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The Honorable Dan Meuser
Chairman
Subcommittee on Economic Growth, Tax and
Capital Access
Committee on Small Business
United States House of Representatives
Washington, DC 20515

The Honorable Greg Landsman
Ranking Member
Subcommittee on Economic Growth, Tax,
and Capital Access
Committee on Small Business
United States House of Representatives
Washington, DC 20515

Dear Chairman Meuser and Ranking Member Landsman,

On behalf of America's credit unions, I am writing regarding your committee's hearing entitled, "The End of Relationship Banking? Examining the CFPB's 'Small Business Lending Data Collection' Rule." The Credit Union National Association (CUNA) represents America's credit unions and their more than 130 million members.

Credit unions are unique in the financial services industry as not-for-profit financial cooperatives with a statutory mission to promote thrift and provide access to credit for provident purposes. The member-owned structure of credit unions ensures they provide products and services to members in a manner that is fundamentally different than for-profit financial service providers. In many cases, credit unions were formed to meet the specific financial needs of their geographic community, select employer group, or other field of membership. As a result, credit unions have a vested interest in helping the members and small businesses they serve succeed by meeting their credit needs and providing low-cost financial services.

Section 1071 of the Dodd-Frank Act is intended to facilitate enforcement of fair lending laws and enable communities, governmental entities, and creditors to identify business and community development needs and opportunities for women-owned, minority-owned, and small businesses.² Credit unions support the goals of section 1071 and seek to provide all members with fair and equitable financial opportunities. That said, we are concerned about potential unintended consequences and substantial costs in complying with the creation of a broad data collection where one does not currently exist. In addition, as entities bound to serve a specific field of membership, credit union data would likely be incomparable to other lenders that are legally permitted to serve anyone walking through its doors or accessing its websites.

The Consumer Financial Protection Bureau (CFPB) must keep in mind that credit unions are subject to strict requirements and rules for business lending as compared to for-profit financial institutions. In 1998, Congress passed the Credit Union Membership Access Act, which capped credit unions' ability to offer member business loans (MBLs).³ While credit unions operate in every U.S. state and provide an array of financial services, not all credit unions provide business loans and the choice to do so is based on the regulatory environment and the individual credit unions' membership. While the National Credit Union Administration (NCUA) and relevant state regulators have made positive changes to business lending rules over the years, credit unions' business loans are nevertheless subject to additional hurdles and limitations that other lenders' business loans are not. Despite these limitations, NCUA has noted credit unions' "long history of meeting [the] business lending needs of their members," and such commitment proved essential during the 2007 financial crisis and its recovery.⁴

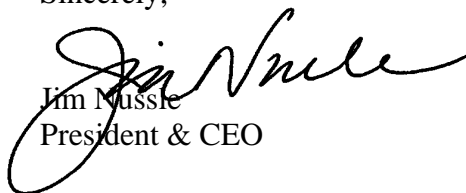
As community-based financial institutions, the collection and reporting of section 1071 data will likely add substantial strain on credit unions' finite compliance resources without a known tangible benefit. It is important for the CFPB to keep its rule as manageable and tailored as possible to avoid creating unintended barriers for small business borrowers seeking credit while also ensuring community lenders can maintain the privacy of their members' data.

In the interest of effectively balancing consumer protection and the availability of credit for small businesses, CUNA has urged the CFPB to consider several revisions to the proposed rule that we hope the committee will consider at its hearing:

- Increase the covered financial institution threshold to *at least* 500 covered credit transactions in each of the two preceding calendar years coupled with a size-based exemption for entities of \$600 million assets or less;
- Reduce the gross annual revenue threshold used to determine which businesses are "small businesses" for purposes of the rule to *no more than* \$1 million in gross annual revenue in the preceding fiscal year;
- Exempt several types of credit transactions from the definition of covered credit transactions, including agriculture-purpose credit, HMDA-reportable transactions, consumer-designated credit, loans under \$50,000, and government guaranteed loans;
- Exclude credit line increases from the definition of covered application for purposes of the rule;
- Consider the firewalling requirement's potential for negative impacts on smaller lenders serving business borrowers;
- Reduce the section 1071 data set to only data points that are statutorily required and avoid unnecessary discretionary data points;
- Rescind the requirement for covered financial institutions to conduct a visual observation and surname analysis on applicants declining to provide responses to demographic questions;
- Consider the privacy and reidentification concerns in finalizing the rule and conduct a notice and comment period on the Bureau's "balancing test" for publication of 1071 data; and
- Adopt a phased mandatory compliance schedule that begins *no sooner than* three years following the issuance of a final rule.

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

Sincerely,



Jim Nussle
President & CEO