Realizing the Credit Union Difference

- **Credit unions are democratically-owned and controlled, not-for-profit cooperative financial institutions.** We serve diverse communities one member at a time with our “People Helping People” philosophy, making a difference in the lives of more than 4.6 million North Carolinians and more than 1.7 million South Carolinians.

- **Maintaining tax-exempt status is critical to the preservation of credit unions and consumer choice.** Credit unions' tax exemption is based upon our not-for-profit structure, as well as our mission to promote thrift and provide access to credit for provident purposes. Credit unions fulfill that mission every day, and in the 2018-2019 shutdown helped tens of thousands of members by providing more than $100 million in low- or no-interest loans.

- **Last year, credit unions delivered $18.9 billion in benefits to consumers.** Credit unions deliver financial benefits that are 10x the federal tax exemptions. Banks got more than $30 billion in tax breaks and reported record profits for their shareholders.

Secure Data and Protect Consumer Privacy

Every day, the data and privacy of millions of people are compromised by sophisticated fraudsters and rogue state actors capitalizing on patchwork data privacy and security regulations. Since 2005, 10,000 data breaches have exposed more than 11.6 billion personal records. How can Congress help?

- **Preempt state laws with a national data security and privacy law.** A strong national standard that preempts the California Consumer Privacy Act and other state laws would close glaring loopholes that hackers exploit to steal consumers’ data. Americans must be protected by robust, consistent data protection rules across all jurisdictions, including notification requirements so consumers know when violations cause harm.

- **Recognize that data security is a national security issue.** Hackers are often linked to foreign disrupters that seek to harm U.S. interests. Data security must be a national security priority.

- **Fix the weak links.** Hackers know to attack the weakest security link. We need a federal data security law that holds each link in a transaction accountable, incentivizing market participants to strengthen data security. Merchants that accept cards for payment should be subject to the same security standards as the credit unions that issue the cards.
Modernize Federal Credit Union Governance

The financial services landscape is quickly changing, and the Federal Credit Union Act has fallen behind. It’s time for modernization. By making the following small changes in the Federal Credit Union Act, Congress can have significant positive impact for credit union members.

- **Eliminate the current 15-year maturity limit on loans**, which will give student and small business borrowers more affordable loan choices for the short and long term.
- **Permit credit unions to establish their own fiscal year.**
- **Eliminate the requirement to file certain information regarding loan officers.**
- **Enhance flexibility of federal credit unions to schedule board meetings.**
- **Remove outdated responsibilities of boards of directors.**
- **Allow the expulsion of disruptive members** for just cause by the board of directors or management.
- **Permit electronic balloting for charter conversions**, whether from state to federal or from federal to state charter.

Now Is the Time to Right-Size Regulations

One-size-fits-all regulations don’t work for credit unions and their members. The annual cost of compliance to credit unions is $6.1 billion and is rising three times faster than inflation. That burden severely hampers opportunity for all credit unions and the viability of many, robbing consumers of access to safe and affordable financial services. Congress can help by encouraging these changes at the CFPB.

- **CFPB should transfer supervisory authority of the very large credit unions back to NCUA.** The NCUA has regulated credit unions for decades and understands their unique structure and mission.
- **CFPB should use its exemption authority for credit unions.** The CFPB has statutory authority to set different standards for credit unions by exempting them from new regulations that address abuses in the marketplace. The CFPB should consult with the NCUA prior to issuing new rules.
- **CFPB should be led by a multi-person commission.** A commission would bring diverse perspectives, provide greater stability, and offer a democratic process better for consumers.

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Ensure a Robust Market via Responsible Housing Finance Reform

For working class and rural families, access to responsible credit is vital to realizing the American dream. Last year, credit unions helped to make those dreams a reality by originating $152.2 billion in first mortgages, helping 710,000 families realize the American dream of home ownership—more than half going to borrowers earning middle incomes or less. The following key principles are crucial to ensuring that credit unions can continue to empower middle-class homeowners.

- **Equal access to a secondary market for lenders of all sizes** provides consumers with more options when choosing a mortgage partner.

- **Predictable, affordable mortgage payments** help qualified consumers realize their dream of home ownership.

- A reasonable and orderly transition to a **new housing finance system** reduces costs and confusion for stakeholders and consumers.

- **Strong oversight and supervision** ensure safety and market soundness.

- Durability through an explicit, **federally insured or guaranteed component** ensures that the secondary mortgage market exists, even in hard economic times.

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

What’s the fuss about credit unions buying banks?

As bank branch closures create financial deserts, credit unions have stepped up to provide access to critical community-based financial services. As more community bankers look to sell their portfolios or otherwise end operations, credit unions have infrequently been the most attractive buyers. Credit unions as bank purchasers keep earnings local, serving their communities rather than remote investors. Credit unions offer better rates and lower fees than many megabank buyers and offer cash—which can be taxed—rather than all-stock buyouts. They also retain more staff than competitors.

Credit unions’ purchases of banks have been rare and recent. Between 2012 and mid-year 2019, there were more than 2,000 bank-to-bank purchases involving $1.7 trillion in assets. During the same period, 30 credit unions acquired banks involving $4.7 billion in assets. In the end, credit unions as bank purchasers create a win-win scenario, helping communities keep local access to financial services.

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