

## MCUL 2015-16 ADVOCACY AGENDA

### Tier I

Tier I issues include those issues that are “signature” efforts, either proactive or defensive, that will demand attention or that have been brought to MCUL due to an identified need from the credit union community. In almost all cases: these issues are no longer developmental but have been introduced; drafting is completed and introduction is pending; and/or active stakeholder work is underway. These issues have tangible and quantifiable impact potential for credit unions’ financial or operational performance, or from a liability perspective. Issues in Tier I may downgrade depending on activity or potential for passage, and new issues may be added or upgraded into Tier I as activity level or potential for passage rises.

| STATE LEGISLATIVE                       |                        |               |                   |               |  |
|---|------------------------|---------------|-------------------|---------------|--|
| Issue                                   | Type                   | Primary       | Secondary         | Position      | Status   |
| MCUA Revisions                          | Proactive<br>Defensive | Kingdon Ligon | Ross              | Support       | <b>In Drafting.</b> MCUL is finalizing recommendations for the Board for a series of technical and substantive revisions to the MCUA.  |
| Retailer Accountability for Data Breach | Proactive              | Kingdon       | Ross              | Support       | <b>In Drafting.</b> Sen. Darwin Booher requested bill language last session that would provide accountability for breaches.  |
| Installment Loans by Payday Lenders     | Defensive              | Kingdon Ligon | Ross<br>Stevenson | Oppose        | <b>In Drafting.</b> Last session, legislation was introduced that would have allowed a monthly service charge for closed-end loans under the RLA at 9.75% per month calculated from the original principal amount (est. 208% APR), creating enough profit margin to enable payday lenders to do installment loans. |
| PRE on Foreclosed Properties            | Proactive              | Kingdon       | Ligon             | Support       | <b>S.B. 81.</b> Senator Booher introduced legislation to allow financial institutions to retain the PRE on foreclosures. This bill was passed by the Senate, and is now awaiting testimony in the House Tax Policy Committee.  |
| Title Loans through Pawnbroker Act      | Defensive              | Kingdon       | Ligon             | Likely Oppose | <b>In drafting.</b> Last session, legislation was introduced that would allow a monthly usage fee on pawned items up to 20%, creating enough profit margin to enable title lenders to loan against equity of vehicles.   |

| STATE REGULATORY                           |           |                   |           |                   |   |
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| Issue                                      | Type      | Primary           | Secondary | Position          | Status  |
| State MBL Rule                             | Proactive | Stevenson         | Kingdon   | Support           | <b>Exploring.</b> Several state- chartered institutions have requested that the MCUL look into a possible state MBL rule.   |
| IRS Form 990                               | Defensive | Stevenson<br>Ross | Kingdon   | Pending           | Member credit union broughtforth issue of back taxes owed to Michigan Department of Treasury based on past credit union 990 filings. Treasury is indicating because CEO of member credit union's income exceeds \$160,000 credit union cannot be considered for small business alternative credit. MCUL is working with Doeren Mayhew on issue who requested informal hearing with the Department of Treasury.<br>Treasury has two years to respond to request. (submitted early 2013)  |
| Interest on Lawyers Trust Accounts (IOLTA) | Proactive | Stevenson         | Ross      | Pending (Support) | HR 3468 – The Credit Union Share Insurance Fund Parity Act, signed by President Obama in December 2014 now extends NCUA share insurance coverage to IOLTA Accounts providing parity with the FDIC. However, at the state level the Michigan Rules for Professional Conduct (MRPC) do not include credit unions on the list of eligible financial institutions as credit unions up until the enactment of HR 3468 could not cover IOLTA accounts under the NCUSIF thus disqualifying them from offering IOLTAs. The MCUL has reached out to the Michigan State Bar regarding the current MRPC and have been advised the State Bar will be meeting soon to discuss a change to the MRPC and will update the MCUL once a course of action has been determined. |
| FEDERAL LEGISLATIVE                        |           |                   |           |                   |   |

| Issue                                   | Type      | Primary | Secondary | Position | Status  |
|---|-----------|---------|-----------|----------|---|
| Tax Reform                              | Defensive | Kingdon | Ross      | Pending  | Initial discussion draft protects credit union tax exemption and related tax obligation exemptions. Rep. Camp introduced <b>H.R. 1</b> to memorialize prior to expiration of 2014 session.  |
| GSE Reform                              | Defensive | Kingdon | Ross      | Pending  | <b>In Drafting.</b> Last session, S. 1217 (Johnson-Crapo) passed the Senate Banking Committee and H.R. 2767 (PATH Act) passed U.S. House Financial Services. Any new legislation must contain access to secondary market for community institution, as well as guaranty for the 30-year fixed product.  |
| Regulatory Reform and Compliance Burden | Proactive | Kingdon | Ross      | Support  | Last session, a laundry list of measures were introduced to enact both targeted and broad-based reforms to Dodd-Frank and other regulatory schemes. The Clear Relief Act, Mortgage Choice Act, proposed structural reforms to the CFPB, and targeted amendments to create or broaden exemptions will all be supported again. Further, MCUL will work with CUNA and the Michigan delegation to promote raising the Dodd-Frank threshold from \$10B to \$80B, indexing it, and exempting institutions that fall below it from Dodd-Frank's rules. |

#### FEDERAL REGULATORY

| Issue                                    | Type      | Primary              | Secondary | Position | Status   |
|--|-----------|----------------------|-----------|----------|--|
| NCUA Proposed Rule re Risk-Based Capital | Defensive | Stevenson<br>Kingdon | Ross      | Pending  | Initial Comments Submitted May 28. NCUA is expected to issue its new proposal January 15, 2015, with an extended comment period for credit unions and other parties to review and provide input. |

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| CFPB Regulation E                           | Proactive | Stevenson<br>Kingdon | Ross | Pending | <b>Exploring:</b> Formulated workgroup of credit union representatives to discuss liability for consumers under Reg E and how to protect credit unions from loss due to “card cracking” and other fraudulent transactions committed by consumers.   |
| CFPB Proposed Rule addressing Prepaid cards | Defensive | Stevenson<br>Kingdon | Ross | Oppose  | <p>Proposal issued with comments due March 23, 2015. Would expand coverage for prepaid cards. Imposes many credit card protections on to prepaid cards. Protections include ascertaining ability to repay before card is extended, monthly periodic statements, limits on first year total fees, late fee limits. Proposal also would require issuers to provide standard disclosures similar to credit cards initially and upon issuance.</p> <p>CFPB would also require the issuers to post the long form of the disclosure on its website and provide a copy to the CFPB to be posted to their website. Additional liability and error resolution protections would also be extended to prepaid cards under this proposal.</p> |

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| CFPB Proposed Rule regarding changes to Mortgage Servicing | Defensive              | Stevenson Kingdon | Ross | Oppose (Majority of items) | Proposal issued with comments due March 16, 2015. Proposal to amend TILA and RESPA to require servicers to provide certain borrowers with foreclosure protections more than once over the life of the loan and would require that services provide these protections again for borrowers who have brought their loans current at any time since the last loss mitigation application. The proposal would also expand consumer protections to surviving family members (successors in interest.) Proposal would add a general definition of delinquency as well as amend required disclosures for force-placed insurance. The proposal also would require servicers to provide early intervention notices to certain borrowers in bankruptcy or invoked their cease communication rights under the FDCPA. There are also proposed changes to Loss mitigation, prompt payment crediting and periodic statement requirements. |
| CFPB Proposal: Payday Loans and Deposit Advance Products   | Proactive<br>Defensive | Stevenson Kingdon | Ross | Pending (Oppose)           | Currently in Prerule Stage- The CFPB has issued rulemaking agenda for 2015 and will be addressing Payday Loans and Deposit Advance Products. Proposed Rule slated for February 2015.   |
| CFPB Proposal: Overdraft Protection Programs               | Defensive              | Stevenson Kingdon | Ross | Pending (Oppose)           | Currently in Prerule Stage – Also on the CFPB rulemaking agenda for 2015 is a proposal addressing overdraft protection programs slated for issuance in July.   |

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| CFPB Proposal:<br>Debt Collection | Defensive | Stevenson<br>Kingdon | Ross | Pending<br>(Oppose) | Currently in Prerule Stage – Also on the CFPB rulemaking agenda for 2015. Proposal will look at way debt collectors report debts, how disputes are handled and the time period for reporting certain information to the credit reporting agencies. Proposal is expected in April 2015. Issue is the CFPB is looking very broadly in terms of debt collection by looking at everything from debt buyers to collectors, first party collectors, and banks (and credit unions) collection for others and themselves. |
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#### Tier II

Tier II contains those issues that are important, but: are not currently active but action is expected this session; will be pushed for after further work is completed or if opportunity is presented; are still somewhat developmental but nearing active status; or in the case of “defensive” or externally generated measures, are not expected to be controversial but still need to be monitored closely or may require minor adjustments.

| STATE LEGISLATIVE   |           |         |           |          |   |
|---------------------|-----------|---------|-----------|----------|---|
| Issue               | Type      | Primary | Secondary | Position | Status  |
| Patent Trolling     | Proactive | Ligon   | Kingdon   | Support  | <b>In Drafting.</b> Last session, H.B. 5701 did not pass House Michigan Competitiveness Committee. The bill would prohibit and provide remedies for claims of patent infringement made in bad faith.          |
| Garnishment Reforms | Defensive | Ligon   | Kingdon   | Pending  | <b>H.B.4119-4120.</b> H.B. 4119-4120 passed out of the Senate Committee and is awaiting action on the Senate Floor. This legislation modifies provisions related to garnishments and liability of garnishees. |

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| Uber Regulation | Defensive | Ligon | Kingdon | Pending | <b>In Drafting.</b> Last session, H.B. 5951, passed House Energy & Tech, but died in the House. The bill would create the regulatory scheme for services such as Uber and Lyft, overlaying local agreements. Insurance issue needs resolution, with regard to protection of collateral used for commercial purposes. |
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| FEDERAL LEGISLATIVE                           |           |         |                |          |  |
|---|-----------|---------|----------------|----------|--|
| Issue   | Type      | Primary | Secondary      | Position | Status   |
| Supplemental Capital                          | Proactive | Kingdon | Ross           | Support  | <b>In Drafting.</b> Last session, H.R. 719 did not pass. Legislation would enable use of supplemental capital.   |
| Member Business Lending                       | Proactive | Kingdon | Ross           | Support  | Last session, H.R. 688 and S. 968 died. Legislation would raise business lending cap from 12.25% to 27.5%.   |
| Retailer Liability For Security Breach Events | Proactive | Kingdon | Ross Stevenson | Support  | MCUL is gathering data and communicating with state and federal policymakers on the balance of liability between retailers and financial institutions for breach events. |
| Credit Union Residential Loan Parity Act      | Proactive | Kingdon | Ross           | Support  | Last session, H.R. 4226 was introduced, but did not pass. Would remove commercial loans on apartment buildings from the definition of business loans for credit unions.  |

### Tier III

Tier III issues are those that are: still fully developmental; of secondary or indeterminate importance from a fiscal or operational standpoint for credit unions; or, in the case of introduced legislation, have little chance of further movement but still need to be monitored.

| STATE LEGISLATIVE                          |           |         |           |          |  |
|--|-----------|---------|-----------|----------|--|
| Issue                                      | Type      | Primary | Secondary | Position | Status   |
| Notarization re Real Property Transactions | Defensive | Ligon   | Kingdon   | Pending  | SOS is expected to bring legislation requiring training and background checks for notaries engaging in real property transactions. |

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|-----------------|-----------|---------|-------|---------|---|
| Bank Tax Relief | Defensive | Kingdon | Ligon | Pending | Last session, S.B. 516, passed the Senate and passed House Tax Policy Committee. Michigan Bankers Association is seeking tax calculation relief for its members. Inadvertent reference to NCUA requirements created a potential negative inference about CU tax exemption, but MCUL successfully amended the reference in Senate Finance Committee in last year's bill. |
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| FEDERAL LEGISLATIVE        |           |         |                   |          |   |
|----------------------------|-----------|---------|-------------------|----------|---|
| Issue                      | Type      | Primary | Secondary         | Position | Status  |
| Examination Fairness       | Proactive | Kingdon | Ross              | Support  | <b>In Drafting.</b> Legislation has been introduced for several sessions that would provide for transparency and procedures to minimize retaliation.  |
| Overdraft Protection Act   | Defensive | Kingdon | Ross              | Oppose   | <b>In Drafting.</b> Legislation has been introduced for several sessions that would govern and restrict overdraft products and practices.   |
| SAFE Act Revisions         | Proactive | Kingdon | Stevenson<br>Ross | Support  | Member credit union wishes to request an initiative related to application of MLO registration provisions under SAFE act and CFPB regulations. Contact has been made with U.S. Rep. Huizenga's office and research is underway. |
| Privacy Notice Elimination | Proactive | Kingdon | Ross              | Support  | Legislation will be re-introduced that would largely eliminate requirements to send annual privacy notice statements unless the underlying policy has been changed. CFPB rules have handled significant portions of this.       |