

April 7, 2022

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

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

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of state bankers associations from every state in the country, we call on Congress to oppose the latest, unnecessary effort to enhance the credit union charter, H.R. 7003, The Expanding Financial Access for Underserved Communities Act.

Community credit unions can already serve underserved areas if they identify a local need and choose to do so. Although, by statute, only “well-defined local communities” can be the basis of a community credit union’s membership, remarkably, there are multiple regulatory paths for a credit union to add multi-state areas to their membership and count that as a “local” community. Without legislation, a community credit union can choose to focus on any area, underserved or not, inside those expansive spaces. What H.R. 7003 seems to provide, however, is the ability for credit unions to expand out-of-market, a reality that the credit union lobby has attempted to obfuscate in this debate. Congress should not help facilitate tax-exempt regional or national banks.

The legislation also creates a major new loophole in the credit union business lending cap, a necessary statutory element to ensure this tax-exempt industry continues to fulfill its specified mission of “meeting the credit and savings needs of *consumers*... through an emphasis on *consumer rather than business loans*.” (Senate Banking Committee Report 105-193) (emphasis added). Although NCUA has made the cap functionally irrelevant through regulation, legislative proposals to change this important limitation have long been among the most controversial issues in financial services. Bankers remain opposed to efforts to alter this limitation, which serves important public policy objectives.

H.R. 7003 also completely ignores the glaring need for community credit unions to have the accountability of Community Reinvestment Act requirements. One of the primary reasons credit unions are excluded from CRA is because of field of membership requirements—credit unions are supposed to only serve those eligible to join, and not the general public. However, community-chartered credit unions are, facially, open to all who live in designated communities.

More generally, field of membership is no longer a serious limiting factor for many credit unions, including almost all of the largest bank-like credit unions. The rapidly increasing trend of bank buying proves this point, since all bank customers must be eligible to become customers of the credit union. These transactions simply would not occur were there a question whether acquired customers could get in the front door. If credit unions and banks can compete for customers in exactly the same way because, literally, anyone can join a credit union, comparable

regulatory requirements that provide accountability as to whether the credit union is serving all types of customers are appropriate.

Credit unions regularly tout their commitment to low- and moderate-income (LMI) communities, so they should welcome the opportunity to demonstrate it. Unfortunately, evidence points to a growing trend of credit unions serving affluent consumers over the “small means” individuals Congress gave them a mission and substantial tax advantage to serve. Data indicates a general pattern of credit unions opening more branches (on net) in upper- and middle-income census tracts and closing more branches (on net) in LMI census tracts. Perhaps because of CRA requirements, banks do a much better job than comparably sized credit unions at locating branches close to those most in-need—7.7x in poverty distressed areas, 9.3x in distressed, underserved, and middle-income areas, 12.8x in remote-rural areas, and 18.1x in areas suffering population loss.

Over the past several years, substantial [analysis shows](#) that credit unions are increasingly targeting wealthy communities, serving wealthy consumers, and are actually a contributing factor to *widening* economic inequality, particularly as they continue to buy banks and expand into commercial lending. The actions of credit unions underscore this point: between 2012 and 2021, more than 70% of the branches of banks targeted for acquisition by credit unions were in upper- or middle-income census tracts, and *only 13 branches out of almost 200* were in low-income tracts. Given credit unions exist to serve consumers of “small means,” this shows serious oversight from Congress of the credit union industry, and the policies enabled by the NCUA, is badly needed. CRA requirements, and the public disclosures CRA requirements demand, would be a place to start—at least for the largest credit unions.

We look forward to working with you to bring badly needed oversight to this industry, but additional charter enhancement from Congress is inappropriate and, more importantly, will not deliver expanded access to financial services for underserved communities. We oppose H.R. 7003.

Sincerely,

Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association

Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

cc: Members of the House Committee on Financial Services