



Regulatory burden on credit unions

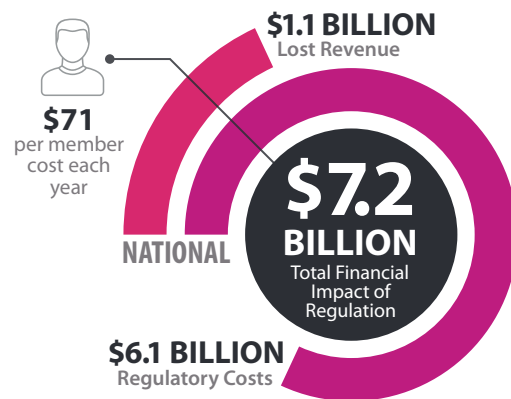
Financial impact on 105 million credit union members

For many Americans, credit unions are their opportunity for affordable financial services, but regulatory burden continues to provide challenges to credit unions and their members.

The total financial impact of regulations on credit unions is large, and has grown considerably over the past several years.

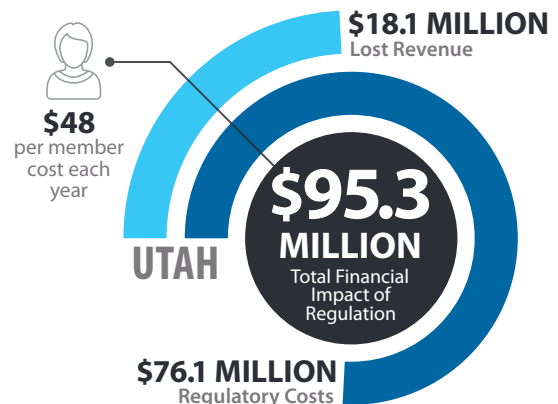
Since 2010, the total financial impact of credit union regulatory burden has increased by \$2.8 billion.

The cost of regulation extends beyond just the credit union themselves. Credit union members end up paying the price for regulatory burden, too.








Financial impact on 2 million Utah credit union members

The regulatory burden affects Utah credit unions in the same way it impacts credit unions nationally. Utah's 72 credit unions, which serve more than 2 million members, are burdened with \$76.6 million in regulatory costs and \$18.8 million in reduced revenue. That's a total impact of \$95.3 million.



Regulatory burden subjects 105 million credit union members to:

- ▶ Higher loan rates 
- ▶ Fewer services and products 
- ▶ Less access to modernized technology 
- ▶ Longer wait times for mortgage loans 
- ▶ Increased inconvenience on services 

As owners and users of their credit unions nationally, regulatory burden costs members \$71 each year.

Source: CUNA's calculation using NCUA Dec 2014 Call Report data and Cornerstone Advisors, Inc "Regulatory Financial Impact Study".



Credit Union Legislation Summary

Credit union members will benefit from policymaking that includes more voices.

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.

CUNA commissioned study reports reduced revenue resulting from the Durbin Amendment regulatory burden was conservatively estimated at \$1.1 billion for credit unions in 2014.

Repeal Durbin Amendment (Dodd-Frank)

- The Durbin Amendment requires the Federal Reserve to limit the interchange fees charged to retailers on debit card transactions.
- The intent was to pass the fee savings back to consumers.
- A recent study by the Federal Reserve Bank of Richmond surveyed a diverse set of merchants and found that more than three-fourths in the sample did not change their prices after the Durbin Amendment was implemented. That means retailers have pocketed more than \$36 billion to date.

A bank makes this loan and it's classified as a residential real estate loan, a credit union makes this same loan and it's classified as a business loan.

Member Business Lending: HR 389, Credit Union Residential Loan Parity Act (Rep. Royce)

- Exempts 1-4 Family Non-Owner Occupied Residential Loans from the MBL cap.

Data breaches expose credit unions to significant financial costs and reputational risk.

Merchant Data Breaches

- In 2016, 1,093 data breaches occurred in the U.S., a 40% increase from 2015.
- More breaches occurred in 2016 by the business community than breaches in the healthcare industry and government combined.
- Credit unions need the ability to inform members about a breach, including where it occurred.
- There needs to be shared responsibility for all involved in payment system for protecting data. The cost of a data breach should ultimately be borne by the entity that incurs the breach.

Credit unions are exempt from federal income tax because of their structure as not-for-profit financial cooperatives and their mission to promote thrift and provide access to credit for provident purposes.

Preserve Tax Exempt Status

- Credit unions work for their members, not shareholders.
- Credit unions provided members and non-members \$13.45 billion in financial benefits to consumers in 2016.