

Federal Priority Issues Update

January 2024

Quick Reference

Congressional Leaders Negotiate Spending Targets for FY'24 but a CR Looms

Early in the new year, House Speaker Mike Johnson (R-LA) and Senate Majority Leader Chuck Schumer (D-NY) outlined their agreement to set funding levels for the current fiscal year. The tentative deal could help pave the way for a government funding compromise that could stave off a partial government shutdown. As of now, a shutdown is set to take place on January 19th; however, there was a recent announcement that a new short-term "laddered" continuing resolution will be necessary and considered the week of January 15th. These compromises have ruffled the far-right conservatives who organized the ouster of former Speaker McCarthy, over similar agreements.

Interchange Fight Now on Multiple Fronts

Late in 2023, the Federal Reserve Board announced proposed rulemaking in Regulation II with the internal goal of reducing the maximum debit Interchange fees that large card issuers can receive in a debit transaction.

At the same time in Congress, Senator Roger Marshall (R-KS) started the New Year by making a statement that the Senate Judiciary Committee will "most likely" hold a hearing on the Credit Card Competition Act (CCCA) or similar legislation targeting credit card Interchange this coming February. The GoWest Advocacy team, with input from credit unions, is developing a comment letter and advocacy strategy in response to the proposed Fed rule, while continuing to work with America's Credit Unions (ACU) and other industry organizations to showcase the significant problems with the CCCA, as we continue to review strategy on the issue to determine the most impactful next steps.

Federal Issues Working Group to Continue in New Year

During the 4th quarter, GoWest credit union leaders gathered to discuss the need to overhaul the Federal Credit Union Act and have outlined several initial targets for modernization. We hope to continue our conversations and begin outlining proposed legislative language later in January and have some final recommendations for the GACs in February 2024.

The 2024 Election Season is here, and it is going to be a Wild Ride

The GoWest delegation and Congress are seeing a significant number of retirements heading into the 2024 Election, eclipsing over 45 Members of Congress, as of this report, which will likely have a significant impact on the control and makeup of the House and potentially the Senate, following election outcomes. GoWest and local credit union leaders have already initiated discussions with several candidates vying for Congressional seats in the GoWest region, and we invite our members to get to know these individuals as well.

Negotiations Underway to Avoid Election-Year Government Shutdown

Speaker of the House Mike Johnson faces one of his hardest challenges since being voted in as speaker in late October. He announced that he had reached an agreement with Senate Majority Leader Chuck Schumer to establish spending targets for FY 2024, while making minor cuts to some non-defense spending, returning some un-utilized COVID dollars to the Treasury, and increasing some defense spending.

The outlined agreement would set funding levels at \$1.7 trillion for the current fiscal year's spending, including setting defense spending at \$886 billion for the current fiscal year, a 3% increase. It would also establish a relatively flat non-defense funding level at nearly \$773 billion, a total that could help pave the way for a set of appropriations compromises and avoid a partial government shutdown.

As you will recall, Congress passed a continuing resolution to keep the government funded through the new year and set deadlines for appropriations bill finalization. The first of those staggered deadlines is fast approaching, January 19th. On that date, the funding for the departments of Agriculture, Transportation, Energy, and Veterans Affairs all are set to expire, so unless lawmakers can negotiate and move legislation extremely quickly, a continuing resolution may be needed to avoid the partial shutdown of those departments. The second funding deadline is not far behind on February 2nd and includes funding for all the remaining domestic spending programs and the Department of Defense.

Over the weekend of January 12th, Speaker Johnson confirmed the deal was holding steady and outlined the need to pass a staggered set of short-term spending bills to ensure the government did not shut down at the current deadline. The initial announcement of the laddered continuing resolution would provide Congress a little bit more time to finish their appropriations legislation development and negotiations. Congressional leaders will move next week to pass a two-tiered stopgap into March, with less than a week until the first of the two partial-government shutdown deadlines, which we previously discussed. The agreement would fund federal agencies through two new timeframes, shifting the funding expiration dates forward to March 1 and March 8, respectively. Similar to previous budget negotiations, with a different set of players, Congress has less than a week to finalize eight appropriations bills and get them signed by the White House. This, while managing through the same tight majorities in both the House and the Senate, coupled with a vocal group of conservative Republicans who have already voiced their opposition to the funding agreement, and are grinding House actions to a near halt.

At the same time as funding levels and appropriations negotiations are in full swing, a bi-partisan group of Congressional leaders continue to call for Ukrainian funding, financial support for Israel, and an overarching financial and action support plan to help mitigate the current crisis at the Southern Border. These additional pressures have split both parties and are making negotiations and solutions more difficult to come by.

Senate President Pro Temp and Chair of the Appropriations Committee, Senator Patty Murray (D-WA) is working diligently to get appropriations bills moving, while calling on her colleagues to avoid adding language to legislation that will not be accepted by the other party. Additionally, behind the scenes, she is working with Senate leaders to craft a stop-gap spending bill that will allow more time for the appropriation dealings if the need arises.

Senator Murray outlined her thoughts. "We now have a framework agreement to allow us to finally begin the hard work of negotiating – and passing – full-year spending bills. We cannot afford to delay further, so I will be working with my colleagues around the clock in the coming days to prevent a needless shutdown and pass bipartisan spending bills free of partisan poison pills that protect key investments and help meet the challenges our constituents are facing."

Speaker Johnson continues to stand strong in support of the top-line budget agreement and with the new short-term spending agreement, much to the dismay of a small group of his party members.

Challenges for credit unions and your members if the government ultimately shuts down

If January 19th and / or February 2nd arrives and there is not a deal to continue funding the U.S. Government past the current continuing resolution at FY'23 levels, Treasury and the Federal Reserve will stop funding agencies whose funding is not deemed mandatory and will stop paying salaries for numerous government employees. While social security and other social safety net payments to U.S. recipients are considered mandatory and will continue to be provided, many federal employees and military personnel will stop being paid.

If a shutdown occurs, there are significant disruptions that we need to prepare for as a credit union movement, including:

- Credit union members who are federal government employees may not have the means to make their loan payments and may also need access to short-term funds to continue providing necessities for their families.
- Requests for loan deferrals, skip-a-payment, or short-term loans while the government negotiates a final funding mechanism will significantly increase.
- Some automatic deposits will not hit accounts, which may drive up net worth for credit unions, while simultaneously driving down on-hand cash and liquidity for individual financial institutions. This may lead to a rapid need for additional liquidity solutions at the Federal Reserve and the Federal Home Loan Bank, as well as flexibility from our regulatory partners.
- Federal grant programs and recipients will also be impacted by any extended government shutdown.

The GoWest Advocacy Team will continue to work with federal and state regulators to ensure operational flexibility for our member credit unions, while you work to provide the best financial services and options for your members. You can continue to obtain resources from the GoWest [Government Shutdown Resource Center](#), which has a number of tools that are provided to help our credit unions manage through these challenging situations. The GoWest team will continue to update and make additional tools available if we must prepare for this type of situation.

Interchange Fight Intensifies in Congress and at the Fed

The fight on the Interchange front has intensified with the Federal Reserve Board announcing it is intention to finalize a Regulation II rule that would proactively reduce the maximum allowable fees for debit Interchange fees for larger card issuers. The proposed rule would have significant impacts on financial institutions, likely reducing debit interchange fees by nearly one third for covered financial institutions above the \$10 Billion threshold but having residual impacts on small institutions as well. The move by the Fed has further emboldened key supporters of the Credit Card Competition Act (CCCA) – ([S. 1838](#) / [H.R. 3881](#)) like Senators Dick Durbin (D-IL) and Marshall as well as House sponsors Rep. Zoe Lofgren (D-CA-18) and Lance Gooden (R-TX-5).

"It couldn't be more timely; Americans have now passed a trillion dollars of credit card debt," said Marshall, who is sponsoring the bill along with Senate Judiciary Chair [Dick Durbin](#) (D-IL).

New industry partners have announced their opposition to the CCCA, stating the bill would hurt workers and jeopardize rewards programs solely to benefit big-box retailers:

- The Association of Flight Attendants
- Association of Professional Flight Attendants
- Communications Workers of America
- International Association of Machinists and Aerospace Workers

We continue to work collaboratively with ACU and other financial services leaders to defeat Durbin's efforts to move the CCCA on unrelated, must pass legislation such as the National Defense Authorization Act (NDAA), FAA Reauthorization, and the Farm Bill, which reauthorizes funding for major agricultural programs and safety nets like the Supplemental Nutrition Assistance Program, historically known as food stamps. The new threat of a full hearing in the Senate Judiciary Committee increases the stakes on the issue a bit, but it is unlikely that Durbin and Marshall have the votes to move it out of committee, much less the full Senate.

GoWest advocacy efforts will continue to showcase the significant windfall the CCCA would be for mega-retailers at the expense of security in the payments ecosystem, while significantly impacting the financial well-being and services available for everyday consumers. This will be a priority talking point for credit union advocates attending the Government Affairs Conference in March.

Just before the end of the year, Congress's own independent research and analysis entity, the Congressional Research Service (CRS), released a [report](#) outlining the negative outcomes that could befall consumers if the interchange legislation were to pass. This is the third major report outlining the adverse impacts of expanding the Durbin Amendment to include credit cards, while forcing payment network decisions to be made by government mandate versus by the businesses that have contracted for services. The following reports all point to the significant pitfalls that would be caused by the passage of the so-called "Credit Card Competition Act":

- [CRS In Focus Analysis](#) – release on December 13, 2023
- [Progressive Policy Institute Analysis](#) - released in late September
- [Cornerstone Advisor Report](#) - released in late July 2023.

The CCCA outlines that card issuers below the asset size of \$100 Billion, described as "covered card issuers" should not be impacted by the expansion of Interchange caps to include credit cards, while the original Durbin amendment that was included in the Dodd-Frank Act set the asset threshold at \$10 Billion for debit transactions caps. From the Cornerstone Report and several industry surveys, we understand that smaller credit unions and community banks have been impacted by the caps on debit interchange, due to the increase in fraud costs, even though they are below the covered asset threshold. GoWest supports an expansion of the Cornerstone Advisors Report to review the impact on both debit and credit card Interchange if the "covered card issuer" asset threshold was outlined at \$250 Billion and above, so we can better understand the impact on the credit union movement if our institutions were not impacted by the Interchange debate.

Stay tuned for additional information and Calls to Action regarding both the CCCA, and the Federal Reserve Board's proposed rule.

Federal Issues Working Group Looks to Modernize the FCU Act

A task force of GoWest credit union leaders met in the fourth quarter to discuss the growing need to update the Federal Credit Union Act in the very near future, as states continue to modernize and outpace the opportunities and flexibility credit unions are afforded within the federal charter. As many of you know, the federal charter has not been updated in earnest since the passage of the Credit Union Membership Access Act (CUMAA), which was approximately 25 years ago. Meanwhile the financial services landscape has witnessed disruptive evolution.

During discussions, the Federal Issues Working Group outlined a number of areas and issues that would be key targets for federal charter modernization, which is provided below for broader discussion and legislative development:

- Data Protection / Data Security Standards
- Interstate Branching – Riegle Neal for Credit Union Conceptualized
- Field of Membership Expansion or Elimination of the Concept
- Loan Maturity Limits at Market Levels
- Real Property Occupancy Flexibility
- Debit Interchange Flexibility
- MBL Cap Increase or Elimination
- Governance & Board Modernization
- Interest Rate Cap Flexibility
- Pre-Payment Penalties Elimination

The Federal Issues Working Group discussed that the time is now to develop a vision and strategy, and work toward an industry-wide collaborative plan to initiate the comprehensive modernization of the federal charter. Our GoWest credit unions and advocates have set the bar for collaboration, issue prioritization, and policy development. and it is time to bring that process to the national level. The Federal Issues Working Group will be meeting again in the near year to finalize their work.

While we continue to work to identify a strategy and outline for a broad federal charter modernization package, many members of our Congressional delegation remain committed to providing credit unions with more flexibility to help us deliver more people-over-profit services to consumers, small businesses, and communities. As such, we will continue to pursue these legislative measures and the development of options to provide credit unions with additional flexibility. These are the measures that have been introduced in the 118th that would provide credit unions with additional operational flexibility:

Credit Union Board Modernization Act ([H.R.582](#) / [S. 610](#))

The Federal Credit Union Act requires that a credit union board meet once a month. This outdated requirement forces credit union boards and staff to spend time and resources organizing board meetings every month rather than focusing on member services. It can take hundreds of hours of staff time to prepare for a board meeting, and a monthly meeting requirement creates travel burdens for the Board of Directors. This is especially burdensome in rural areas, for small credit unions, and during emergencies, such as the COVID-19 pandemic, when credit unions should be focused on helping members. The legislation has already passed the U.S. House of Representatives, and Senator **Kyrsten Sinema (D-AZ)** is the original sponsor of the Senate version of this bill. We continue to work with her closely on this issue.

Veterans Member Business Loan Act ([S. 539](#) / [H.R. 4867](#))

This legislation would increase the Member Business Lending cap on credit unions, allowing CUs to provide loans to Veteran-owned businesses without impacting the credit unions' MBL cap. Additionally, it would allow FCU loan maturities to go beyond the current 15-year limit for non-primary residences, and allow them to provide more market level loan maturities.

NCUA Loan Maturity Flexibility Act ([H.R. 6933](#))

A bi-partisan group of House members, led by Congressmen Scott Fitzgerald (R-WI-5) and Juan Vargas (D-CA-52) started the New Year by introducing legislation that would allow federal credit unions to make loans with maturities up to 20 years, where the current limit for non-primary residence loans is 15 years.

We look forward to continuing our work toward advancing federal public policy impactful to our collective credit union movement and guiding our federal advocacy agenda, while developing a broad legislative package to update the Federal Credit Union Act. Should you have any questions regarding the Federal Issues Work Group or the development of our future federal legislative agenda, please [email our team](#).

2024 Election Cycle is in Full Swing

Immediately after the New Year, we were informed that Colorado's long serving Congressman from Colorado Springs will not seek re-election and will retire following the conclusion of the 118th Congress at year's end. Rep. Doug Lamborn's (R-CO-5) recent announcement increases the number of GoWest delegation announced retirements or those seeking other seats to seven members, which is outlined below:

State	Member of Congress	District	Party	Announced Reason
AZ	Ruben Gallego	AZ-03	D	Running for Senate
AZ	Debbie Lesko	AZ-08	R	Retiring
CO	Lauren Boebert	CO-03	R	Running for the CO-4 Seat
CO	Ken Buck	CO-04	R	Retiring
CO	Doug Lamborn	CO-05	R	Retiring
OR	Earl Blumenauer	OR-03	D	Retiring
WA	Derek Kilmer	WA-06	D	Retiring

Our seven retiring members of Congress join nearly 35 other members of the U.S. House that have announced they will not seek re-election or will resign before the end of 2024. Currently, Democrats are slightly in the lead of Republicans who have announced their retirements; however, the vast majority of the Democrats that have made their retirement announcement are running for other offices, such as the U.S. Senate or Governor of their individual State. In the Republican arena, there are many more individuals who have made the decision to retire from Congress outright.

In 2023, we completed over 20 election and fundraising related events in all six of our GoWest states, and we had exceptional support and participation from our members. Thank you to our members and CULAC supporters, as we made a significant impact on our members of Congress and made new connections and relationships across our delegation.

As we head into a pivotal election season, the GoWest Advocacy team is looking to host additional events across our footprint and we will need your participation and support to make an even broader impact in our region, especially with seven open seats and 37 districts in play in 2024. Our team will keep you closely informed about upcoming events to engage with candidates and races across the region. We will spend time getting to know the front runners in each of the open seat races to determine which candidates support credit unions, and those that may not be the best advocates for our movement, as they seek election in these important positions.

Upcoming Federal Events

Federal Issues Working Group - January 31, 2024 (1:00 pm PT / 2:00 MT)
Federal Issues Working Group - February 27, 2024 (1:00 pm PT / 2:00 MT)
2024 National GAC - March 3 - 7, 2024
Spring Hike the Hill - May 21 - 23, 2024
Fall Hike the Hill - September 24 - 26, 2024

If you have any questions about the different moving components in the 118th Congress, please reach out to us at your convenience.

Ryan Fitzgerald

SVP, Advocacy
(c) 208.860.8072 | 800.995.9064
rfitzgerald@gowest.org

Madeline Robertson

Director, Federal Legislative Affairs
(c) 720.459.2463 | 800.995.9064
mrobertson@gowest.org