



Advocacy Strategy: The 360° Approach

Ryan Donovan
Chief Advocacy Officer
Credit Union National Association (USA)

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Our Advocacy Goal

To create a more favorable operating environment for credit unions to serve their members through the removal of regulatory barriers and expansion of credit union powers and opportunities.

The 360° Advocacy Strategy



- Leverage the power of CUNA, Leagues and credit unions.
- Breakdown the functional silos within advocacy.
- Saturate policymakers with consistent messages throughout the advocacy process.
- Get credit union members involved in advocacy.
- Recognize the goal is more important than how you achieve the goal.

Our Advocacy Agenda

Reduce
regulatory
burden
facing credit
unions

Expand
consumer and
small business
access to
credit unions

Engage
in public
policy
developments
on payments
and data
security

Preserve
favorable tax
treatment of
credit unions

The Crisis of Creeping Complexity

National Credit Union
Administration

Congress and State
Legislatures

Since 2007...

200+ Regulatory
Changes

Consumer
Financial
Protection
Bureau

Federal Reserve
Federal
Communications
Commission

Department of
Labor

Federal Government Regulation of Credit Unions in the United States

National Credit Union Administration

- Prudential Regulator of Federal Credit Unions
- Supervisor of consumer protection laws for credit unions under \$10 billion in assets
- Insurer of Federally Insured Credit Unions
- Funded through insurance premiums
- Three person board appointed by the President

Consumer Financial Protection Bureau

- Implements and enforces consumer financial protection laws
- Supervisor of consumer protection laws for credit unions with more than \$10 billion in assets.
- Funded through transfers from the Federal Reserve
- Single director appointed by the President.

Regulatory Pipeline

National Credit Union Administration

Recently Finalized

- Member Business Lending
- Fixed Assets
- Risk-Based Capital

Pending

- Field of Membership
- Supervisory Improvement Process

Consumer Financial Protection Bureau

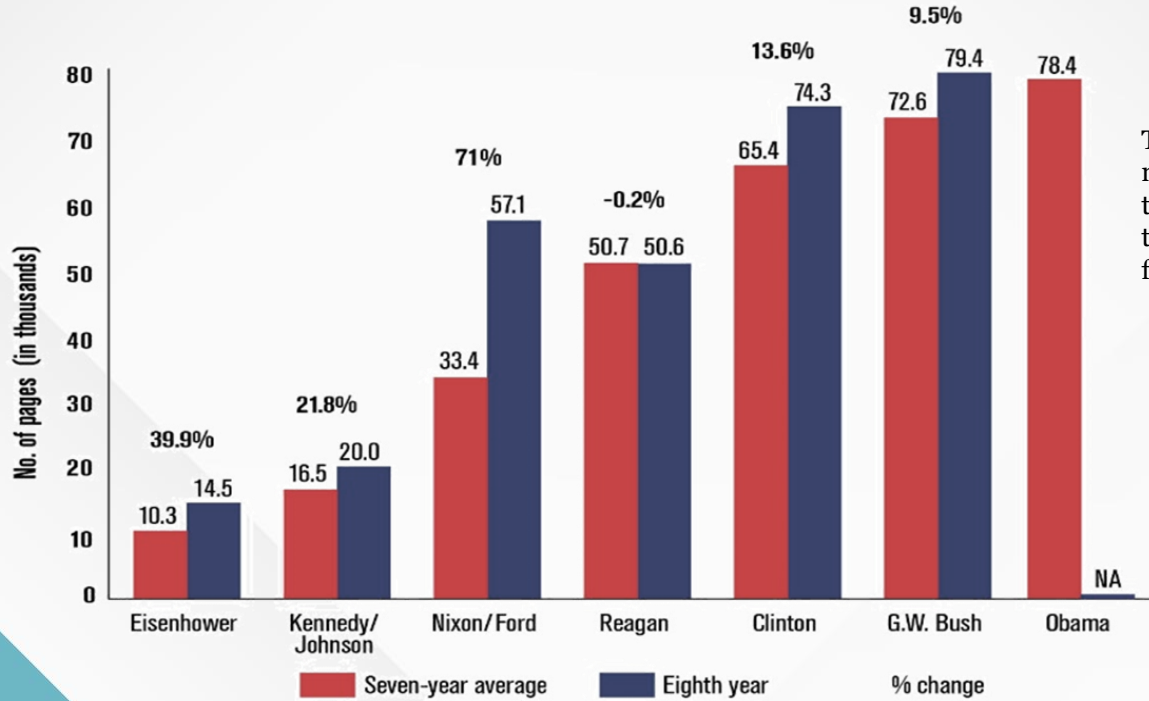
Recently Finalized

- Home Mortgage Disclosure Act (HMDA)
- Truth In Lending / Real Estate Settlement Procedures Act Integrated Disclosure (TRID)

Pending

- Arbitration
- Debt Collection
- Small Dollar Loans
- Overdraft Protection

Final Year Regulatory Push

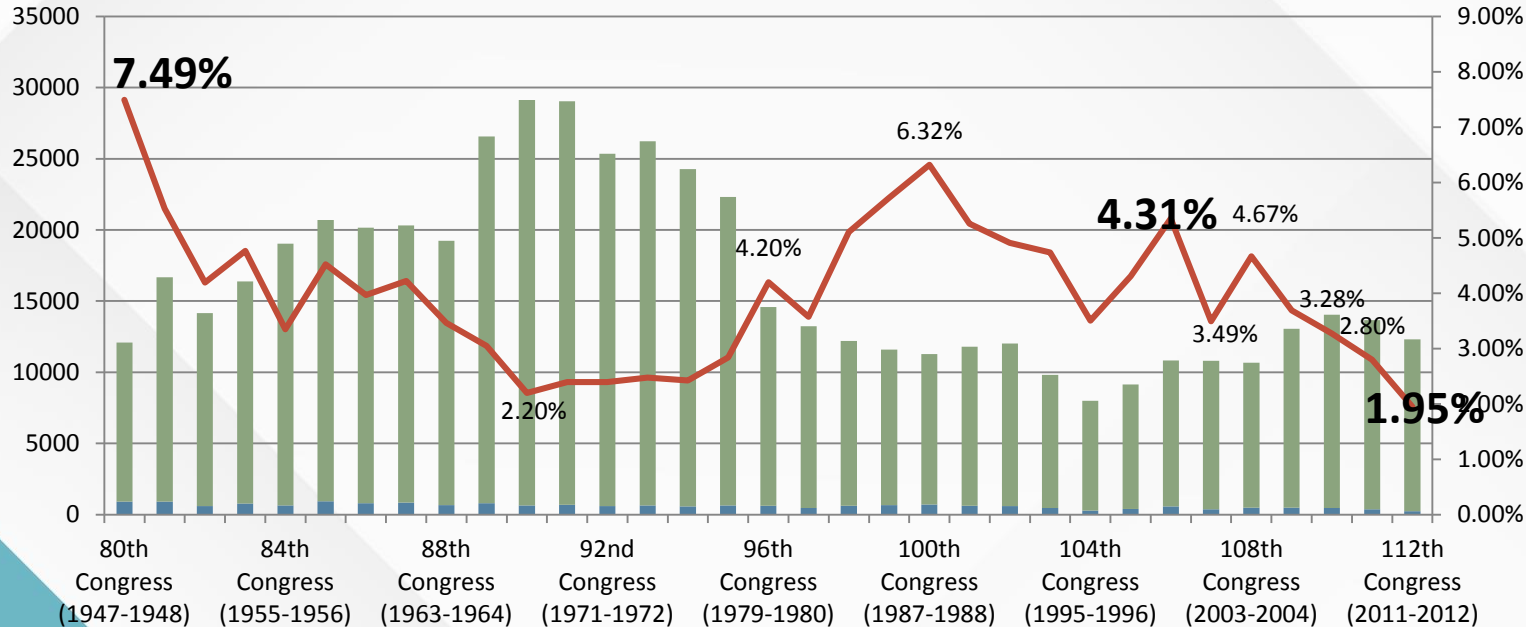


There is an average of 25% more regulatory activity in the 8th year of a presidency than the average of the first seven years.

*As reflected by the increase in Federal Register pages in the eighth year of recent two-term U.S. presidential administrations

Source: Federal Register

Do-Nothing Congress Does Not Mean Nothing Will Be Done in Washington



Congressional Gridlock: Legislation Enacted As a Percentage of Legislation Introduced 80th - 112th Congresses

Our Advocacy Strategy



- Our goal is to influence public policy to create the best possible operating environment for credit unions.
- Regulators are ultimately responsible to Congress.
- Our asks will be for Congress to influence CFPB, NCUA and others.
- This required us to completely reorganize how we approach advocacy.

Changes to Advocacy Approach

Old System

- At CUNA, four advocacy functions – legislative, regulatory, state and legal – reported to three different EVPs.
- System structure encouraged competition between state and federal advocates.

New system

- Advocacy at CUNA has been reorganized into six issue-based teams that are supported by experts in compliance, grassroots, economics, and communications.
- Relationships with professional advocates in states have been relaunched in a manner that puts our members first.

Risk-Based Capital

The Issue

- New Risk-Based Capital rule represents a new layer of capital requirements in addition to statutory capital requirements.
- Initial proposal would have resulted in the downgrade of hundreds of credit unions, and would have taken billions of dollars of capital out of the market.
- It was a solution in search of a problem for a credit union system with an average capital ratio of more than 10%.

Risk-Based Capital

The Effort

- 2,200 comment letters from credit union executives and volunteers.
- Significant education effort on Capitol Hill
- 375 Members of Congress sent letters.

The Results

- Secured a second comment period.
- Secured more than 25 changes, drastically reducing the adverse impact on credit unions.
- Only a handful of credit unions will see a downgrade in capital classification.

Consumer Financial Protection Bureau Exemption Authority

The Issue

- CFPB established to regulate consumer financial protection laws, and to bring under regulation providers that were not previously subject to federal regulation.
- Rulemakings regularly fail to take into account how credit unions offer products to their members, making credit unions pay through regulatory burden for the misdeeds of other providers.
- Congress anticipated this problem and provided CFPB with the authority to exempt credit unions from its rules.

CFPB Exemption Authority

Section 1022(a)(3)(A)

The Bureau, by rule, may conditionally or unconditionally **exempt any class of covered persons**, service providers, or consumer financial products or services, from any provision of this title, or from any rule issued under this title, as the Bureau determines necessary or appropriate to carry out the purposes and objectives of this title, taking into consideration the factors in subparagraph (B).

Consumer Financial Protection Bureau Exemption Authority

The Effort

- Series of Op-eds in Capitol Hill Newspapers aimed at letting Members of Congress know credit unions were concerned about CFPB rulemaking.
- 5,000 Credit Union officials met with Congress in February to discuss this issue.
- 329 Members of Congress sent a letter to CFPB urging use of exemption authority.

The Results

- CFPB finally acknowledged it has authority to exempt credit unions.
- CFPB proposed to use the authority on a limited basis in payday lending proposal.

Building on 2015 Accomplishments...

Field of Membership
and MBL Relief

Privacy Notification
Modernization

Privately
insured credit
unions eligible
to join FHLBs

Tax Status Preserved

20+ Bills approved by HFSC

Kept State
Treasurers off
harmful Chip &
PIN Mandate
Letter

Advocated in court on
Data breach,
Interchange, and TCPA

Risk-Based
Capital
Improvements

Enacted new
definition of
rural area for
CFPB mortgage
rules

We Are Making Progress in 2016...

Calendar-Year Exam
Requirement Eliminated

Overhead Transfer
Rate Methodology
Published

Tax Status Preserved

329 House Members Wrote
CFPB on Exemption
Authority

Final
Fiduciary Rule
Included
CUNA-sought
changes

State Credit Union Act Improvements in:
Alabama, Colorado,
Florida, Georgia, Indiana,
Virginia and Wisconsin

**FHLB
Membership
Rule Improved**

TRID Reopened

Reg Z Small Creditor
Exemption

Interchange Victory in
Texas Court

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Thank you!

For more information regarding these and other legislative issues, please visit the CUNA website (www.CUNA.org) and click on Legislative and Regulatory Advocacy.

If you would like to follow-up with any questions or comments, please send them directly to Ryan Donovan via email at rdonovan@cuna.coop.