CHOICE Act "Q & A"

The Financial CHOICE Act (HR 10) is based on an important principle:

Community banks and credit unions deserve relief from the crushing burden of over-regulation. Under the Financial CHOICE Act, banks and credit unions will qualify for regulatory relief if they elect to maintain enough capital to ensure that if they get in trouble, taxpayers won't be forced to bail them out. Ninety-eight percent of the financial institutions that met the Financial CHOICE Act's requirements for being well-capitalized did not fail during the financial crisis.

What are the top sections of the CHOICE ACT of interest to credit unions?

Provisions America's Credit Unions Strongly Support

CFPB Structural Reform is Necessary to Ensure Consumers Continue to Have Access to Local Credit Unions and Small Banks: One-size-fits-all regulation does not work for main street – local credit unions, small banks, and the consumers and small businesses they serve. It's created a rigged system favoring the largest institutions who can afford to comply with Washington. Over regulation is hurting consumers, costing them time and money. Local member-owned credit unions know their members better than Washington. Now is the time to reform the CFPB so that it works for credit union members

CFPB Five-Person Commission: The current structure – with one powerful director – gives too much authority to one person and not enough oversight and accountability. Modernizing the CFPB to include a multi-member Commission would enhance consumer protection by ensuring that diverse perspectives are included in final rules and prevents disruptions caused by personnel changes. Credit union members will benefit from policymaking that includes more voices. Frankly, such a system is much more consistent with the traditions of our democracy.

CFPB Funding Through Appropriations: CFPB's current funding scheme takes the power out of the hands of consumers' elected representatives, does not do enough to force the CFPB to prioritize resources and fails to ensure appropriate oversight. Instead of targeting abusers of consumers, the result has been rules that impact local credit unions and small banks. Funding the CFPB through appropriations means that taxpayers through their elected representatives have a voice in the priorities of the CFPB. Credit union members will benefit from a Bureau that is going after the bad guys and subject to direct oversight and funding by representatives they elect to Congress.

Increase CFPB Supervisory Threshold: Congress should do more to ensure that the CFPB focuses on abusers of consumers. Local credit unions and small banks do not present significant risk to consumers and have federal prudential regulators capable of supervising compliance with consumer protection law. Increasing the supervisory threshold to $50 billion and indexing it for inflation will allow CFPB to focus supervisory resources on large Wall Street banks and nonbank financial services providers which present the greatest risk to consumers.

General Regulatory Relief: Congress should have oversight of agency rulemaking for regulations with an economic impact of $100 million or greater and should also provide protection to credit unions for good faith reporting of suspected financial elder abuse. Credit unions also support Title I, which would provide regulatory relief for very well capitalized credit unions. And, we support additional provisions aimed at providing regulatory relief including the provisions addressing the CFPB's rulemakings on arbitration, payday lending, HMDA, remittances, mortgage lending and other rules that stand between local credit unions and their members.

<u>Additional Suggestions for the CHOICE Act</u>

Clarify CFPB Exemption Authority: The CFPB has statutory authority to exempt local member-owned credit unions from its rulemaking, and its failure to use this authority has harmed consumers seeking safe financial services, including remittances and mortgages, from credit unions, by making these services more expensive and less available. The proposed small dollar lending rule, as well as the HMDA Reporting rule are great examples where the CFPB should exempt credit unions from the scope of these rules.

Duplex and Quadplex Lending Parity: The renter population in the United States is increasing, creating a considerable gap in rental supply and demand and putting affordable rental housing out of reach for many. Credit unions face statutory barriers to helping finance small rental housing because the Federal Credit Union Act treats loans for 1-4 family non-occupied residential properties as commercial loans, but similar loans made by banks are considered residential loans. Congress should correct this disparity and encourage credit unions to help with the affordable rental housing crisis.

How would the passage of CHOICE Act benefit credit union members?

- Excessive regulations intended for Wall Street actually cost local credit unions on Main Street $7.2 billion every year — more than $71 per member.
- Credit unions know their members. Consumers don't need longer wait times to get a loan because of increased regulations that only ask for more information.
- The Financial CHOICE Act includes the toughest penalties in history for those who commit financial fraud and insider trading. Holding Wall Street accountable with the toughest penalties in history will deter corporate wrongdoing and better protect consumers. At the same time the Financial CHOICE Act holds Wall Street accountable, it also holds Washington accountable. Tougher accountability for Wall Street and Washington will protect the integrity of our markets so they benefit ordinary Americans who are working, saving and investing.
- CHOICE Act recognizes the current one-size-fits-all regulations treat all financial institutions the same, regardless of their size. That makes no sense and hurts smaller, hometown banks and credit unions that did nothing to cause the last financial crisis.

- The CHOICE Act would make wire transfers less complicated. A current rule requires a complicated hour-long procedure to wire money, a process that used to take 15 minutes. Financial institutions that handle less than 100 transfers per year are exempted. The new lengthy process caused many credit unions to stop providing international remittances because it drove the cost per transaction up to $40. Who is willing to pay $40 to wire $50? As credit unions were forced to retreat from that market, consumers were driven to seek out predatory lenders.
- The CHOICE Act would make changes to the "Qualified Mortgage" rule. Mobile homes are one of the most affordable housing options. These loans played an important role in credit unions' efforts to serve members struggling with the high cost of housing. But at least one credit union was forced to discontinue its program under the CFPB's "Qualified Mortgage" rule. The new rule forced all lenders to reassess programs for manufactured homes and the types of loan programs they could provide. The "Qualified Mortgage" designation required the credit union to assume unsustainable conditions to offer the loans, forcing them out of the market. This left consumers with fewer options at a time when demand was at an all-time high.

How did local U.S Representatives vote on the CHOICE Act?

(It was a partisan vote. Republicans voted yes. Democrats voted no.)

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.