America's Credit Unions

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June 5, 2024

The Honorable Dave Joyce
Chairman
Committee on Appropriations
Subcommittee on Financial Services
and General Government
U.S. House of Representatives
Washington, DC 20515

The Honorable Steny Hoyer
Ranking Member
Committee on Appropriations
Subcommittee on Financial Services
and General Government
U.S. House of Representatives
Washington, DC 20515

Re: Today's Markup: "Fiscal Year 2025 Financial Services and General Government Bill"

Dear Chairman Joyce and Ranking Member Hoyer:

On behalf of America's Credit Unions, I am writing regarding the Subcommittee's markup entitled, "Fiscal Year 2025 Financial Services and General Government Bill." With the release of the President's proposed budget for fiscal year (FY) 2025, we welcome this markup and the Subcommittee's diligence in reviewing the Administration's funding requests. We also welcome the opportunity to comment on several of the items in the budget and the Chairman's mark of interest to credit unions. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 142 million members nationwide.

Community Development Financial Institutions Fund

The President's budget proposes $325 million in new budget authority for FY 2025 for the Community Development Financial Institutions (CDFI) Fund. America's Credit Unions, in consultation with our partners in the credit union movement, recommends that the Fund receive an appropriation of $500 million in FY 2025. We also support the budget's proposed $500 million for the CDFI Bond Guarantee Program (BGP), which provides CDFIs with greater access to low-cost, long-term, fixed-rate capital. Specifically, the BGP fully guarantees long-term bonds with maturities of up to 30 years. Since its creation in 2010, this program has guaranteed $2.5 billion in bonds to 27 CDFI-certified institutions.

The CDFI Fund was established in 1994 by the Riegle Community Development and Regulatory Improvement Act and is administered by the Treasury Department. With 1,456 CDFI-certified institutions nationwide, the Fund makes capital grants, equity investments and awards for technical assistance to CDFIs. Examples of CDFIs include community development banks, community development credit unions, community development loan and venture capital funds, and microenterprise loan funds. CDFIs are required to provide a 1:1 match for most of the awarded funds, which are offered on a competitive basis. CDFIs finance community development initiatives such as small businesses, community facilities, and low-income housing.

CDFIs such as Community Development Credit Unions (CDCUs) are charged with supplying low-income, distressed communities with traditional financial services such as savings accounts, personal loans, and the tools needed to become self-sufficient stakeholders in their own future. The Fund uses small amounts of federal dollars to leverage significant amounts of private and non-federal dollars. This has added a tremendous boost to the CDFI industry, which relies heavily upon private sector funds from corporations, individuals, religious institutions, and private foundations. As the Subcommittee considers CDFI funding, we also encourage you to promote greater transparency and further improvements to the Fund to ensure that it works smoothly for CDFIs.

Problems at the CDFI Fund

CDFI-certified credit unions are key to achieving the mission of the CDFI movement. They work every day to expand economic opportunity for people and communities who have been excluded from the mainstream financial system. The 518 credit unions and cooperativas that are currently CDFI certified serve more than 19 million people through more than 3,100 branches, and CDFI credit unions lent more than $280 billion in their communities last year. They effectively leverage CDFI Fund resources, lending $12 to their communities for every dollar in award funding. CDFI-certified credit unions account for 61.6 percent of all loan products, including residential mortgages, offered by CDFIs. And their cooperative structure means that credit unions and cooperativas do well only when their members do well.

However, there is a challenging environment for CDFI-certified credit unions to be able to promote housing and economic opportunity. Recently, CDFI-certified credit unions seeking recertification from the Treasury Department, and those seeking certification, experienced a long waiting time for the Fund to release its updated application requirements. Additionally, credit unions expressed concerns regarding the acceptance of grants tied to CDFI certification maintenance or unreleased reporting requirements. The long-delayed Treasury Department finalization of these requirements meant the longer communities across the nation missed out on housing and economic opportunities. Further, when requirements were set outside of the risk tolerance of credit union governing boards, there was a decrease in participation by credit unions in this space. This represented a tremendous loss to underserved and low-income communities given CDFI-certified credit unions' primacy in offering mortgage loans and a full array of consumer financial products and services.

While the new and revised CDFI certification application and process heeds some credit union concerns, there remains uncertainty about how the Fund will handle denials and decertification. We believe Congress can and should act to provide greater clarity in this area and ensure smooth operations of the Fund.

America's Credit Unions is grateful for the work done by the CDFI Fund to accept and incorporate feedback in its long-overdue update to the CDFI Certification Application. It is of critical importance that the CDFI Fund maintain an open and transparent dialogue with CDFI certification applicants, including sharing the CDFI Certification Agreement as soon as possible and providing reasonable notice and explanation when certification is denied due to noncompliance.

Further, America's Credit Unions supports the following bills that address the certification application process and strengthen credit unions' ability to participate in the CDFI Fund. The legislation would ensure the Fund is operating transparently and providing clear communication to certified institutions and other stakeholders.

H.R. 3161, the CDFI Fund Transparency Act

We strongly support the CDFI Fund Transparency Act, introduced in the House by Representatives John Rose (R-TN) and Brittany Pettersen (D-CO). This bill passed out of the House Financial Services Committee by voice vote on May 16, 2024.

This important legislation would provide Congress with the ability to gather information and conduct better oversight of the activities and operations of the CDFI Fund within the U.S. Department of the Treasury.

We believe Congress can and should act to provide greater clarity in this area and ensure smooth operations of the Fund. This bipartisan, bicameral proposal would require the Treasury Secretary or their designee, such as the CDFI Fund Director, to testify annually before the Senate Banking Committee and House Financial Services Committee to provide a report on the CDFI Fund's operations. By requiring additional Congressional oversight and accountability of the Fund, lawmakers and constituents can ensure it is effectively carrying out its intended mission to help low-income and underserved communities. Increased transparency into the CDFI Fund would ensure all entities—both the government and financial service providers—remain focused on that mission. **Appropriations legislation would be an ideal vehicle to enact this important bill into law.**

H.R. 7338, the Rural Credit Access Act of 2024

Introduced in the House by Representatives Zach Nunn (R-IA) and Don Davis (D-NC), this important bipartisan piece of legislation would establish an Office of the Community Development Advocate for the CDFI Fund. Its function would be to establish a process for decertification of CDFIs. This legislation would require the Treasury Department to establish clear notification and recourse practices for CDFIs facing possible decertification, addressing a need not currently included in the revised certification application and process. The lack of notification and information can create significant confusion and problems for CDFIs facing decertification without suitable recourse and negatively affect the communities that depend on CDFI efforts.

We are proud and fierce proponents of the CDFI Fund and the work that it does in many overlooked communities. As we remain focused on supporting the CDFI Fund, it is important that we maintain our keen focus on processes that affect getting timely resources out into communities.

Community Development Revolving Loan Fund

The President's budget proposes $4 million in budget authority in FY 2025 for the Community Development Revolving Loan Fund (CDRLF). We respectfully request that funding for this account be increased to $6 million. This fund provides revolving loan and technical assistance grant programs to low-income credit unions. Last year, it had $2.75 million in loans on its balance sheet. In addition, $3.5 million in technical assistance grants were awarded to 147 low-income credit unions.

Created in 1979 and transferred to the National Credit Union Administration (NCUA) in 1986, the CDRLF assists credit unions serving low-income communities to: 1) provide financial services to their communities; 2) stimulate economic activities in their communities, resulting in increased income and employment; and 3) operate more efficiently. No Congressionally-appropriated funds are used to fund the CDRLF's administrative or overhead costs. These costs are paid by credit unions insured by the NCUA. Therefore, every dollar appropriated by Congress to the CDRLF is passed on directly to underserved communities and the credit unions that serve them.

Some of these CDRLF technical assistance grants have been used to help credit unions expand their digital services, such as mobile or home banking or electronic bill payment. Other grants have been used to help small credit unions fight fraud and embed EMV chips in their credit and debit cards. In addition, some grants have been used to open new branches in underserved areas or move from home-based locations to non-residential spaces. Also, some grants allow credit unions to offer services like free income tax preparation and financial literacy classes.

Finally, these grants enable small credit unions to offer a new product or service, such a new ATM or an asset liability management model. In an age of rapid consolidation in the credit union and small bank sector, it is vital to allow these small credit unions to compete and not have to close shop or merge with a larger financial institution that may not know the needs of the members of these small credit unions.

Financial Crimes Enforcement Network

The President has proposed a $215 million budget in FY 2025 for the Financial Crimes Enforcement Network (FinCEN) within the U.S. Department of the Treasury. America's Credit Unions supports this request.

FinCEN is our nation's "Financial Intelligence Unit." FinCEN plays a critical role in combatting money laundering and other illicit uses of the financial system that fuel international terrorism, cybercrime, corruption, human rights abuses, and the illegal trafficking of persons, drugs, weapons, wildlife, and more. Crucially, FinCEN is also a key player in detecting any attempts to evade sanctions or US-imposed import restrictions related to the Russian Federation.

Proposed Policy Riders

The Financial Services and General Government Appropriations Act for Fiscal Year 2025 includes a number of needed and beneficial policy changes that credit unions support. Among these provisions that America's Credit Unions supports are:

- A prohibition on the expansion of the Small Business Administration's direct lending program.
- The replacement of the Consumer Financial Protection Bureau (CFPB) Director structure with a bipartisan, five-person commission.
- A prohibition on the CFPB to require small banks to collect and report sensitive and private information on their customers.
- Prevention of the CFPB from capping credit card late fees.
- Prohibiting funds in the bill from being used for the CFPB's non-bank registry that would impose severe and complex measures on covered entities.
- Prevention of a U.S. Central Bank Digital Currency or the discontinuing of paper currency as the U.S. legal tender.

In Conclusion

Credit unions are often the exact types of community lenders that are perfectly suited to help someone make that mortgage payment or receive that small loan to pay their one or two employees. Credit unions, not predatory lenders, should be where these Americans turn for financial assistance. On behalf of America's Credit Unions and their over 142 million members nationwide, I urge you to fully fund these important programs and enact these needed policy reforms. Thank you for your consideration.

Sincerely,

Jim Nussle, CUDE
President & CEO

cc: Members of the Subcommittee on Financial Services and General Government