May 13, 2022

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Re: Opposition to H.R. 7003

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of ICBA and the nearly 50,000 community bank locations we represent, I write to express our strong opposition to the Expanding Financial Access for Underserved Communities Act (H.R. 7003). Tax-exempt credit unions have failed to serve people of modest means or implement formal documentation to demonstrate service to low-income individuals. Despite their generous tax subsidy, credit unions are not subject to the Community Reinvestment Act (CRA), and the National Credit Union Administration (NCUA) has seen a sharp rise in consumer complaints, a reduction in fair lending exams, and sinking consumer satisfaction with credit unions in recent surveys. Today, the credit union sector is dominated by multi-billion-dollar, national-reach institutions focused on commercial lending. Recently, a large credit union partnered with Goldman Sachs to redevelop the D.C. waterfront, displacing residents with high-end offices and million dollar-plus residencies and boat slips. This is not serving people of modest means.

H.R. 7003 would expand taxpayer-subsidized credit unions' fields of membership and commercial lending powers to include low-income and underserved areas, as defined in the bill, without subjecting credit unions to proper documentation or oversight to determine if low-income people are served. Congress has not held a hearing over the last 17 years on the credit union sector's $2 billion annual tax exemption and whether they are meeting their tax-exempt mandate.

Our fundamental objection to the approach represented by H.R. 7003 is that it is focused on low-income *areas* rather than specifically on low-income *families and individuals*. Many low-income census tracts, particularly in increasingly gentrifying urban areas, are home to higher income households. Geography is a poor proxy for household income. The bill would allow tax-subsidized credit unions to continue to "cherry pick" higher-income households, while lower-

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income neighbors would be neglected, or their deposits used to fund lending to higher income consumers or commercial businesses.

We have little understanding of what populations are served by credit unions. A 2006 Government Accountability Office (GAO) report ("Greater Transparency Needed on Who Credit Unions Serve and on Senior Executive Compensation Arrangements") found that the National Credit Union Administration (NCUA) does not have adequate data to determine the extent of credit union service to underserved populations and should develop such data. (Eighteen years later, the NCUA has yet to address this GAO recommendation.) Notably, the GAO study also found that credit unions serve a lower proportion of low- and moderate-income households than banks.

H.R. 7003 represents a missed opportunity to ensure that credit unions are serving low-income populations and fulfilling their tax-exempt mission. It would give credit unions greater access to higher-income households as well as deposits of lower-income households, without ensuring that those deposits are reinvested in low-income communities. The NCUA must be held to account for ensuring that credit unions adhere to their mission. **ICBA reiterates our call for the Financial Services Committee to hold hearings on the NCUA's oversight and supervision of the credit union industry.**

The NCUA does a poor job of consumer protection oversight. The agency's practices are not comparable to those of the banking regulators. For example, between 2013 and 2018, the number of NCUA fair lending exams and supervisory contacts decreased from 70 to 66. By contrast, every bank is examined for fair lending on a regular basis without exception on a 12-month or 18-month cycle, and every year the agencies conduct thousands of exams.

There is a high correlation of fair lending violations with low- and moderate-income areas. Without proper oversight, H.R. 7003 would not help the communities it intends to protect. Credit unions, as this committee knows, are not subject to the Community Reinvestment Act.

Finally, with respect to the commercial credit needs of lower-income communities, taxpaying community banks will continue to meet the needs of credit worthy businesses in all demographics. In addition, all "low-income credit unions" have unlimited commercial lending powers. H.R. 7003's further expansion of credit union commercial lending powers represents a further erosion of a tax-exempt charter designed to meet the *consumer* financial needs of low- and moderate-income households.

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ICBA urges all members of the Financial Services Committee to vote against H.R. 7003.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Members of the House Financial Services Committee

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