

## **Information for Biden Transition**

**November 16, 2020**

### **About the Credit Union System**

Credit Union National Association (CUNA) is the premier credit union advocacy association, representing America's more than 5,000 state and federally chartered credit unions and their more than 120 million members. CUNA and its state leagues and association work closely together to ensure the operating environment for credit unions facilitates their ability to advance the communities they serve, improve the financial well-being of their members and fulfill their statutory mission to promote thrift and provide access to credit for provident purposes.

### **The Road to Economic Recovery**

#### **Simplifying the PPP Loan Forgiveness Process**

Credit unions have facilitated more than 170,000 Paycheck Protection Program (PPP) loans averaging \$49,000 and are concerned the loan forgiveness process is overly complicated. As such, credit unions strongly support the Paycheck Protection Program Small Business Forgiveness Act, which would forgive loans of \$150,000 or less if the borrower submits an attestation form to the lender and ensures the lender will be held harmless from any enforcement action if it contains falsehoods.

#### **Extending CARES Act Exemptions and Lending Authorities**

The CARES Act included a host of provisions to aid consumers through the COVID-19 Pandemic—one of these provisions exempts COVID-related loan modifications from Troubled Debt Restructuring (TDR) treatment, making it easier for consumers to get loan modifications. The issue credit unions face is that the TDR exemption lasts only until the end of 2020, but most forbearances will not end until 2021, making it much more difficult for consumers to obtain loan modifications. We urge an extension of the CARES Act's TDR provision.

The CARES Act provided an expansion of the National Credit Union Administration's (NCUA) Central Liquidity Facility (CLF), making it easier for corporate credit unions to join the facility and expanding the CLF's borrowing authority from 12 times the paid in capital to 16 times. This much needed expansion expires at the end of this year. We urge an extension of the CARES Act's CLF provision.

## **The Road to Economic Recovery (continued)**

### **Prompt Corrective Action Flexibility**

Though credit unions were extremely well capitalized, the crisis continues to put stress on capital given credit unions limited ability to raise it. Thresholds for credit union capital levels are hardwired into statute and only retained earnings count as Tier I capital. This limits the NCUA's ability to accommodate otherwise healthy credit unions impacted by the crisis. Credit unions support temporary flexibility for the NCUA to forbear from prompt corrective action otherwise healthy credit unions impacted by the pandemic.

### **Providing Capital to America's Small Businesses**

As the COVID-19 pandemic persists, small businesses across the country will continue to need capital and credit unions are able to pump billions into the economy—at no cost to the government. However, one obstacle stands in the way: the arbitrary credit union member business lending (MBL) cap which limits some credit union lending activity to 12.25% of assets. We conservatively estimate that even removing the MBL cap will provide over \$5 billion in capital to small and informal business ventures, creating nearly 50,000 jobs over the course of just the next year.

### **Continuing to Serve Underserved Communities**

The Community Development Financial Institution (CDFI) Fund makes capital grants, equity investments and awards for technical assistance to community development financial institutions (CDFIs), including community development credit unions (CDCUs). CDCUs are charged with supplying low-income, distressed communities with traditional banking services, such as savings accounts and personal loans, and offering individuals the tools needed to become self-sufficient stakeholders in their own future. We support the funding of this vital program.

## **Strengthening National Security and Data Privacy**

### **Establishing a National Data Security Standard**

Due to the expedited need to bring more daily functions online during the COVID-19 pandemic, more consumers' data is at risk of cyberattack, identity theft, and online fraud than ever. While credit unions stand ready to help members piece their financial lives back together when their information is compromised, the lack of a nationwide data privacy standard continues to leave consumers and businesses open to continued attacks both foreign and domestic. Consumers deserve a national standard that covers all entities storing their data and that pre-empts the current patchwork of state laws.

## Continuing the Credit Union Mission

### **Preserve the Credit Union Tax Status**

Credit unions were established at the federal level during the Great Depression for the unbanked and underbanked to gain access to basic financial services—loans and savings. Since then, credit unions have remained one of the best investments the government makes in its citizens. Credit unions unique not-for-profit structure means earnings are passed along to member-owners, not a small group of wealthy outside investors. Preserving the credit union tax status is paramount in keeping financial services accessible for all Americans.

### **Credit Union Field of Membership**

Credit unions have a strong history of stepping up for their members, especially in underserved communities. That said, instead of putting millions upon millions of dollars into new regulations and set asides that, while well intended, will only cause more uncertainty and frustration, we encourage the modernization of credit unions' field of membership rules to better adapt to their changing environments and serve those individuals most in need.

### **Housing**

During this crisis, credit unions have provided their members with unprecedented access to affordable and sustainable mortgage loans. Despite the hardships in 2020, credit unions provided a record of almost \$130 billion in first lien mortgages over the first six months of the year, an amount greater than the total value of all first lien credit union mortgage originations in 2015. Almost 40% of these loans have been sold to the secondary mortgage market, making the effective functioning of Fannie Mae, Freddie Mac and Ginnie Mae even more critical during these uncertain times.

It is important to carefully review current GSE recapitalization plans and provide borrower assistance that allows for the rescission of adverse market fees while continuing prohibitions against G-fee volume discounts and completing the Consumer Financial Protection Bureau's Qualified Mortgage (QM) regulatory updates, so that our members can continue to provide affordable mortgages for low- and moderate-income borrowers and communities.

## **Credit Union Regulators**

### **National Credit Union Administration (NCUA)**

Credit unions have a healthy relationship with their prudential regulator and federal insurer, the NCUA. Under Chairman Hood's leadership, the NCUA has undertaken several helpful initiatives to ensure credit unions remain in a position to continue to serve their members through the crisis.

As a result of an influx of deposits following a substantial government stimulus to consumers impacted by COVID-19, credit union deposits have swelled and the National Credit Union Share Insurance Fund (NCUSIF) equity ratio temporarily declined. NCUA announced the reasonable and appropriate step of having credit unions "top off" their deposit in the NCUSIF to account for these new deposits. This is expected to return the equity ratio well above the statutory threshold requiring a restoration plan. However, the agency has indicated the possibility of a premium assessment to further bolster the Fund. While the current equity ratio prohibits the agency from assessing a premium, we are concerned that the NCUA may take the unnecessary step of assessing credit unions a premium charge if the Fund drops below 1.30% during this crisis. We urge the NCUA to forebear on any assessments, consistent with the forbearance toward distressed members the agency has urged credit unions to embrace.

### **Consumer Financial Protection Bureau (CFPB)**

Credit unions work every day to advance their communities and empower their members' financial well-being. The continuation of our long history of high-quality service to local communities has been especially essential during the unprecedented public health and economic crisis currently facing our nation. It is critical that the regulatory structure to which credit unions are subject, as well as the consumer protection regulations that they must follow, enable them to continue meeting the diverse and evolving financial services needs of America's credit union members.

In response to the pandemic, the CFPB has been proactive in issuing rules and special policy statements on several key consumer protection issues, including credit reporting, mortgage servicing, small dollar lending, remittances, and regulatory reporting. These actions have helped clarify the Bureau's compliance expectations and provided the flexibility necessary for credit unions to find innovative solutions to serving financially-distressed members.