America's Credit Unions

Jim Nussle
President & CEO
202-508-6745
jnussle@americascreditunions.org

99 M Street SE
Suite 300
Washington, DC 20003

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The Honorable Patrick McHenry
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing and Urban Affairs
U.S. Senate
Washington, DC 20510

The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing and Urban Affairs
U.S. Senate
Washington, DC 20510

Re: Setting the Record Straight on Credit Unions in Light of Recent ICBA Attacks

Dear Chairmen McHenry and Brown and Ranking Members Waters and Scott:

On behalf of America's Credit Unions, I am writing in response to the ongoing and tired attacks on credit unions in recent messaging from the Independent Community Bankers of America (ICBA). America's Credit Unions is the voice of consumers' best option for financial services: credit unions.

To set the record straight: the bankers' underlying claims have been proven over and over to be meritless, and we reiterate that here again.

America's Credit Unions has a singular focus: to protect, empower, and advance the needs of credit unions and their members nationwide. With defined fields of membership, credit unions build capital from their members and lend to their members with very limited opportunities for investments and other capital sources. Credit unions – to the extent that they can – remain competitive with for-profit banks by providing greater rates of return on deposits and more affordable loans. Credit unions also are the only depository financial institution in the country that are democratically owned and operated: Credit unions epitomize relationship banking.

All types of credit unions have low-income individuals within their membership: some credit unions are designated low-income or minority depository institutions; others have underserved areas in their fields of members; still others are opening branches in communities where banks are closing them. Every other day there is another credit union merger due to the dramatic increase in cost of doing business in our country relative to fraud from cyber criminals; regulatory cost; and the desires from consumers for mobile banking and enhanced products and services. Fundamentally, despite all these headwinds, credit unions exist to provide provident credit, and the numbers prove that.

Fact: Despite significant field-of-membership restrictions on who they can serve, credit union mortgage lenders equaled or outperformed bank mortgage lenders across 115 of 159 key mortgage performance metrics (73% of all performance criteria).

Fact: Banks are selling to credit unions at a miniscule rate. Since 2012, 2,453 banks have sold to other banks while 67 banks have sold their assets to credit unions.

Fact: Banks closed 10,561 net bank branches during the same timeframe that credit unions opened 1,745 net credit union branches.

Fact: Credit unions follow the same anti-discrimination laws banks do and are heavily examined and regulated.

Fact: Banks have incurred more than $250 billion in fines since the Great Recession. A recession that was caused by greedy banks lending to individuals who could not afford the loans.

Credit Union Mortgage Lending Performance

To take a deeper look into credit unions' lending, credit union mortgage lending data shows strong mortgage originations to a wide range of borrowers. Credit unions achieve this favorable performance without the need for additional regulatory mandates. Credit unions reflect higher share-of portfolio indicators for minority and lower-income populations than other financial institutions.[1]

Credit unions also outperform other lenders on key mortgage portfolio share indicators. Black borrowers make up 6.5% of credit unions' mortgage originations compared to 5.6% of banks', and low and moderate income borrowers make up 27.9% of credit unions' originations compared to 27.3% of bank originations. The savings are largest for those with lower credit scores.[2]

In one example, as shown in the following chart, credit unions have consistently increased their share of mortgage loans to black borrowers at a rate well above banks.

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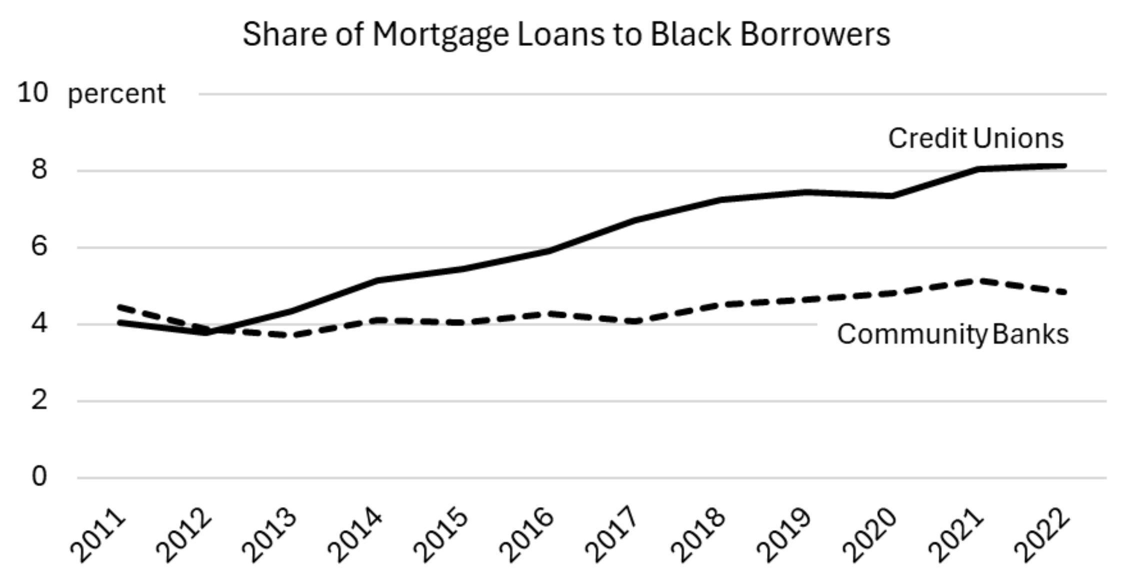
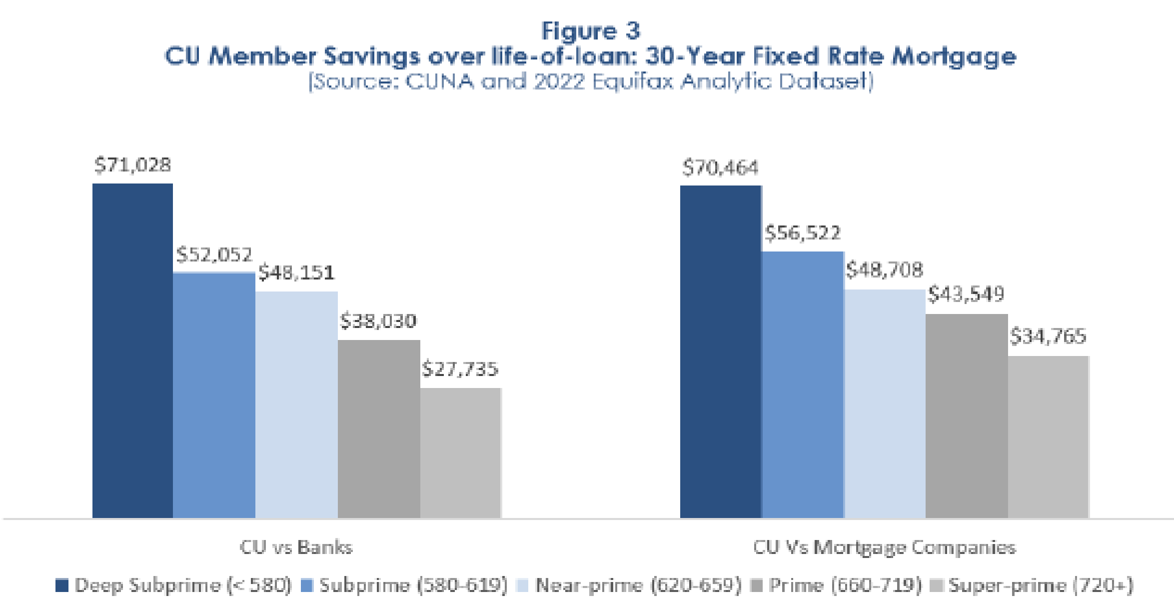
[1] Consumer Financial Protection Bureau FFIEC HMDA 2022 database. https://ffiec.cfpb.gov/data-publication/2022.
[2] Ibid.



Figures reflect the percent of total 1- to 4-family, first-lien, owner occupied purchase loan originations made to Black borrowers.
Source: HMDA data, America's Credit Unions calculations

Those who suggest that credit unions underperform in the mortgage lending arena do a grave disservice to working Americans who face challenges in obtaining mortgage loans, including minority and underserved communities. Analysis of mortgage lending data shows that borrowers saved as much as $70,000 over the life of a 30-year fixed rate mortgage in 2022 when financing with a member-owned credit union rather than banks and mortgage companies. The savings are largest for those with significant credit score challenges.



Credit unions have intentionally worked to address challenges and inequities faced by many working Americans, including minority and underserved communities, to achieve the dream of home ownership. We recognize there are still communities to reach, and we remain committed to that people-focused mission. As our work continues, the data shows our clear intention and efforts: credit unions are consumers' best financial partner – and that is especially true in mortgage lending.

Credit Union Service to LMI Communities and CRA for Credit Unions

Analysis shows that when credit unions' ability to serve communities grows, their performance in lending to LMI borrowers is superior to other lenders. According to data collected through the Home Mortgage Disclosure Act (HMDA) reporting:

- Credit unions approve first mortgage loans to LMI and minority borrowers at higher rates than other lenders.
- Credit unions are much less likely than other lenders to make high-rate loans. When credit unions make high-rate loans, the rates tend to be substantially lower than rates charged by other lenders.
- Credit unions are portfolio lenders, whereas other lenders are much more likely to use the originate-to-sell model -- recognized as one of the key drivers of the subprime lending abuses that resulted in the Great Recession.

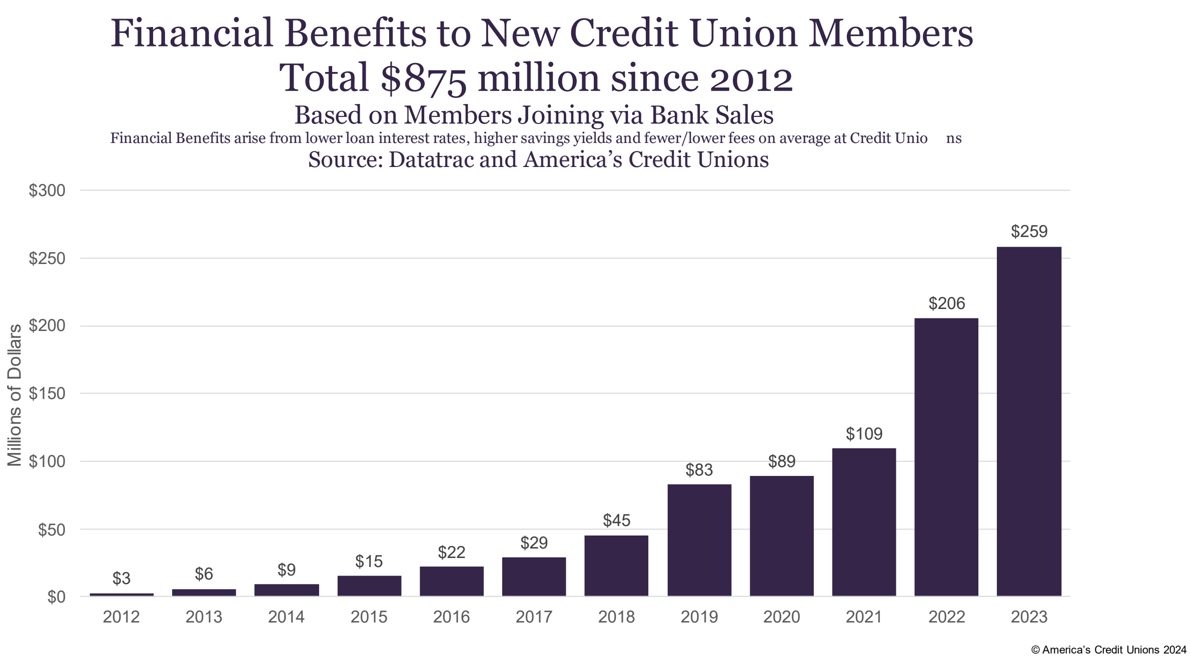
Implementing additional regulatory burdens on credit unions is unnecessary because (1) credit unions did not participate in the "redlining" activities that prompted Congress to impose CRA requirements on the banks and thrift institutions; (2) credit unions serve people within their fields of membership and all income levels; and (3) Congress is looking to reduce regulatory burdens on financial institutions, not increase burdens. If credit unions were subjected to CRA requirements, the time and resources used to document the work they already do would take away from new initiatives to enhance existing services and expand to new underserved areas.

Credit Unions Are Not Leaving Communities

The ICBA's letter's complaints about community banks (their own members) selling to credit unions are nothing new. However, the number of banks selling to credit unions is minuscule in comparison to bank-to-bank sales. Since 2012, 2,453 banks have sold to other banks while 67 banks have sold their assets to credit unions. The bottom line is no one forces a bank to sell to a credit union. It is a free-market business decision made by those privately-owned banks to sell their branches and businesses to credit unions. These credit union-bank transactions take place because bank owners deem them a good business decision for all parties involved – their customers, their communities, their employees, and their investors. They are also reviewed by regulators.

It is ironic and disingenuous for the ICBA to talk about the impact of the CRA when credit unions buy banks because currently banks are abandoning underserved communities across the country at the same time credit unions are trying to serve more. As noted earlier, banks closed 10,561 net bank branches during the same timeframe that credit unions opened 1,745 net credit union branches. When a big bank acquires a community bank, the profits are often siphoned off to out-of-state, big city headquarters. Large, out-of-state banks account for 63% of bank assets acquired since 2012, with banks sized $5 billion or larger of any geographic area accounting for 81% of those assets.

In fact, we estimate that the 404,000 new members added to credit unions through bank acquisitions since 2012 have accrued a financial benefit of roughly $41 million in 2022 alone. This is through profits being returned to credit union members through dividends, lower fees, and reduced interest. This keeps the money in local economies.



The National Credit Union Administration's Regulation of Credit Unions

The ICBA also makes bold claims about the quality and effectiveness of credit union regulation by the National Credit Union Administration (NCUA). The NCUA is a strong, independent regulator that has proven capable of effectively managing and preserving a safe and sound credit union industry through difficult financial times. The NCUA also has a robust consumer compliance program as outlined by hundreds of pages of exam guides, regulations, and expectations. To say that the NCUA has failed to keep pace as a regulator or is too lax is simply inaccurate. Regulated credit unions did not cause the Great Recession and bring the country to the brink of financial ruin, and credit unions have not led the headlines for defrauding their own members to increase stockholders' profit.

Credit Unions Support Consumers and Communities

In conclusion, while we support strong oversight by all financial regulators, including the NCUA, we are disheartened that the banks continue to attack credit unions and use misinformation against the efforts of not-for-profit member-owned credit unions to help consumers and communities. On behalf of America's credit unions and their more than 140 million members, we thank you for your efforts to promote fair treatment of all financial institutions.

Sincerely,

Jim Nussle
President and CEO

cc: Members of the House Committee on Financial Services
Members of the Senate Committee on Banking, Housing, and Urban Affairs