



**America's
Credit Unions**

March 14, 2024

Director Pravina Raghavan
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: Congratulations and Welcome

Dear Director Pravina:

On behalf of America's Credit Unions, I am writing to convey my sincerest congratulations on your new tenure as the Director of the Community Development Financial Institutions (CDFI) Fund. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow credit unions to effectively meet the needs of their nearly 140 million members nationwide. America's Credit Unions looks forward to working with you as Director of the CDFI Fund to ensure that the Fund and credit unions can work together in support of their mutual mission to support those who are otherwise underserved.

Based on your work at the Small Business Administration, I am sure you are already aware that credit unions are financial cooperatives, which means they are not-for-profit depository institutions, unique in both their legal structure and in their approach to serving their communities. The need for financial inclusion is the historical foundation of the credit union movement. Credit unions evolved in the early 20th century as an alternative source of credit for people who were excluded from traditional financial institutions. As the need for access to credit grew during the Great Depression, Congress passed The Federal Credit Union Act (FCU Act) in 1934, which authorized the creation of federally-chartered credit unions "for the purpose of promoting thrift among [their] members and creating a source of credit for provident or productive purposes."

Thousands of credit unions have formed to provide financial services to groups that were unable to obtain it through other channels. Credit union members share a common bond and membership in a credit union is limited to a defined field of membership (FOM), depending on the parameters of their federal or state charter. For example, many FOMs are geographically-based, while others may serve a community's school teachers and students, and others fulfill the unique needs of military members and their families.

As not-for-profit insured depositories with a statutory mission to promote thrift, the relationship between a credit union and its members is unique. Credit union members are not just customers but are also owners of the institution. Credit union boards are comprised of members who are democratically

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elected. Credit union members are each entitled to one vote, regardless of the number of shares held at the credit union, the amount of funds on deposit, or the amount of loans they have taken. Credit union members are the primary concern, not profits.

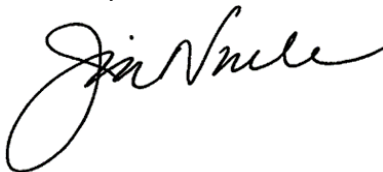
There are currently over 500 credit unions that are CDFI certificated. Combined, these serve more than 5.2 million members. Together, these CDFI credit unions (CDCUs) represent over 35% of all certified CDFIs. However, this number does not demonstrate the true significance of credit unions' participation in the CDFI space. According to the most recently published data, credit unions originate 77.1% of CDFI loans and hold 76.7% of all CDFI financial products. The breadth and depth of credit unions' financial offerings and the special relationship with their membership creates a unique opportunity to meet the needs of underserved and low-income communities.

However, this breadth and depth comes with significant strings attached. Credit unions are insured depositories and are subject to a wide, and ever expanding, portfolio of legal and regulatory obligations. Credit unions must meet the prudential and compliance expectations from federal government agencies, state agencies, and other entities such as auditing firms and bonding companies. Although the CDFI Fund is not a regulator, it is critical for the Fund to understand that its policies have a significant impact on credit union strategic plans and operations. These impacts can, in turn, have implications for a credit union's safety and soundness or the internal controls necessary to protect the credit union from litigation, compliance, or reputational risk.

America's Credit Unions applauds the CDFI Fund's recent work on the CDFI Certification Application to modernize its requirements while ensuring that credit unions were not inappropriately unable to obtain or retain certification. We eagerly await the publication of the CDFI Certification Agreement, which CDCUs do need to fully assess the strategic and compliance obligations of certification prior to investing in the certification process.

We look forward to working with you throughout your tenure. If you have questions or if we can be of any assistance in the meantime, please do not hesitate to contact me or Elizabeth Sullivan, Senior Director of Advocacy & Counsel at (202) 503-7184 or esullivan@cuna.coop.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large initial "J" and "N".

Jim Nussle
President and CEO