

LEGISLATIVE REPORT



Summer 2017

Hot Topics

- CHOICE Act Update
- Special Legislative Session
- End of Illinois Legislative Session - Recap
- Hike the Hill registration deadline – Aug. 18, 2017
- CUPAC Corporate Membership Campaign Underway

Federal Update



CHOICE ACT UPDATE

As you may know, the U.S. House passed HR 10 - the CHOICE Act- which contains many regulatory relief changes supported by credit unions on June 8, 2017. The battle ground for regulatory relief now moves to the U.S. Senate, where the Senate Banking Committee has been conducting hearings about the role of regulatory relief and economic development.

As you have the opportunity to speak with your credit union members, boards and employees over the summer, the Q & A regarding the CHOICE Act as well as the status of the enactment of regulatory relief should be a helpful reference (see attached PDF for Q & A).

With regards to the timeframe on when it may be presented in the Senate, it is unlikely the Senate will consider the CHOICE Act in its current form. However, some of the issues we are interested in are being introduced as individual pieces of legislation. Senate Banking Committee leaders will look to pull together various regulatory relief proposals that can garner broad support within the Committee and ideally in the full Senate.

Our main goals are to ensure principles we are championing such as establishing a multi-member commission at the CFPB and clarifying the CFPB exemption authority are included in the Senate Debate.

We also have to ensure that issues of concern in the CHOICE Act such as placing the NCUA under appropriations are defeated in the Senate.

The timing of Senate action remains fluid, but it's our job to encourage them to make it a priority. Summer in-district visits with members of Congress provide credit unions a great opportunity to advocate for regulatory relief and explain the cost of regulatory compliance.

[McWatters talks reg relief legislation, actions from NCUA](#)

CUNA News Now recently reported that NCUA Chair J. Mark McWatters discussed recommendations to "achieve real relief while maintaining safety and soundness" before the Senate Banking Committee on June 22, part of a hearing on regulators' role in fostering economic growth.

The Senate Banking Committee asked NCUA to identify ways to ease regulatory burden through legislation. McWatters addressed several proposals.

These include legislation that would:

- Provide NCUA with enhanced flexibility to write rules to address regulatory relief situations under the Federal Credit Union Act.
- Allow federal credit unions with a community or single-bond charter the opportunity to add underserved areas to a field of membership.
- Adjust the member business lending cap by giving credit unions parity with banks for 1-4 non-owner occupied residential dwelling loans.
- Allow more credit unions to access supplemental capital.

McWatters said NCUA is "actively considering" a number of regulatory relief initiatives, including:

- Possible early termination of the Temporary Corporate Credit Union Stabilization Fund.
- Reviewing and enacting the call report process.
- Exploring ways to permit credit unions without the low-income designation to raise supplemental capital.
- Revisiting the risk-based capital rule in its entirety, and to consider whether "significant revision or repeal" of the rule is warranted.
- Adding flexibility to examinations.
- Continuing with the Enterprise Solutions Modernizations program.
- Developing propose changes to appeals procedures.
- Reforming restrictions on corporate credit unions.
- Developing a Credit Union Advisory Council.

McWatters also responded to recommendations in the [Treasury study](#) released earlier in June.

[Treasury Department Study Offers Insights Into Regulatory Relief](#)

The Treasury's report on financial reform reflects a number of areas highlighted by CUNA and credit unions during meetings and follow-up letters. The [report](#), is titled "A Financial System that Creates Economic Opportunities: Banks and Credit Unions" and is the first of 4 expected released from the Treasury.

CUNA met with the Treasury in April, as part of a roundtable discussion with credit unions, and [followed up with a letter](#) to Secretary Steven Mnuchin containing recommendations to streamlining regulations for credit unions.

CUNA also [sent letters](#) to the administration and the Consumer Financial Protection Bureau (CFPB), highlighting areas the bureau could make rule changes to improve the operating environment for credit unions.

Many of these suggestions are reflected in the Treasury report, which contains the following recommendations for regulators.

NCUA:

- Recalibration of NCUA Regulations, including revising risk-based capital to apply to credit unions with \$10 billion and over or eliminate requirements for those with 10% net worth, raising stress testing threshold to \$50 billion and allowing credit unions to rely on appropriately designed supplemental capital to meet a portion of risk-based capital requirements;
- Revisiting current expected credit loss requirements;
- Recommending call reports be simplified and streamlined;
- Raising examination thresholds for an extended exam cycle above the current \$1 billion level or eliminating it entirely; and
- Recommending better coordination and rationalization of examination and data collection procedures to promote accountability and clarity;

CFPB:

- Making structural reforms that include making the director removable “at-will” instead of “for cause;” funding through the appropriations process and restructuring the civil penalty fund;
- Increasing regulatory certainty by recommending the bureau issue rules or guidance subject to public notice and comment procedures before bringing enforcement actions and recommending the bureau adopt regulations that more clearly delineate its interpretation of the UDAAP standard;
- Recommending the CFPB bring enforcement actions in federal district court rather than use administrative proceedings;
- Promulgating a regulation committing the bureau to regularly reviewing all regulations that it administers to identify outdated or unnecessary requirements;
- Reforming the Consumer Complaint Database to make the underlying data available only to federal and state agencies;
- Repealing CFPB’s supervisory authority; and
- Addressing mortgage issues such as reviewing the ability-to-repay/qualified mortgage (QM) rule, revising the points and fees cap for QMs, increasing the threshold for making small creditor QM loans, clarifying and modifying the Truth in Lending Act-Real Estate Settlement Procedures Act integrated disclosure rule and delaying the 2018 implementation of Home Mortgage Disclosure Act reporting requirements.

Additional suggestions, and more detail, can be found on [CUNA’s Removing Barriers Blog](#).

ICUL Continues Dialogue with Senator Durbin on HMDA Rule

As a follow-up to the letter ICUL co-authored with several other Illinois financial trade associations requesting that Senator Durbin contact the CFPB on our behalf to seek changes to the pending HMDA Rule, ICUL and several credit union representatives recently met with staff from Senator Durbin’s office. The purpose of the meeting was to thank them for their outreach to the CFPB and to discuss other pending CFPB Regulations – including the HMDA reporting rule. ICUL looks forward to continued dialogue with Senator Durbin’s office as we strive for meaningful regulatory relief for credit unions. As proposed, the HMDA rule imposes many new and onerous reporting requirements on credit unions. Hopefully, the CFPB will take note of our concerns and make revisions to the proposed rule. A copy of the letter can be found [here](#).

State Update

Special Legislative Session

On July 6, the Illinois House of Representatives voted to override the Governor's vetoes of the budget and spending bills (SB 6, SB 9, and SB 42). As you may have seen in the press, these bills end the state's 3 year budget impasse by a combination of reduced spending and raising the individual and corporate income tax rates. The General Assembly is expected to consider other non-budget reforms such as: property tax relief, workers compensation and public pension changes during future session dates. Additionally, the state's \$15 billion backlog of unpaid bill is expected to be addressed in the future.

Items to note about the Budget bills' impact on Illinois credit unions:

- The bills included no taxes or fees on credit unions
- There was a minor fund sweep of \$176,000 from the dedicated Credit Union Fund to the General Revenue Fund. While this transfer will have a marginal impact on future regulatory fee credits, the CU Fund retains a healthy balance and overall operations of the CU Division should not be adversely affected.
- SB 9 contains the language from HB2603, which rewrites the State's Unclaimed Property Act. ICUL and the other financial industry trade groups opposed the inclusion of this language in the budget bills, as a working group had been developing language for the rewrite and had planned to reach out to all impacted stakeholders over the summer for policy and operational input regarding the proposed changes. While the language was not removed from the bill, legislators and staff were made aware of our concerns and a statement was read into the record about our concerns and the possible need for clean-up legislation. ICUL's Legislative Committee will be reviewing the language of the bill and may be contacting credit unions to gauge the operational impact and need for revisions to this section of the bill.

The General Assembly is now on summer recess and we will keep you updated as events warrant.

End of Session Re-Cap

Despite the ongoing budget impasse, ICUL is pleased to report that credit unions had a very successful legislative session. Our initiative to amend the Credit Union Act, HB 1792, passed both chambers of the General Assembly. The bill makes a number of edits to the ICUA in order to help credit unions more efficiently serve their members. For more information on HB 1792, please see our [fact sheet](#).

After months of negotiations, SB 1694 has also passed both chambers. ICUL filed the measure as a trailer bill to last year's HB 2642, following reports of noncompliance. SB 1694 amends the Illinois Vehicle Code, Labor and Storage Lien Act and Labor and Storage Lien (Small Amount) Act to clarify towing company and repair shop notification responsibilities to lienholders. The measure was amended in both the Senate and House to address various concerns that were raised by interested parties.

The final version of the legislation requires a towing company or repair shop seeking to impose storage fees for a vehicle in its possession to provide notice, by certified mail, return receipt requested, to the lienholder of record and provides that the notice shall be given within two (2) business days of towing or impounding, regardless of whether the person seeking to impose fees enforces a lien.

The notification requirements apply in addition to any other lienholder notice requirements under the Illinois Vehicle Code relating to the removal or towing of an abandoned, lost, stolen, or unclaimed vehicle. Storage fees may not be assessed absent the notice and the lienholder may recover any storage fees paid if the notice was not sent by the shop or towing company. Under the new legislation, lienholders are provided with an opportunity to inspect vehicle within two (2) business days of making a request to do so.

HB 759 passed both chambers as of May 31. The initiative was a joint effort by the financial institution trade groups to bring clarification that a financial institution and their employees do not have to be licensed in order to enroll and perform administrative services to enable individuals to purchase insurance coverage under a group credit insurance policy from a licensed producer.

HB 2514, an initiative of the FHLB and financial institution trade groups, has passed both chambers and expressly authorizes credit unions to disclose confidential supervisory information to a Federal Home Loan Bank.

HB 3282 passed both the House and Senate. The measure amends the Data Processing Services for Financial Institutions Act to simplify the definition of "financial institution" and provide that if a financial institution makes data available to an independent data processing servicer, the data shall remain the property of the financial institution.

ICUL also initiated a House Resolution this session, HR 121, which urges Congress to amend federal law to provide immunity from federal prosecution and regulatory protections for financial institutions legally providing services to cannabis-related businesses, licensees, and consumers pursuant to applicable state law. The Resolution was adopted by the Illinois House and will be sent to President Donald Trump, U.S. Senate Majority Leader Mitch McConnell, U.S. Senate Minority Leader Chuck Schumer, U.S. Speaker of the House Paul Ryan, U.S. House of Representatives Minority Leader Nancy Pelosi, and all members of the Illinois Congressional Delegation.

ICUL has also appeared in committees to oppose numerous measures, including HB 1274 which would have established a cap of \$1 for ATM cash withdrawal fees. The measure passed out of House Consumer Protection Committee on a vote of 3-2, but was not called for a vote by the full chamber.

ICUL opposed amendments to SB 568, which could have amended the Illinois Mortgage Foreclosure Law to re-enact the "30/30/30" grace period notice loss mitigation process for residential real estate occupied as a principal residence by the borrower. Following opposition from ICUL and other financial institution groups, the measure was not called for a vote. The groups argued that the potential reinstatement of the state law would conflict with CFPB foreclosure avoidance provisions.

Additionally, ICUL and other financial institution groups opposed a number of bills amending the Illinois Mortgage Foreclosure Law to provide that provisions concerning an additional fee paid by residential foreclosure plaintiffs are operative until January 1, 2020 (instead of January 1, 2018). Ultimately, SB 647 passed by a narrow margin in both chambers to extend the additional fee as well as providing an extension of an additional fee paid by purchasers at a judicial sale.

ICUL will be sending letters to Governor Rauner requesting that he sign our priority legislation (as listed above) into law. Additionally, L&T Bulletins will be forthcoming once the measures are (hopefully) signed into law.



Hike-the Hill, Washington, D.C. – September 13-14

Registration deadline August 18, 2017

ICUL’s annual Congressional “Hike the Hill” event is intended to bring politically active credit union officials to Washington, D.C. The purpose of our visit is to better acquaint lawmakers, regulators and their staff with credit unions and explain why credit unions should not be caught-up in any legislation or regulation that has the unintentional consequence of negatively impacting credit union members.

[Registration materials](#) have been emailed to credit unions. Credit unions are encouraged to attend this important event. For further information, please contact the Governmental Affairs Department: Keith Sias, Pat Huffman, or Debbie Bindler.

CUPAC Corporate Campaign Seeking Contributors

CUPAC’s corporate campaign is underway. CUPAC is asking state-chartered credit unions (federal credit unions are prohibited by law) & business partners to contribute to its annual corporate fund-raising campaign. Monies raised will be used to help elect and re-elect legislators sympathetic to our cause.

A corporate contribution to CUPAC will help us build the financial resources necessary to narrow the margin between credit union and bank political contribution amounts. It takes money to win elections and CUPAC contributions help us support our legislative friends.

There are 193 state-chartered credit unions in Illinois. As of July 1, only fifty-five (55) credit unions have contributed. This equates to 28.5% of credit unions contributing their fair share, benefiting the other 71.5%. We truly appreciate all donations and hope more credit unions will recognize the importance. Please do your fair share.

What is the value of a successful political action program in Illinois? Perhaps just 10 cents per member is a fair, yet small, price to pay to help obtain legislation that benefits credit union operations and membership. Perhaps it is more; perhaps it is less. Suggested Contribution Amounts:

| <u>Assets</u> | <u>Suggested Contribution</u> | <u>Recognition Level</u> | <u>Assets</u> | <u>Suggested Contribution</u> | <u>Recognition Level</u> |
|---------------------|-------------------------------|--------------------------|--------------------|-------------------------------|--------------------------|
| Over \$500 Million | \$15,000 (or more) | CUPAC Diamond Club | \$20-\$ 50 Million | \$750 (or more) | CUPAC Sponsor |
| \$100-\$500 Million | \$5,000 (or more) | CUPAC Platinum Club | \$5-\$20 Million | \$250 (or more) | CUPAC Donor |
| \$50-\$100 Million | \$2,500 (or more) | CUPAC Capitol Gold Club | \$0-\$5 Million | \$ 100 (or more) | CUPAC Donor |

Whatever value is placed on the success of a viable political action program, please encourage the state-chartered credit unions in your chapter to give a “fair share” contribution to CUPAC today.

Although federal credit unions are prohibited by law from making contributions to political action committees, their employees and volunteers face no such restrictions. A number of programs are available to assist federally-chartered credit unions to contribute their fair share to CUPAC, including the payroll deduction program. A portion of eligible contributions made to CUPAC are transferred to the Credit Union Legislative Action Council (the federal PAC) to be used on behalf of federal legislators.

Contact Pat Huffman for additional information on the corporate program or other ways you can contribute to CUPAC.

2017 Advocacy Video

The 2017 Advocacy video that was shown during ICUL Convention Breakout session and at the State Legislative Day is available to show at chapter meetings or credit union meetings. Contact the Governmental Affairs Department or [click here](#).

Project Zip Code (PZC) Additional participation requested—Illinois can do better!

There are 244 affiliated credit unions in Illinois, yet just 81 have run/updated PZC since January 2016. ILLINOIS CAN DO BETTER!!!! All credit unions are strongly encouraged to update or run **PZC** with the easy-to-use release-version 16 that is available on the [PZC website](#).

Please update or run Project Zip Code (PZC). PZC is a secure program that counts your credit union members by congressional and state legislative districts. These numbers are uploaded to CUNA's Project Zip Code website and combined with data from credit unions nationwide. This data aids in federal and state advocacy efforts. Details can be found at the [PZC website](http://www.pzconline.com/) (http://www.pzconline.com/).

Project Zip Code protects the privacy of credit union members. No personally identifiable data or individual information leaves the credit union's computer. PZC is compliant with the privacy laws created in Gramm Leach Bliley. The only information uploaded to the website is the membership totals per legislative district and county. You may find it helpful to view the [PZC website](#) to see what type of data is being reported. On this site, you will also find a detailed User Manual to guide you through the installation. In order to properly upload the count totals to the national website, your membership data should be saved in an excel, CSV, Access, SQLserver, or Visual FoxPro (DBFile) file. Required fields: (Street, city, state) must all be in separate fields.

Not only can the information gathered through Project Zip Code be used in a political manner when meeting with elected officials, **but also to help credit unions identify potential areas for branch or ATM expansion**. Please feel free to share this with your marketing people.

For PZC to be successful and useful, we need you to participate and to update your numbers regularly. ***If your credit union regularly updates PZC, thank you! Please help all credit unions participate by offering assistance to credit unions in your chapter.***

If you have a question during the install or upload process, please contact Kristen Prather at CUNA (202-508-6708 or kprather@cuna.coop), Pat Huffman (pat.huffman@icul.com) or Debbie Bindler of ICUL's Governmental Affairs (debbie.bindler@icul.com).

2018 CUNA GAC – Mark your calendar February 25-March 1, 2018

Registration and housing information for the 2018 CUNA Governmental Affairs Conference (GAC) will be distributed in the near future. Watch for detailed information. Illinois will once again have a hotel room block (hotel to be determined). If you want to stay in the Illinois group hotel, please use the booking information that will be provided to you from the League.

Contributions are not deductible as charitable contributions for federal income tax purposes. A copy of our report filed with the State Board of Elections is (or will be) available on the Board's official website (www.elections.il.gov) or for purchase from the State Board of Elections in Springfield, Illinois. Contributions are strictly voluntary and will be used for political purposes. You have the right to refuse to contribute without reprisal. The above amounts are suggested giving levels. More or less may be contributed. Contributor will not be favored or disadvantaged by reason of the amount contributed or decision not to contribute. A portion or this entire donation may be forwarded to CULAC, the federal political action committee of the Credit Union National Association.

For further information about items in this LFR Report, please contact ICUL's Governmental Affairs Staff:

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