

Federal Issue Brief



Background

Between 2008 and 2013, credit unions were subject to more than 120 regulatory changes and proposals from at least 15 different federal agencies. Regulatory burden is particularly significant for credit unions because the overwhelming majority of credit unions are small asset sized (SAS) institutions. Nearly one-half of Michigan's 297 credit unions operate with five or fewer full-time equivalent employees.

Taken together, new regulations issued by CFPB and other agencies, and their related commentary, simultaneous amendments, and implementation guides, total thousands of pages. Credit unions are working hard to comply, but have not been provided sufficient time to synthesize them and find ways to comply with onerous rules that are clearly intended to remedy the bad behavior of much larger institutions.

The MCUL urges Congress to explore raising and indexing the \$10B threshold to at least \$50B; exempting institutions below the threshold from CFPB regulations as well as examination; broadening appropriate exemptions and safe harbors for small servicers and safe products; and addressing fair lending concerns uniformly with regard to indirect lending.

Effect

- Every time a rule is changed, there are certain upfront costs incurred: data processing systems must be reprogrammed; resources must be applied to comply with the changes; forms and disclosures must be updated; and staff must be retrained.
- Ever-changing and increasing regulatory burden is particularly onerous for small institutions. Most of the costs of compliance do not vary by size, and therefore are proportionally a much greater burden for smaller institutions.
- Heightened regulatory burden jeopardizes institutions and leads to higher incidents of merger among credit unions.
- Michigan's credit unions did not engage in abusive activity nor were they the cause of the financial crisis. They should be allowed to offer products as they have been, without the crippling burden of new regulations designed to address the abuses of others.

Status/MCUL Position

Privacy Notice Elimination Act: H.R. 749/S. 635 were introduced in 2013, and H.R. 749 passed the U.S. House last year. The act would require privacy notification be sent to a member when the policy changes, rather than annually.

Examination Fairness: H.R. 1553/S. 727 were introduced in 2013, takes firm steps toward making the examination process more consistent and transparent.

CLEAR Relief Act: H.R. 1750/S. 1349 would provide targeted points of relief related to the small servicer exemption, impact studies, etc.

Mortgage Choice Act: H.R. 3211/S. 1577 amend TILA with respect to requirements for disclosure to a consumer of points and fees information about a consumer credit transaction to allow more loans to qualify for the "qualified mortgage" safe harbor in new "ability to repay" regulations.

CFPB Reform Package: H.R. 450/H.R. 2385/H.R. 2402/H.R. 2446/H.R. 2571/ H.R. 3183/H.R. 3192/H.R. 3193 and others, provide various reforms to the structure and governance of the CFPB to provide accountability and common sense in regulation.

Portfolio Lending and Mortgage Access Act: H.R. 2673 would amend the Truth in Lending Act with respect to the permission that a creditor may presume that a residential mortgage loan has met the requirement that, at the time the loan is consummated, the consumer has a reasonable ability to repay it, if the loan is a qualified mortgage. It would treat as a qualified mortgage any residential mortgage loan made by a creditor so long as is held in portfolio.

Community Institution Mortgage Relief Act: H.R. 4521 would amend TILA to exempt from certain escrow or impound requirements a loan secured by a first lien on a consumer's principal dwelling for creditors with assets of \$10 billion or less and would amend RESPA to direct CFPB to provide either exemptions or adjustments from the mortgage loan servicing and escrow account administration requirements for servicers that annually service 20,000 or fewer mortgage loans (currently 5k).

MCUL supports these measures for targeted regulatory relief for Michigan's credit union industry, and urges co-sponsorship and strong support.