Credit Union National Association
CUNA

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The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20515

The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20515

Dear Chairman Brown and Ranking Member Scott,

On behalf of America's credit unions, I am writing regarding your committee's hearing on the failure of Silicon Valley Bank (SVB) and Signature Bank. The Credit Union National Association (CUNA) represents America's credit unions and their more than 130 million members.

While much remains to be discovered regarding the causes of the collapse of SVB—and we hope this hearing today uncovers more information—we can be clear on this: our community-focused credit unions did not cause the collapse of one of the largest regional banks in the country, and should not face more federal regulation or increased fees due to these banks' actions. Risks borne by the banks should not be paid for by credit unions that serve communities across our country.

With more than 91% of credit union deposits insured,[1] credit unions remain stable, safe and secure during this time of uncertainty in the banking sector. The credit union difference makes us stronger by helping improve the financial well-being of Americans nationwide. Credit unions are member-owned, not-for-profit financial cooperatives that put our members ahead of the bottom line. Credit union members have equal ownership and voting rights, so we focus on what helps our members most versus the demands of outside stockholders. Finally, the majority of credit union deposits are insured by the National Credit Union Administration (NCUA) up to $250,000 per individual depositor—the same level as any federally insured financial institution.[2]

Central Liquidity Facility Enhancements

With uncertain times ahead, we remain alert to potential reverberations caused by SVB's collapse to our smallest credit unions. CUNA strongly encourages the committee to examine the lapsed enhancements to the Central Liquidity Facility, which expired at the end of 2022 as part of the CARES Act. One such enhancement allowed the over 3,600 credit unions across the country with assets under $250 million to use their corporate credit union to access liquidity on their behalf. For the thousands of small credit unions with limited resources, this agent enhancement would streamline and expedite the process considerably if unexpected liquidity needs arise.

Bipartisan legislation to extend this enhancement for three years has already been introduced in the Senate by Senators Padilla (D-CA) and Cramer (R-ND). We strongly encourage the committee to quickly hold a mark-up on this legislation to help small credit unions under $250 million in assets access liquidity more easily. This would provide much-needed confidence for our small financial institutions—at no cost to taxpayers.

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[1] National Credit Union Administration.

[2] With the exception of a relatively small number of credit unions that opt for private deposit insurance, regulated by state financial regulators and disclosed to their members.

Exclusion of Privately Insured Credit Unions

While most credit unions are federally insured by the NCUA, over 100 state-chartered credit unions in 10 states around the country are privately insured. Unfortunately, privately insured credit unions have been unable to access the Federal Reserve's Bank Term Funding Program (BTFP) because the Federal Reserve has decided to limit it to federally insured credit unions. Privately insured credit unions range in size from under $1 million to over $1.5 billion in total assets and are well-governed financial institutions with over 93.5% of privately insured credit unions having a CAMELS score of 1 or 2.

Privately insured credit unions are state-chartered, state-regulated and subject to the same regulatory requirements as are state-chartered, federally insured credit unions in their respective states. In all aspects, privately insured credit unions are regulated like all other state-chartered credit unions, except they are not federally insured.

CUNA strongly encourages the Federal Reserve to allow all credit unions, regardless of the source of their deposit insurance, to access the BTFP and asks that the committee bring up this important issue with Vice Chair Barr in the hearing today. Privately insured credit unions have historically been included in government liquidity programs and their exclusion in this instance is a significant shift in government policy regarding access to liquidity.

On behalf of America's credit unions and their more than 130 million members, thank you for considering our views.

Sincerely,

Jim Nussle
President & CEO