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May 11, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing,
& Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
& Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of community banks across the country, with more than 52,000 locations, I write to request that you convene a hearing at your earliest convenience regarding the National Credit Union Administration's (NCUA's) skirting of Congress and the Administrative Procedures Act (APA) to expand reach of the low-income credit union designation which carries expansive powers. The largest credit union in the country, $125 billion asset Navy Federal, and the fastest growing credit union, $25 billion asset Pentagon Federal, will be designated low-income credit unions, without any opportunity for notice and public comment. Congressional oversight is urgently needed.

Last week the NCUA announced that it would begin counting active duty military personnel with Army Post Office or Fleet Post Office addresses as "low-income" individuals. This change, made without benefit of the public notice and comment provisions of the Administrative Procedures Act, much less the approval of Congress, will allow Navy Federal, PenFed, and other credit unions that serve military common bond memberships to be low-income credit unions. Low-income credit unions have no restrictions on commercial lending, are allowed to raise outside, supplemental capital, and may accept non-member deposits – expansive new powers which do nothing to assist active duty military members in need of basic financial services such as depository and payment services, savings accounts, credit cards, mortgages, and auto loans. The NCUA's action is flagrant and all the more abusive because it is taken under cover of an economic and public health emergency.

The NCUA's action is consistent with the credit union industry's determination to exploit the current crisis. The industry is now promoting legislation which would provide that COVID-19-related business loans are

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exempt from the member business lending (MBL) cap of 12.25 percent of the credit union's assets. This is a solution that does not address an existing problem. Under current law, SBA loans (including Paycheck Protection Program loans) are excluded from the MBL cap. This is one of many exceptions to the MBL cap, including loan participations. As noted above, low-income credit unions, which constitute nearly half of all credit unions, are exempt from the cap. Moreover, only a handful of credit unions subject to the cap are approaching the cap. There is ample capacity for additional credit union business lending without any statutory, regulatory, or methodological change.

An increase in the MBL cap would exclusively benefit the largest, most aggressive, and growth-obsessed credit unions. It would harm smaller, traditional credit unions because business lending poses increased risk to the National Credit Union Share Insurance Fund (NCUSIF).

A pandemic and economic crisis should not be an opportunity for credit union powers expansion that does nothing to alleviate the crisis.

Thank you for your consideration. We strongly urge you to convene a hearing on the NCUA's change in methodology for the designation of low-income credit unions.

Sincerely.

/s/

Rebeca Romero Rainey
President & CEO

CC: Members of the Senate Committee on Banking, Housing, and Urban Affairs