

December 11, 1999

The Honorable Norman E. D'Amours  
The Honorable Dennis Dollar  
The Honorable Yolanda Wheat  
National Credit Union Administration Board  
1775 Duke Street  
Alexandria, VA 22314

Dear Members of the Board:

I am writing on behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, to urge NCUA to reconsider its decision to distribute a survey soliciting information in connection with credit unions' service to low-income individuals.

Among the items discussed at the December 10<sup>th</sup> meeting of NAFCU's Board of Directors, was the survey authorized by the NCUA Board at its October meeting. It is of great concern to NAFCU that the NCUA Board has decided to go forward with this initiative. We feel that it is inappropriate, biased, a waste of both NCUA and credit union staff time and resources and should be withdrawn before credit unions' confidence in the federal charter as well as in their federal regulator is eroded further. This conclusion is not simply a reaction to the proposal – but comes after we have taken the time to deliberate on the pros and cons of the survey itself and the comments that our members have provided to us after having been afforded an opportunity to review the substance of the survey.

NAFCU feels compelled to remind NCUA that as an independent federal agency, you are, first and foremost, a regulator of the safety and soundness of credit union operations, not their social mission. Whether this initiative is cast as a regulation, a survey, a requirement in the business plan or any variation thereof, NAFCU cannot support it. The simple reason for our position is this: Credit unions exist only for the benefit of their members. Would the regulator be so bold as to say that only those credit unions that have within their field of membership an underserved community are meeting NCUA operating requirements? Under that theory should single common bond credit unions unfortunate enough to be sponsored by successful companies that pay their employees high wages be forced to close down? Should community chartered credit unions that had the poor vision of locating within the geographic confines of well-to-do communities abandon their members in search of less affluent ones? Clearly the answer to

these questions are no. What is not so clear is what is expected of credit unions in situations not unlike the ones described herein.

NCUA has no authority to hand select those groups that will be fortunate enough to reap the benefits of obtaining financial services from credit unions. Lately, however, the agency has been acting as though – if it does not have the actual authority – the authority it does have can be wielded in a manner that will bring about an outcome that the agency most desires. This outcome, of course, would be the provision of services to a greater number of low-income individuals.

Although the Board's public rationale for issuing the survey was to determine what credit unions are doing to serve the underserved, by its own admission, this cannot possibly be the true. In his letter to NAFCU's President, Ken Robinson, dated August 24, 1999, Chairman Norman E. D'Amours stated that, "[c]redit unions have always had the proud statutory purpose and historical record of serving their members, especially of reaching out to low-income consumers to help them escape the spirit-crushing entrapment of heavy debt, predatory lenders and a lack of education on money management." Beyond even this admission is the recognition by Congress in its findings in the Credit Union Membership Access Act that "credit unions continue to fulfill [their] public purpose." NCUA must then, if its public rationale represents the true motivation behind issuing the survey, be ignoring both the admission of its Chairman and the findings of Congress. It is not surprising that credit unions have reacted so negatively to the survey.

In fact, NAFCU believes that the survey serves no purpose other than to divide credit unions and potentially serve as the vehicle for the introduction of yet more unnecessary regulations. Because it will only be distributed to federally-chartered credit unions, the survey has the effect of dividing credit unions along charter lines. If, as NCUA states, its ultimate goal is to bring credit union services to more low-income individuals, the distinction between federal and state charter should be irrelevant. After all, it does not matter to a consumer whether it is a federally-chartered credit union that grants the loan - what matters is that the loan is fair. Even the Chairman, whose public stance on service to the underserved would portray him as a champion for low-income individuals, proposed an initiative that would have divided credit unions by asset size. It is still unclear to NAFCU how the size of a credit union can function as a determining factor in bringing services to a low-income person.

Beyond the incomprehensible manner in which NCUA has decided to issue the survey is a more important concern – that this survey will ultimately result in greater regulation of federally-chartered credit unions. As discussed earlier, NAFCU will never support a regulation that is so clearly unnecessary. We would, however, support regulations not unlike Board Member Dollar's "Reg Flex" that are designed to alleviate the significant burdens under which federally chartered credit unions now operate. We would also suggest that if the agency is sincere in bringing services to low-income individuals, that Board Members and staff look into the following areas:

1. Dedicating existing resources to Board Member Wheat's project to identify underserved communities across the United States;
2. Drafting definitions for "low-income occupational" and "low-income associational" groups (since such concepts do not currently exist) to be included in IRPS 99-1;
3. Devote existing resources to working with the Small Business Administration to repeal regulations that are biased against credit unions;
4. Utilize the Office of Community Development Credit Unions in a more efficient manner to bring about a greater use of credit union services in low-income areas.

NAFCU hopes that these suggestions are helpful, and we would like to thank you for this opportunity to share our views. Should you have any questions or require additional information please call me or Ken Robinson, NAFCU's President, at (703) 522-4770 or (800) 336-4644 ext. 215.

Sincerely,

A  
Ronald Keeler  
Chair  
Board of Directors

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