



**America's
Credit Unions**

Jim Nussle

President & CEO
202-508-6745

jnussle@americascreditunions.org

99 M Street SE
Suite 300

Washington, DC 20003

April 17, 2024

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

Re: Today's Full Committee Markup

Dear Chairman McHenry and Ranking Member Waters:

On behalf of America's Credit Unions, I am writing to share our thoughts on issues before the Committee today as part of the markup. America's Credit Unions represents the country's 4,800 credit unions and their 140 million members. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their members nationwide.

We would like to express strong support for H.J. Res. 122, the Congressional Review Act Disapproval of the Consumer Financial Protection Bureau's Credit Card Late Fee Rule. The CFPB's misguided final rule on credit card late fees clearly demonstrates a misunderstanding of how credit cards work. Credit unions work to empower their members' decision making and clearly define their late fees to suit the needs of their membership. An \$8.00 late fee does nothing to encourage responsible consumer behavior. We would note that various governmental entities, including the federal government, set late fees above that \$8.00 level for a wide range of payments.

The goal of the CFPB's rule to amend Regulation Z to reduce credit card late fees is to assist low- and moderate-income (LMI) borrowers to ensure late fees are "reasonable and proportional." In reality, this rule would reduce access to credit and competition in the credit card market. Another unintended consequence of this rule would be further consolidation of community-based financial institutions. The current safe harbor limits and regulatory structure for credit card late fees have resulted in clear disclosures to consumers, providing ample opportunity for comparison shopping, and a deterrence effect that encourages consumers to make timely payments on their accounts.

While the rule includes a new safe harbor limit, it is arbitrary and is unlikely to reduce consumer debt. In fact, this rule would have a disproportionate impact on LMI borrowers by limiting the availability of safe and affordable products because credit unions and other institutions will be forced to make difficult decisions about their offerings. Some smaller credit unions may be forced to reevaluate or eliminate their credit card programs altogether because the economics no longer work. Credit unions differ from banks in that they are subject to an interest rate ceiling

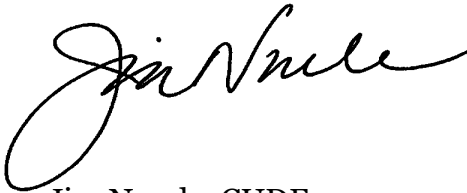
established under the Federal Credit Union Act. While big banks will likely increase interest rates to make up for reduced revenue, credit unions have limited revenue options. The impact on underserved communities will be substantial if credit unions are forced to leave the credit card market.

The result of the unintended consequences of this rule will outweigh any potential positive effects. As such, America's Credit Unions strongly supports H.J. Res. 122, the resolution of Disapproval for the Consumer Financial Protection Bureau's (CFPB) Credit Card Late Fee Rule under the Congressional Review Act.

Finally, while we generally support measures that are focused on supporting innovation within the financial services industry, such as those before the Committee today, we believe it is imperative that such actions do not increase costs or burdens on regulated entities. Any innovation should also include streamlining processes and costs when possible. It is important that agencies use available resources to bolster innovation, instead of increasing regulatory budgets and passing those costs down to regulated entities.

On behalf of America's Credit Unions and their 140 million credit union members, thank you for the opportunity to share our views. We look forward to continuing to work with you to create an environment where credit union members can thrive.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the beginning.

Jim Nussle, CUDE
President & CEO

cc: Members of the Committee on Financial Services