA estimates 95% of credit unions with such investments will receive a lower risk weight;
- Reducing the risk weight to zero percent for share-secured loans where the shares securing the loan are on deposit at the credit union; and
- Allowing a lower risk weight for certain charitable donation accounts.
- The NCUA plans a separate proposal for supplemental capital, which it says will final before the RBC2 implementation in 2019. We are glad to have the supplemental capital rule in place by the effective date of the RBC rule, in order to allow supplemental capital for purposes of RBC compliance. We also appreciate Chair Matz’s statement that NCUA is not currently planning a separate interest rate risk rule.

In our broad advocacy on RBC, we sought removal of the capital adequacy provisions, reduction in a number of the risk weights, further explanation of the conditions under which goodwill could be included in the risk-based capital ratio, and delayed implementation until 2021. While we are disappointed that NCUA kept the “capital adequacy” requirement, we will be pushing for examiner guidance and training to place some boundaries around “this wild card capital requirement.”

We expect NCUA will issue guidance on the new rule by early 2018, and NCUA will not be examining for the final rule until 2019.

Service to Marijuana Businesses (Congress)

Status: H.R. 2076 was introduced in the House/S. 1726 was introduced in the Senate.

Marijuana businesses operating under state laws that have legalized medicinal or recreational marijuana for the most part have been denied access to the mainstream financial system because institutions that provide financial services can be prosecuted under federal law. This has led many of these businesses to operate using large amounts of cash, creating safety risks and making taxation difficult.

Legislation introduced in the House and the Senate provides a safe harbor for depository institutions providing financial services to a legitimate marijuana-related business, prohibiting a federal banking regulator from:

1. Terminating or limiting the deposit or share insurance of a depository institution solely because it provides financial services to a marijuana-related legitimate business; or

2. Prohibiting, penalizing, or otherwise discouraging a depository institution from offering such services. Financial institutions would still be required to comply with current Financial Crimes Enforcement Network (FinCEN) guidance.
Puerto Rico (Congress)
Status: Congress is expected to enact legislation addressing the Puerto Rico debt crisis this year.
Puerto Rico credit unions are generally healthy but hold a significant amount of municipal and commonwealth debt. These credit unions are not CUNA members and most are not insured by the NCUSIF. Nevertheless, they have reached out to us and the New York League to help advocate with them in Congress and before NCUA. The credit union system is exposed to reputational risk if these credit unions fail as a result of the debt crisis. CUNA staff have been in regular contact with the leaders of the Puerto Rican system and have been assisting them in their advocacy efforts. In general, they seek a resolution that would allow them to renegotiate the debt with the government.

Key Accomplishments – 2016

- Operation Choke Point: CUNA-supported legislation passed House of Representatives.
- Overhead Transfer Rate: Methodology published by NCUA, Comment letter filed.
- Examination Frequency: Moved NCUA from "no" to "working on how to implement extended exam cycles for healthy credit unions."
- Supervisory Improvements: NCUA has announced efforts to modernize the call report and the examination process.
- NCUA Budget: NCUA Chairman Metsger has announced that there will be a board briefing on the NCUA budget at the October board meeting. CUNA and other stakeholders will be invited to participate.

Consumer Protection

Regulatory Relief (CFPB)

Status: Continuing advocacy efforts to achieve regulatory relief.

Regulatory relief continues to be a significant issue of concern for credit unions, Leagues, and CUNA. Credit unions must comply with a number of new and revised requirements from not only NCUA and the CFPB, but also from the Federal Reserve Board, the Financial Accounting Standards Board, the Department of Labor, the Federal Communications, Commission, the Federal Trade Commission and others. Credit unions remain concerned about regulatory overlap, and differing agendas from several different federal regulators, which will bring additional compliance burdens to credit unions in 2016.

CUNA continues to push for regulatory relief by urging the CFPB to make greater use of its exemption authority for credit unions. In June, House Financial Services Chairman Jeb Hensarling unveiled a package of reforms to Dodd-Frank. The proposal includes several CUNA-supported provisions that have previously passed the Financial Services Committee, including changing the CFPB leadership to a five-person commission and bringing the Bureau under the appropriations process. The reforms also include the TAILOR Act (instructing the CFPB to account for size and risk when regulating entities), the Operation Choke Point provision, giving flexibility to credit unions to serve their members' mortgage needs by allowing mortgage loans held in portfolio to be exempt from the Qualified Mortgage (QM) rules imposed by Dodd-Frank, and the Examination Fairness provision.

Debt Collection (CFPB)

Status: Field hearing scheduled for July 28; SBREFA Panel expected later in 2016.

In fall of 2013, the CFPB released an Advance Notice of Proposed Rulemaking for the Fair Debt Collection Practices Act, which included questions about whether first party creditors should be subject to this statute. The Bureau also widely circulated a survey to consumers seeking information about their experiences with debt collection. The CFPB has indicated they intend to hold a SBREFA panel before releasing a proposed rule on debt collection. We expect a SBREFA panel will be held later in 2016, with a proposed rule following shortly after that. The CFPB has scheduled a field hearing for July 28.

CUNA opposes any regulation of the debt collection efforts of credit unions and other first-party debt collectors. CUNA agrees that unscrupulous business practices, including those performed by certain third-party debt collection agencies, should not be tolerated. However, to address those issues, we urge the CFPB to utilize a targeted approach that focuses on third-party debt collectors that engage in abusive and/or illegal collection efforts.

Fiduciary (Department of Labor)

Status: Final rule was issued on April 6.

The DOL finalized a rule defining who is a “fiduciary” of an employee benefit plan under the Employee Retirement Income Security Act of 1974, (ERISA) which included adding brokers and advisers providing advice to individual retirement accounts (IRA). CUNA raised concerns with the DOL about the overly broad definition in the proposed rule about what is considered investment advice, and took issue with the proposed “education carve out” for the rule which we did not believe went far enough. While CUNA remains aware that parts of this rule will add compliance burdens to credit union service organizations (CUSO), and potentially credit unions offering certain product and services, we are pleased that the DOL considered some of our concerns and made some important modifications to the final rule. In the final rule the DOL, with respect to investment education in particular, describes in detail four broad categories of non-fiduciary educational information and materials. It also provides some specific examples of what it considered advice.

We believe this change will help credit unions continue to have conversations with their members about financial education, and have the ability to provide general information about opportunities to save and plan for the future. If credit union employees are not receiving fees or other compensation for providing investment advice or recommendations, the rule will likely not be triggered. However, credit unions should review their compensation structures to determine whether this rule could be applicable particularly in the context of IRAs. This rule has been challenged in court and litigation is ongoing.

Overdraft Protection (CFPB)

Status: Proactively meeting with CFPB and working with other trades in advance of a potential SBREFA panel in 2016.

Credit unions offer overdraft protection services as a convenience and accommodation for their members, and members appreciate these services. The CFPB's rulemaking agenda indicates pre-rule activity for an overdraft proposal in 2016, but we believe new regulation on overdraft protection services is unnecessary. CUNA anticipates that a SBREFA panel for overdraft will be held in the second half of 2016, and we plan to participate in it.

Consumers remain highly satisfied with overdraft products, as indicated by the low number of consumer complaints about overdraft. In 2015 out of the CFPB's 500,000-plus consumer complaints, only 1.5% pertained to overdraft. Further, credit unions, as member-owned financial cooperatives, provide these services as a courtesy and convenience to members. Members who do not want these services can opt-out at any time. Often consumers turn to overdraft as their best option during times of financial distress, and their other options are much worse. Other inferior alternatives to overdraft could include seeking a payday loan, or even worse an illegal offshore or online loan. As the CFPB considers what next steps it might take regarding overdraft services, we urge it to take into consideration the importance of overdraft services to consumers who do not want to be embarrassed at the point of sale and want the comfort of knowing a purchase or transaction, such as a mortgage payment, will be honored.

CUNA is very concerned about potential rulemaking in this area. As we have stressed with the agency, overdraft protection programs are offered by credit unions as a member service, and we are working to ensure the CFPB does not undermine the ability of credit unions to help their members avoid having items that are unpaid. Credit unions are consistently reported as having lower overdraft fees than banks, which is among the reasons CUNA urges the Bureau to exempt credit unions from any overdraft regulation.

We continue to encourage the CFPB to collect additional data and perform research about how credit unions and their members will be impacted by any potential rulemaking in this area. We do not support broad new regulation of overdraft services that would limit the flexibility of credit unions to structure their services appropriately, including the regulation of overdraft fees. As the CFPB itself has noted on several occasions, the Dodd-Frank Act did not give it the authority to regulate fees, and we are hopeful this would include the reasonable fees that credit unions charge for overdraft protection.

We expect the CFPB to hold a SBREFA panel in 2016, possibly by early fall. Cordray has indicated a possible rulemaking in 2017.

Overtime Pay (Department of Labor)

Status: Final rule was issued on May 18.

The Department of Labor finalized its rule for overtime pay, changing the salary threshold to qualify as an exempt employee from $23,600 annually to $47,476. The DOL projects that 4.2 million workers will be directly affected by the change, and that another 8.9 million will be indirectly affected by reducing the ambiguity of their status. According to CUNA's staff salary report, and from feedback we have heard from our members, we believe this rule will sweep in a fairly high percentage of credit union employees, especially in rural areas and at smaller credit unions.

The final rule included some of CUNA's requested changes, including a lower threshold (which was originally proposed at $50,440), an automatic update of three years as opposed to every year, and no change to the standard duties test.

Despite the improvements made to the final rule, we remain concerned that credit unions will face increased regulatory burdens as a result of the rule. Particularly, for smaller credit unions and those in rural and underserved areas.

Payday Lending (CFPB)

Status: Proposed rule was issued on June 2.

The CFPB's proposed rule includes some reforms to predatory lending practices, but unfortunately also sweeps in consumer friendly credit union loans. The proposal would cover two types of loans: (1) "short-term" loans that have terms of 45 days or less; and (2) "longer-term" loans with terms of more than 45 days that have a "total cost of credit" exceeding 36% and either a "leveraged payment mechanism" or a security interest in the consumer's vehicle. The proposed rule would make it an abusive and unfair practice for a lender to make a covered short-term or longer-term loan without determining upfront that the consumer will have the ability to repay the loan (the "full-payment test").

However, there are two conditional exemptions to the full-payment test. One is mirrored after the NCUA PAL program and the other has a default rate of below 5% with an all-in cost of no more than 36% with no prepayment fees (excluding a reasonable origination fee). While the CFPB nominally exempted the NCUA PAL program in its proposal, our early analysis indicates that it is not a complete exemption, and there are still additional burdens to those offering loans under the PAL program or similar loans. This is fairly problematic because credit unions have expressed that it is already difficult to meet the stringent requirements of the PAL program—so making it even harder to participate in this program or other similar programs at state chartered credit unions could be a deterrent for those hoping to serve this market. We believe a better approach to assure consumer friendly credit union products are not impacted is to completely exempt credit unions from this rule. The CFPB in its proposal has used its Section 1022 exemption authority, but should use it in a more meaningful way to protect consumers who rely on credit union small dollar loans.

Telephone Consumer Protection Act (FCC)

Status: FCC released Omnibus Order in July 2015. CUNA has engaged in the litigation challenging it.

In July 2015, the Federal Communications Commission released an Omnibus Declaratory Ruling and Order concerning the Telephone Consumer Protection Act (TCPA) that immediately went into effect. The TCPA is under the jurisdiction of the FCC and governs communications when using an autodialer to contact consumers on their cell phones. Some credit unions use certain calling devices to assist in the dialing process when contacting their members for a variety of reasons, including assisting in limiting human error when dialing and to efficiently contact consumers about their account information. While CUNA supports the concept of preserving consumers' rights to privacy on their cell phones and protecting financial information, the FCC's Order goes far beyond the scope or purpose of the TCPA—which incidentally was enacted in 1991 before cell phones and mobile devices were commonly used.

In the Order, the FCC recognized the importance of receiving information from financial institutions—and provided a CUNA-supported exemption. However, the exemption contains conditions that are difficult, if not impossible, to comply with. As a result of this Order, there is an immense amount of uncertainty for financial institutions about what might qualify as an auto dialer; whether they are effectively meeting conditions for exemptions; how they can communicate with consumers with reassigned numbers; how consumers can revoke consent; and whether the numbers they have for consumers meet the technicalities laid out for calling the right party even within one family.

CUNA is urging Congress to consider the impact this Order may have on restricting consumers' ability to receive timely account information, and understand it may make it more difficult for credit unions to communicate with their members about fraud, data breaches, and other pertinent account updates. Additionally, this Order will create substantial compliance burdens and potentially subject credit unions to frivolous TCPA related litigation. CUNA filed a joint amici brief with the D.C. Circuit Court in support of litigation challenging the Order. CUNA will also file comments in response to the FCC's implementation of the Budget Act, which provides exemptions under the TCPA for debt owed to or guaranteed by the federal government.

Arbitration (CFPB)
Status: CFPB issued a proposed arbitration rule on May 5, 2016. Comment period ends August 22.
The proposed rule, if finalized, would effectively eliminate pre-dispute arbitration and would require financial institutions to insert language into their arbitration agreements reflecting this limitation. CUNA has expressed concerns that this would limit options for resolving disputes and could increase the incidences of frivolous class action litigation against financial institutions, which could cause members to suffer when costs rise and resources are depleted. CUNA is also advocating that since credit unions are owned by their members, and, as not-for-profit financial cooperatives, they have incentive to and a long history of prioritizing the needs of their members and as a result, the CFPB should take these differences into account by exempting credit unions when it releases its final rule. The proposal would also require providers that use pre-dispute arbitration agreements to submit certain records relating to arbitral proceedings to the Bureau. CUNA has expressed concerns that this could be duplicative of the CFPB's already public facing complaint database, which has yet to resolve several issues, including concerns about complaint handling and validation. CUNA also has concerns that the proposed rule could add increased compliance burdens for indirect lenders. The House Financial Services Committee held a hearing on the arbitration issue, and CUNA submitted a letter for the record expressing concern with the proposed rule. The Hensarling Financial CHOICE Act contains a provision repealing the CFPB's authority to restrict arbitration.
Transportation Network Companies (State)
Status: In many of the 31 states that enacted TNC legislation, legislatures amended bills to include credit union protections such as a comprehension and collision insurance requirement, a lienholder notification clause and an affirmation of credit unions' ability to force place insurance.
The emergence of transportation network companies, like Uber and Lyft, poses a risk for credit unions because members who use personal vehicles to drive for these companies may not have sufficient insurance. In 2015, the insurance industry and TNCs agreed to compromise model legislation requiring insurance for TNC drivers that covers death, bodily injury and property damage from the moment drivers log into a TNC network. The model legislation did not require TNC drivers to have comprehensive and collision insurance coverage for personal vehicles that have liens on them, thus creating potential lapses in coverage that leave credit unions at risk for losses of collateral. Exclusions of coverage for claims during TNC-related activities magnifies the risk to credit unions. CUNA continues to advocate with state lawmakers, TNCs and the insurance industry for the inclusion of provisions in model and state bills that would protect both credit union members and credit unions in their role as lienholders.

Key Accomplishments – 2016

- Transportation Network Company (TNC): TNC bills with credit union protections were enacted in Iowa, Mississippi, Missouri, Rhode Island, South Dakota, West Virginia and Utah.
- Fiduciary Rule: Final Fiduciary rule includes CUNA suggested improvements.
- CFPB Exemption Authority: 329 Members of the House and 70 members of the Senate signed letters to the CFPB urging the Bureau to use its exemption authority.
- CFPB Exemption Authority: CFPB exercises its Section 1022 exemption authority for the first time in the payday lending proposal.

Housing

Federal Home Loan Bank Membership Parity (Congress)

Status: H.R. 2473 was introduced in the House/S. 1484 was introduced in the Senate and includes FHLB Parity language. CUNA continues to advocate for statutory change to ensure equal access for Small Credit Unions to Federal Home Loan Bank System which can provide liquidity and flexibility for financial institutions to more effectively manage mortgage portfolio.

Current law treats similarly sized credit unions and community banks differently with respect to eligibility for membership in the Federal Home Loan Bank (FHLB) system. Under the FHLB Act, "Community Financial Institutions" are exempt from a requirement that 10% of assets must be dedicated to residential mortgage loans in order to access the liquidity and flexibility offered by FHLBs. Instead, only 1% of assets must be directed to housing for these institutions.

However, the FHLB Act currently limits the definition of "Community Financial Institution" to FDIC-insured institutions with less than $1 billion in average total inflation-adjusted assets. Because the FDIC does not insure them, however, credit unions under $1 billion in assets cannot meet the current definition of "Community Financial Institution," and therefore are subject to the more rigorous 10% threshold to join the FHLB in their jurisdiction.

In the House, CUNA supports H.R. 2473, introduced by Representatives Neugebauer (R-TX) and Clay (D-MO) that would create parity between small banks and credit unions in terms of FHLB access. In the Senate, CUNA supports passage of S. 1484, section 124 of which would achieve the same result.

Additionally, CUNA was able to secure changes to a finalized rule from the Federal Housing Finance Agency (FHFA), eliminating an onerous proposal to require FHLB members to demonstrate adequate mortgage assets on an ongoing basis. The FHFA noted that since 98 percent of FHLB members were already in compliance, the burden to financial institutions associated with this proposal would have far outweighed any potential benefit.

Home Mortgage Disclosure Act (CFPB and Congress)

Status: Final rule was issued in October 2015.

The final rule mandates reporting for closed-end mortgage loans and Home Equity Lines of Credit (HELOCs). The key provisions of the rule are as follows:

- Credit unions that make 25 closed-end mortgage loans or 100 HELOCs in each of the two preceding calendar years must report HMDA data (provided you meet other criteria as well)—previously the reporting threshold was having at least $44 million in assets and having a home or branch office in a Metropolitan Statistical Area (MSA);
- Effective date for most entities is January 1, 2018—first reporting on January 2019;
- Requires reporting information about applications and loans for most closed-end mortgage loans and adds mandatory data collection and reporting for HELOCs and reverse mortgages:
  - 17 Dodd-Frank Act required data points;
  - Added an additional 16 CFPB-created data points (originally proposed 20)
- Eliminates public disclosure of a lender’s modified loan/application register (LAR). However, a credit union will need to provide public notice indicating its LAR may be obtained on CFPB’s website.

CUNA is concerned the CFPB has not solicited public comment on fields that will be made public once reporting commences. The rule calls for the use of a “balancing test” by the CFPB but does not otherwise indicate which fields will be public. CUNA has concerns over the extensive data collection and how this data will be used. We will continue to press the CFPB for further relief to credit unions that were not otherwise engaged in the practices that led to the imposition of HMDA and CRA.

In the House, CUNA supports H.R. 4993, which would require the Government Accountability Office (GAO) to complete a study on the data the CFPB is requesting from lenders; and H.R. 4997, which would raise the thresholds for compliance to 100 closed-end and 200 open-end mortgages. Both bills are included in Chairman Hensarling's Financial CHOICE Act.

Mortgage Lending Legislation (Congress)

Status: CUNA continues to monitor potential developments in housing finance reform to ensure equitable secondary market access for credit unions. CUNA also supports efforts to allow mortgages held in portfolio by credit unions to be deemed compliant with the Qualified Mortgage (QM) provision of the Dodd-Frank Act.

In the wake of the financial crisis and subsequent conservatorship of the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, many in Congress have called for significant reform of the housing finance system in order to protect taxpayers. In the last Congress, numerous proposals emerged for housing finance reform, including legislation introduced by Senate Banking Committee Members Senators Crapo (R-ID) and Johnson (D-SD).

However, CUNA has voiced strong opposition to any significant changes to the housing finance system that could limit credit unions' access to the secondary mortgage market, or result in pricing discrimination for credit unions' secondary market access by the largest banks.

The sense of urgency in Congress has faded somewhat as Fannie Mae and Freddie Mac have returned to profitability and are now paying dividends to the US Treasury. Nevertheless, CUNA continues to monitor and evaluate all proposals for changes to the housing finance system to ensure all credit unions would continue to enjoy equal access and fair pricing in secondary markets to be able to effectively manage their mortgage portfolios and extend mortgage credit to their members.

Additionally, because of their unique relationship with their members, credit unions who elect to hold in portfolio and service certain mortgages directly should not be subject to arbitrary, one-size-fits-all rules about the structure or terms of such loans. CUNA strongly supports current efforts in both the House (H.R. 1210) and Senate (S. 1484) to give additional flexibility to credit unions to serve their members' mortgage needs by allowing mortgage loans held in portfolio to be exempt from the Qualified Mortgage (QM) rules imposed by Dodd-Frank. H.R. 1210 passed the House 255-174 in November 2015. The legislation is also included in the Hensarling reform package.

Truth in Lending Act & Real Estate Settlement Procedures Act (CFPB)

Status: Final rule adopted/Rulemaking forthcoming to fix TRID issues/concerns.

The Dodd-Frank Act directs the CFPB to integrate the TILA and RESPA mortgage loan disclosures. The new three-page Loan Estimate, which replaces the Good Faith Estimate (GFE) and the "early" TILA disclosures, is designed to provide information that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage for which they are applying. The new five-page Closing Disclosure, which replaces the HUD-1 form and the closing TILA disclosures, is designed to provide information that will be helpful to consumers in understanding all of the costs of the transaction.

The new integrated disclosures apply to most closed-end consumer mortgages. The final rule does not apply to home equity lines of credit (HELOCs), reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property (i.e., land). The final rule also does not apply to loans made by persons who are not considered "creditors," because they make five or fewer mortgages in a year or extend credit to a consumer 25 or fewer times in a year. Credit unions were required to comply with the final rule in October 2015.

CUNA urged the CFPB in meetings and in writing to provide a "hold-harmless" period for compliance and liability on the new rules until January 2016, for credit unions that make good faith efforts to comply. CUNA and other trade associations sent a letter to the CFPB on this matter in March 2015. CUNA also urged Members of Congress to encourage the CFPB to provide this "hold-harmless" period.

This April, in response to months of CUNA advocacy, Director Cordray indicated in a letter to industry that the Bureau is working toward issuing a NPRM in July to amend the final TRID rule to ease compliance issues.

Key Accomplishments – 2016

- FHLB Membership Parity: FHFA removed a CUNA-opposed provision requiring credit unions to maintain membership eligibility throughout the course of FHLB membership.
- Small Creditor Exemption under Regulation Z: Implementing CUNA-supported legislation, the CFPB adopted the CUNA-supported threshold for activity in a rural area necessary to qualify for the small creditor exemption.
- TRID: Convinced a reluctant CFPB to commence rulemaking to fix TRID/TILA/RESPA issues.

Payments

Merchant Data Breach (Congress)

Status: H.R. 2205 passed House Financial Services 45-9, Senate companion S. 961 pending.

Retailers do not face the same strict data security standards that financial institutions are subject to under Gramm Leach Bliley (GLBA). Major merchant data breaches expose credit unions to significant monetary costs and reputational risk.

H.R. 2205 and S. 961 would provide:

- Strong national data protection and consumer notification standards with effective enforcement provisions.
- Recognition of robust data protection and notification standards to which credit unions and banks are already subject.
- Preemption of inconsistent state laws and regulations in favor of strong Federal data protection and notification standards.
- Ability for credit unions and banks to inform customers and members about a breach, including where it occurred.
- Shared responsibility for all those involved in the payments system for protecting consumer data. The costs of a data breach should ultimately be borne by the entity that incurs the breach.

The legislation passed the House Financial Services Committee 45-9, and the Senate bill is still awaiting committee action.

Interchange Fees (Congress)

Status: H.R. 5465 was introduced by Rep. Randy Neugebauer to repeal the Durbin Amendment, which imposed price controls and routing requirements for PIN/debit transactions.

The Durbin Amendment was part of the Dodd-Frank Act of 2010. The Durbin Amendment required the Federal Reserve Board to promulgate rules that impose price controls on PIN/debit transactions. Credit unions and banks with assets less than $10 million are exempt from the price controls but are subject to routing and exclusivity requirements. These requirements have driven down the revenue that all credit unions receive from PIN/debit transactions. Furthermore, the price controls have added incentive for merchants to quite accepting signature/debit transactions.

The Federal Reserve Bank of Richmond released a study in 2015, which found that Durbin has cost credit unions and banks $8 Billion a year in interchange revenue, with no reduction in prices charged to consumers. This transfer with no benefit demonstrates that Durbin is a failed policy. CUNA will continue to pursue H.R. 5465 and other legislation and litigation to preserve credit unions' right to set interchange rates.

Patents (State)

Status: In 2013, Vermont became the first state to pass a patent troll law. Today, most states have enacted legislation to make it more difficult for people to assert patent claims in bad faith and to provide stiffer penalties against those who do. A map of state patent legislation can be found here.

Patent trolling has garnered attention at both the national and state level. "Patent trolls" are people or companies who sue other companies, including credit unions, for patent infringement based on questionable claims in order to collect license fees. Using a hypothetical example to illustrate the problem, a patent troll (PT) sends a letter to a credit union which asserts that the credit union is using technology in its ATMs that infringes on PT's vague patent. In the letter, PT demands that the credit union pay PT a specific amount of money (typically within a short time frame) or PT will sue the credit union for infringement. Businesses targeted by patent trolls often do not have the time or resources to fight these assertions, so they pay the amount demanded to avoid the cost of investigating and litigating. Patent trolling can drain resources from businesses and increases prices for consumers.

Key Accomplishments – 2016

- Interchange: CUNA prevailed in an interchange surcharging case in U.S. District Court in Texas.
- Patent Abuse: State patent infringement legislation was enacted in Arizona, Florida, Minnesota, Rhode Island, South Carolina and Wyoming.
- Data Breach: Won a favorable ruling affirming CUNA's standing in its lawsuit against Home Depot.

Tax, Budget, and Appropriations Policy

Credit Union Tax Status (Congress)

Status: Credit unions continue to face attacks on their federal income tax status. In June, House Speaker Paul Ryan and Ways and Means Committee Chairman Kevin Brady released a blueprint for comprehensive tax reform.

The banking lobby vigorously opposes credit unions' federal income tax-exempt status, and lists the elimination of the credit unions' tax "advantage" as a higher priority than enacting legislative initiatives to benefit their own industry.

Contrary to the bankers' arguments, credit unions do pay taxes—payroll taxes, real estate taxes, and some other property taxes. In addition, dividends paid to credit union members are taxed as ordinary income. Congress bases the credit union tax exemption on credit unions' structure as not-for-profit financial cooperatives and their mission to promote thrift and provide access to credit for provident purposes.

The federal tax-exempt status is the crux of the credit union movement, and remains the priority issue for all credit unions, regardless of asset size, field of membership, and products and services offered. Many in the credit union movement believe credit unions would not be able to survive as cooperatives if Congress repealed the federal tax status because it could lead to a sharp decline or elimination of credit unions. Credit unions also provide a market alternative that helps moderate increases in bank fees and charges for all consumers. Without credit unions, consumers would be greatly disadvantaged, and in some cases, be forced out of the financial mainstream.

On June 24th , House Speaker Paul Ryan and Ways and Means Committee Chairman Kevin Brady released a blueprint for comprehensive tax reform. The reform package was the sixth and final agenda paper, part of Ryan's A Better Way issues agenda. The report is meant to be a platform outlining solutions to a number of current issues facing the country. The paper covers tax reform from an individual and business perspective. The report is broad and lacks specific details, including which credits, deductions, and tax expenditures will be cut. The Ways and Means Committee expects to work on the blueprint for reform this year, with a goal of having it ready for legislative action next year.

CUNA continues to meet with Members of the House and Senate, as well as their staff, regarding the importance of the credit union federal income tax status.

State Credit Union Tax Battles (State)

Status: Recently, credit unions have faced state tax battles in several states, including Alaska, Illinois, Iowa, Michigan, New Jersey, New Mexico, South Dakota, Vermont and Washington. While no bills taxing credit unions have been introduced, the battles come in the form of legislative proposals, media stories (earned and paid) and research studies.

CUNA and the leagues have vigorously responded to attacks with state action alerts, advertisements, research studies and media responses.

Regulatory Relief through the Appropriations Process (Congress)

Status: Credit unions have the opportunity to achieve significant regulatory relief through the Congressional Appropriations Process. The full House of Representatives has passed the Financial Services and General Government Appropriations Act for FY 2017. The bill includes significant relief for banks and credit unions and several amendments to strip these provisions from the bill were defeated by the full House of representatives. The Senate Appropriations Committee has passed its version of the bill with some important provisions for financial institutions. It is likely that an omnibus spending bill will be agreed to before the end of 2016. It is unknown which regulatory relief provisions will be included in the final package.

On July 7th, the House of Representatives passed the FY2017 Financial Services and General Government (FSGG) Appropriations Act (H.R. 5485). This bill included several CUNA-supported provisions addressing regulatory burden for credit unions.

Credit union friendly items in the bill include:

- Changing the leadership structure of the CFPB to a five-person board and placing the bureau under the appropriations process;
- Requiring the CFPB to study the use of arbitration prior to issuing any new regulations. This would affect the bureau's recent proposal on arbitration;
- Allowing for residential mortgages held in portfolio by lenders to be recognized as qualified mortgages for the purposes of the CFPB's mortgage lending rules. These efforts would especially help community bankers and credit unions who have decreased their mortgage lending business in recent years due to onerous regulatory requirements;
- Supporting efforts to clarify the definition of ''points and fees'' for qualified mortgages in order to improve access to credit for low and moderate income borrowers; and
- Stopping the CFPB from proceeding with its short-term, small-dollar loan proposal.

The committee report also contains a number of other items of interest to credit unions, including:

- CUNA-supported language that would call for the Federal Communications Commission to revisit its Telephone Consumer Protection Act (TCPA) order, and address technical questions that may be impossible for financial institutions to resolve. This includes clearing up whether an exemption for financial institutions to contact consumers with additional information can actually be used, and urging the FCC to provide more flexibility to the requirements.
- Directing the CFPB to report to the Senate and House Appropriations Committees, Senate Banking Committee and House Financial Services Committee on how it has used its section 1022 exemption authority to tailor its rulemakings to community financial institutions within 120 days of the bill's enactment;
- Directing the Government Accountability Office (GAO) to determine the impacts of the Foreign Account Tax Compliance Act on U.S. citizens living abroad. The GAO must also make recommendations on FATCA implementations, and both must be done within 180 days of enactment of the bill;
- Directing the Office of Critical Infrastructure Protection and Compliance Policy to report to several Congressional committees on ways to improve cybersecurity and an update on collaboration across the financial services sector within 60 days of the bill's enactment.
- Directing the CFPB to consider its recent actions related to auto lending that are reducing competition, regulating auto dealers, and raising costs to consumers.

The bill also contains funding of key programs that assist low-income credit unions that serve underserved areas and members of modest means, including:

- Maintaining the annual $2 million for the NCUA's Community Development Revolving Loan Fund, which provides grants and loans to low-income designated credit unions; and
- Increasing the funding to $250 million for the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund, which awards funds to certified CDFIs, including the 276 credit unions certified as of April 30.

The bill also maintains funding for the two Small Business Administration (SBA) programs that are crucial to credit unions:

- $28.5 billion for the SBA's 7(a) program, which allows the government to guarantee up to 85% of loans, with the guaranteed portion not counting against credit unions' cap on member business lending; and
- $7.5 billion for the SBA's 504 loan program, which is used for long-term, fixed-rate financing on major fixed assets, such as equipment and real estate.

On June 15th, the Senate Appropriations Committee approved the FY 2017 Financial Services and General Government (FSGG) appropriations bill. The Committee report includes language urging Treasury to work with financial regulators to address student debt. Additionally, the bill itself contained:

- Funding for the Community Development Financial Institutions (CDFI) fund at $234 million, $500,000 more than FY16, and $16 million less than the bill passed last week by the House Appropriations committee;
- Maintaining $2 million for NCUA's Community Development Revolving Loan Fund (CDRLF); and
- Funding a new account called the Cybersecurity Enhancement Account. The Committee recommends $47,743,000 for the initiative. It is "designed to bolster the (Treasury) Department's cybersecurity posture and mitigate threats to the U.S. financial infrastructure." It will also "improve identification of cyber threat and better protect information systems from attack; provide a platform to enhance efficient communication, collaboration, and transparency around the common goal of improving not only the Cybersecurity of the Treasury Department, but also the Nation's financial sector."

In the committee markup, an amendment from Sen. Jeff Merkley (D. Ore.) was passed that prohibits funds from being used to penalize financial institutions that provide financial services to certain persons in States and jurisdictions where marijuana is legal.

Key Accomplishments – 2016

- Federal Tax Reform: Rep. Devin Nunes (R-CA) drafted legislation that would have resulted in credit unions being subject to the federal income tax. CUNA was able to convince the Congressman's staff to explicitly exempt credit unions from this new tax.
- The Vermont League defeated an attempt by the Vermont Bankers Association to amend a budget bill to add credit union taxation.