

AACUL Legislative Strategy Work Group

Federal Priorities

Ongoing Policy Issues of Concern

Maintain Interchange

Issue: Interchange limits on debit interchange continue to miss the mark and proposals remain active to broaden those to credit cards as well.

Recommendation: Work to protect current credit interchange structure while also seeking to modernize exemption threshold for debit.

Overdraft/NSF

Issue: Overdraft fees and non-sufficient funds (NSF) fees have come under scrutiny by regulators, posing a potential financial impact on credit unions.

Recommendation: Advocate that overdraft and NSF programs as valuable financial tools that provide critical support to credit union members, ensuring transparency and fairness while opposing broad classifications of these services as "junk fees."

Community Reinvestment Act

Issue: Certain interest groups and elected officials continue discussing applying the Community Reinvestment Act to credit unions.

Recommendation: Continue to fight against applying a federally designed banking regulation to be misapplied for credit unions.

Purchasing Bank Assets

Issue: Despite banks making the conscientious decision to sell their assets to a credit union the banking lobby continues efforts to prohibit these transactions despite it sometimes being in the best interest of their members.

Recommendation: Ensure no statutory changes to limit these transactions both in statute and in the NCUAs ongoing approach to review and approval.

Community Development Financial Institutions (CDFI) Approval Process

Issue: The process to become certified as a CDFI does not account for certain variances or data anomalies and keeps deserving credit unions from obtaining the designation and thus leveraging additional funds into communities requiring extra assistance.

Recommendation: Modernize and streamline the CDFI certification process and build in flexibility for certain metrics that may not scale.

Federal Charter Modernization

Member Business Lending

Issue: Arbitrary member business lending limitations reduce access to needed services from small businesses & reduces access to smaller businesses that large banks do not seek to serve.

Recommendation: Support legislation that increases or eliminates member business lending caps to allow credit unions to serve small businesses more broadly.

Loan Maturity Limits

Issue: Current 15-year loan maturity limits for certain loans can disadvantage federal credit unions compared to banks and some state-chartered credit unions even with current exceptions.

Recommendation: Increase loan maturity limits and increase to market levels on par with other lenders.

Field of Membership

Issue: Given the digital nature of consumers and reduction in geographic barriers, restrictive field of membership presents a barrier to some consumers accessing member-owned credit unions either through explicit or perceived limitations.

Recommendation: Reduce field of membership restrictions including across state lines and make the process to expand them simpler and more accessible. Consider removing field of membership restrictions entirely.

Capital Reform

Issue: Credit unions have restrictions on sources of capital and can only count retained earnings toward mandated requirements.

Recommendation: Support efforts that grant credit unions authority to build additional capital, including allowing regulators more authority to adjust as well as allow access to alternative forms of capital.

Board Meeting Modernization

Issue: Current board meeting requirements shift resources to fulfilling board-meeting requirements and can reduce opportunities for ongoing training, strategy, and development for boards.

Recommendation: Allow credit union boards to meet six times per year instead of monthly and truly allow for remote participation.

Interest Rate Caps

Issue: Current total interest rate ceiling set at 15% with NCUA authority to increase, which they have currently set at 18%

Recommendation: Modernize the total interest rate ceiling by removing the outdated statutory limitation and replacing it with a variable market-based ceiling along with adding parity to state institutions in line with the National Bank Act. Additionally, clarify the regulator's ability to increase the ceiling based on changes in market conditions.

Virtual Membership Meetings

Issue: Credit union member participation in annual meetings has been declining as people face busier schedules and are increasingly spread geographically especially following the pandemic that saw large movement patterns.

Recommendation: Ensure federal credit unions can utilize virtual membership meetings to increase participation and reduce barriers to participation.

Interstate branching

Issue: Consumers are increasingly mobile and increasingly accessing their financial services online. Additionally, certain credit unions have focused on narrow niches and may be better suited to bring those services to another area than trying to add them to a local institution.

Recommendation: Remove obstacles to interstate branching and fields of membership.

Modernize Direct Investment Authority

Issue: Credit unions lack key tools afforded to other financial institutions and increasingly for state-chartered credit unions to make direct equity investments in entities they work with directly and remains significantly restricted to the CUSO structure at a time when key partners are increasingly serving a broader range of industries.

Recommendation: Allow credit unions to make direct investments beyond the CUSO structure to allow them to gain board seats and become active participants in product development, early adopters of emerging technologies, potentially saving on product costs given ownership stake.

Record Retention Requirements

Issue: Current record retention requirements are outdated and crafted in a way that poorly utilizes limited staff resources and storage capacity.

Recommendation: Undertake a comprehensive review of current requirements and overhaul in a way that ensures critically important information can be best maintained while providing flexibility or options for credit unions to handle unnecessary, irrelevant, or outdated information.

Trust Powers

Issue: The FCU Act does not authorize FCUs to establish and offer trust accounts.

Recommendation: Allow credit unions the ability to hold trust accounts.

Private Share Insurance

Issue: There are several states that permit credit unions to be insured by private insurers.

Recommendation: When legislation is considered, ensure that it does not harm private insurance credit unions and provides parity for all institutions, no matter their insurer.

Real Property Ownership

Issue: Significant shifts in remote work combined with shifts in commercial real estate presents a challenge for credit unions when considering acquiring or developing new property for its business use.

Recommendation: Eliminate primary and partial occupancy requirements and any remaining move-in timelines to ensure credit unions have flexibility in determining how best to utilize facilities in a manner that best fits their operational needs & reflects current market conditions.

Board Compensation

Issue: Recruiting the next generation of board members is increasingly challenging given the importance of the credit union board's work and bringing in earlier-career members.

Recommendation: Allow federal credit unions the authority to determine whether or not to compensate board and supervisory committee members as well as associate board members they seek to develop into future board members.

Custody of Digital Assets

Issue: The NCUSIF does not insure digital assets or cryptocurrencies. By federal law, they only insure shares and deposits held in federally insured credit unions.

Recommendation: Permit credit unions to custody digital asset

Fiscal Year Flexibility

Issue: Fiscal year's aligning with calendar years may not align with credit unions strategic planning cycle and leads to conflicts with available auditors.

Recommendation: Allow credit unions to determine their own fiscal year dates.

Pre-Payment Penalties on Business Loans

Issue: Federal credit unions are not allowed to charge pre-payment penalties on commercial loans.

Recommendation: Provide federal credit unions with a tool to address early pay offs and foregone revenue for commercial commitments by allowing them to charge pre-payment in line with other business lenders.

Policy reforms

Consumer Financial Protection Bureau structural reform

Issue: The CFPB has dramatically increased the volume of regulatory actions and rhetoric with a one-size-fits-all approach that creates unintended consequences or problematic and expensive changes for credit unions.

Recommendation: Subject the agency to the congressional appropriations process and create a balanced oversight board to provide accountability and range of perspectives.

SAFE Banking

Issue: Cannabis continues to become legal in more states and due to the all-cash nature of the businesses have become targets for crime and impedes staff's ability to access services as well as businesses to access certain loans.

Recommendation: Pass the SAFER Banking Act.

Suspicious Activity Reports Reform

Issue: Credit unions are required to submit SAR reports for transactions over \$10,000, however when law enforcement agencies are reluctant to do anything unless fraud is upwards to \$100,000 or more.

Recommendation: Support efforts that reduce the burden of SAR, including increasing the threshold that triggers a report.

Central Liquidity Facility

Issue: Current burdens and pace make it less attractive than other liquidity options.

Recommendation: Overhaul the CLF to be an active and responsive liquidity source for credit unions by reducing response times, reducing approval barriers, and allowing corporate credit unions to become members and act as agents for smaller credit unions.

CDFI Funding

Issue: Limited and volatile funding levels for CDFI grants minimize the return on investment that CDFI credit unions can provide in their communities.

Recommendation: Increase levels of funding for CDFIs and ensure stability in year-over-year appropriations.

Third Party Vendor Authority

Issue: Credit union vendors providing key services are not subject to the same review and legal protections as those providing services to banking entities, removing a potential tool for credit unions to help address vendor issues or service/security threats.

Recommendation: Develop a narrowly focused capacity for NCUA to engage critical-service partners within existing NCUA budget.

Consumer-focused issues

National Data Privacy Standard

Issue: States continue filling the gaps left by Congress by passing different data privacy frameworks that add complexity to compliance without meaningfully holding other entities to the same standard as financial institutions.

Recommendation: Adopt a national data privacy framework that provides consistency, accountability, and standards for all entities holding consumer data.

Fraud Prevention

Issue: The cost of fraud continues to rise for credit unions.

Recommendation: Support legislation to help reduce fraud losses to credit unions and members, including more resources toward enforcement, opportunities that create a public-private partnerships for enhanced communication and ensuring all parties are held accountable.

Increase Financial Literacy Opportunities

Issue: People without exposure to financial education are increasingly likely to be un- or under-banked and face financial challenges and threats throughout their lives.

Recommendation: Support schools and public-private partnerships with credit unions to expand availability of basic and subject-specific financial education.

Housing Affordability and Accessibility

Issue: Every state faces housing shortages leading to challenges in homeownership or accessible rental housing.

Recommendation: Support funding and frameworks that lead to the construction of more housing supply, as well as identifying innovative partnerships where credit unions can leverage grants and other funds to help homeowners.

Emerging Financing Mechanisms

Issue: Consumers are increasingly presented with new financial products and services, some of which respond to specific needs and others that are not consumer friendly.

Recommendation: Ensure credit unions play a role in legislation that holds buy now pay later providers, earned wage access, payday lenders, home equity sharing agreement providers, and other products that consumers may not fully understand are held to the same standards for accountability and consumer protection as credit union financial products

Mortgage Trigger Leads

Issue: After a consumer's credit is pulled due to them applying for a mortgage, a credit bureau will share that data to lenders so they can provide competitive offers to the consumer. This results in an onslaught of calls to the consumer, who many times unknowingly blame their original lender for selling their data. This can also cause members to confuse solicitors with original lending institutions, which can also result in them falling victim to fraud.

Recommendation: Support efforts that prevent credit reporting agencies from selling trigger leads when individuals apply for residential mortgage loans unless the consumer has expressly consented.