

## **CU Industry's Clout is in Cooperation**

*Advocates Pull Together To Reduce Dodd-Frank's Negative Impact on Members*

State leagues and their member credit unions were able to save millions of dollars in annual incentive and reimbursement payments, and CUNA Mutual Group was able to protect an important line of business, because of the movement's collaboration to protect credit and mortgage insurance from a costly and confusing maze of new laws, rules, and regulations.

It will take years for credit unions and analysts to gauge the degree to which the Financial Services Reform Act (a.k.a. Dodd-Frank) of 2010 helps or hurts members. It's certain, however, that without a leadership coalition of credit union industry advocates, consumers would have seen fewer insurance benefits included with a credit union membership.

The main focus of Dodd-Frank for CUNA Mutual Group, was a provision in the original bill that would have put credit insurance, mortgage insurance, and similar products under the regulation of the new Consumer Financial Protection Bureau (CFPB).

Although lending was clearly within the CFPB's regulatory scope as proposed in Dodd-Frank, insurance wasn't, says Christopher Roe, CUNA Mutual's SVP corporate and legislative affairs. "Because insurance is regulated by the states and insurance products did not contribute to the financial crisis, the original bills excluded the business of insurance from the CFPB's regulatory authority," he says. "However, credit life and credit disability insurance, collateral protection, and mortgage insurance were included in the bill in order to create a thicket of state and federal regulation."

### **Risk management, more non-interest income threatened**

Roe contends that this dual regulation would have created inconsistent and conflicting regulations for credit unions to follow and cause the products to wither on the vine. That's an obvious concern for a credit insurance provider such as CUNA Mutual.

But with debit card interchange fees also on Dodd-Frank's chopping block, the loss of credit insurance would be another major hit to credit union non-interest income, Roe notes. "Credit unions would also lose a way of mitigating default risks, and members would lose an affordable way to protect against financial hardship," he says.

Tom Liebe, VP of government affairs for the Wisconsin Credit Union League, also recognized these consequences, and began working with CUNA Mutual on the issue.

Liebe says the first challenge was to convince the House Financial Services Committee to reconsider putting credit insurance under the CFPB's direct oversight—before the bill was brought to the full House for debate.

### **Key rep's first-hand credit union experience is a boon**

Liebe and many credit union executives reached out to U.S. Rep. Gwen Moore, D-Wis., a member of the Financial Services Committee. Moore is a supporter of credit unions and helped to form a Milwaukee credit union earlier in her career. Moore, along with U.S. Rep. Eric Paulsen (R-Min.), introduced a bipartisan amendment that would remove insurance products from direct CFPB regulation.

“[Moore] understands many of the issues from a very personal standpoint, and she understands how credit unions benefit people from every background,” Liebe says. “She needed to help her colleagues understand exactly how her amendment translated into benefits for consumers, and she did an excellent job.”

Liebe’s main collaborators at CUNA Mutual were Roe, Tim Kovac, director of corporate and legislative affairs, Larry Blanchard, public policy consultant, and Bob Trunzo, COO. “We complemented their efforts—those guys are already well respected by lawmakers and other policymakers,” Liebe says.

### **Massachusetts League among many to step in at critical point**

Other state leagues, including that of Massachusetts, played key roles in helping CUNA Mutual state its case with the House Financial Services Committee and other legislators.

Roe recalls that although the Moore-Paulsen amendment had been received positively in general, and a number of state leagues reached out to their Congressional representatives on the committee, House Financial Services Committee Chairman Barney Frank (D-Mass.) was a critical voice.

Massachusetts League President Dan Egan and his team had already spent many hours on other aspects of Dodd-Frank when he learned about the credit insurance issue. Egan agreed with Roe that this was one of those important issues for credit unions. “We explained the local impact this would have on credit unions, the benefit to members of these products, and the complications this part of the bill would create,” Egan says.

The league shared its concerns with Frank and his staff, an effort that ultimately led to the chairman allowing consideration of the Moore-Paulsen amendment.

In addition, the Texas Credit Union League added its voice by contacting the Texas delegation, and the California/Nevada Credit Union League made the rounds on Capitol Hill on this issue. According to Blanchard, a number of leagues contributed to this victory, including the Pennsylvania Credit Union League, the Minnesota Credit Union Network, the New York Credit Union League, and others. “It certainly demonstrates the strength of the state leagues and how they are positively viewed by their Congressional delegations,” says Blanchard.

Other groups also weighed in with the message that the present regulatory system for credit insurance was working and that such regulation should continue to exist solely with the states. In particular, the National Association of Insurance Commissioners, the National Conference of State Insurance Legislators, the American Insurance Association, the American Council of Life Insurers, the National Association of Mutual Insurance Companies, and the Cooperative Network added their voice in support of the Moore-Paulsen amendment.

In the end, the committee carved credit and mortgage insurance, among other insurance products, out of the CFPB’s direct oversight in a unanimous voice vote and the Dodd-Frank bill later passed the House.

The coalition of individual credit unions, state leagues, and industry-wide organizations including CUNA Mutual and CUNA & Affiliates continued to reach out to legislators as the bill passed in the Senate and went to a conference committee. Again, this coalition, spearheaded by CUNA Mutual, raised similar concerns in the Senate and another amendment was introduced to remove insurance from the Senate bill.

During conference committee, certain aspects of regulating collateral protection insurance for purposes of notices, timing, delivery, and fees was added to the final bill. President Obama signed the 2,300 page bill in July 2010.

CUNA Mutual also supported a provision in Dodd-Frank to ban single premium credit insurance for most real estate loans. For the past ten years, CUNA Mutual has supported such a position because of abuses it has seen in the marketplace. “As the largest writer of credit insurance, we want to make sure that consumers are being treated fairly,” Roe says.

### **No time for a victory dance—collaboration must continue**

Credit insurance regulation was only one, small victory among others—and among some setbacks—for the credit union industry within Dodd-Frank. The CFPB began official operations on July 21 and may yet have an influence on credit insurance, Roe says.

For example, it will eventually rule on whether to mandate new credit insurance disclosures, originally developed by the Federal Reserve. When the Fed initially proposed the disclosures, it received more than a thousand comments from credit unions, saying generally that the disclosures were misleading and would seriously curtail credit insurance sales. Kovac observes, “What’s ironic is that the states already mandate clear disclosures, and conflicting federal and state disclosures will just confuse consumers.”

The CFPB has inherited certain powers from the Federal Reserve regarding the Truth In Lending Act, so it will decide how to proceed with the Fed’s original proposal. However, many comments filed with the Federal Reserve argued that the agency lacked the regulatory authority to adopt such credit insurance disclosures. Given the limitation on the CFPB to regulate insurance, “it is even more of a stretch that the CFPB has the authority to promulgate such a disclosure,” Roe says. “Yet, new agencies tend to test the scope of their power.”

But when that challenge comes, it will again be met by the credit union movement’s cooperative strength.

An important part of this strength, says Egan of the Massachusetts Credit Union League, is the ongoing relationship between state leagues, CUNA, and CUNA Mutual. He says, “Through constant communication, we build not only a knowledge base, but also a trust base that makes us able to take an effective approach to complex problems—and political problems are always complex.”

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