

Testimony of
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Before the
House Committee on Financial Services
Subcommittee on Financial Institutions and Consumer Credit
Hearing on
“Regulatory Reform: Examining How New Regulations are Impacting Financial Institutions,
Small Businesses and Consumers”
October 31, 2011

Chairman Capito and members of the subcommittee, thank you very much for the opportunity to testify at today’s hearing. My name is Pat Wesenberg and I am President and Chief Executive Officer of Central City Credit Union in Marshfield, Wisconsin, a \$179 million credit union serving 22,000 members. I am also a member of the Board of Directors of the Credit Union National Association.

As you know, credit unions did not cause the financial crisis, but we have been affected by it. In the wake of the financial crisis, credit unions face what might be best described as a crisis of creeping complexity related to regulatory burden. It is not necessarily any one single regulation that is overly burdensome but rather the totality of regulations, the frequency with which the regulations change, and the sometimes varying application of the regulation by field examiners which sometimes conflicts with or expands upon the original intent of the regulation.

The barrage of regulations creates an unnecessary burden without any measure of the effectiveness of these changes. They are costly, both in time and personnel to implement, and they are confusing to our membership. We would prefer to spend our resources on promoting our mission of financial literacy and the development of new products to serve the needs of our members within our local communities.

However, the recent increase in regulatory burden has forced us to hire a full time compliance position just to stay on top of all of the changes; my VP/Lending has dedicated about one-third of her time to all of the changes that impact the lending staff. This is valuable time that could be spent trying to develop products that would help serve our membership better during these extremely difficult economic times.

The financial cost to Central City Credit Union doesn’t end with increased staffing costs; there are also costs to update all of our software to make sure our forms are in compliance. For a large financial institution, the compliance costs, even if large, are just a very small slice of their total costs. For smaller institutions like my credit union, they represent a huge increase in relative costs.

While I realize the basis of the changes are to help the consumer be better informed, today, our biggest regulatory obstacles involve keeping up with the ongoing and piecemeal changes to the various consumer protection regulations. If regulations continue to come from so many directions, I don't see how we will be able to keep up.

As an example of the frequency with which the regulatory requirements change, in January of 2010, financial institutions were required to completely amend and overhaul the RESPA Good Faith Estimate and comply with new disclosure requirements regarding the Department of Housing and Urban Development's (HUD) Settlement Statements. This took a tremendous amount of staff time to re-train mortgage lending and compliance personnel to adapt our systems and staff to these regulatory changes.

On the heels of our completed implementation, throughout the Spring of 2010, HUD issued a series of Frequently-Asked Questions documents, some 50+ pages in each version, with yet additional instructions and clarifications as to how these particular forms were to be completed. And now, not even two years later, these forms are yet again being completely revised and amended with new regulations being written to implement these changes.

There are costs associated with any change in regulation— even if the intent is to reduce regulatory burden. Updating and changing documents on a continual basis is hitting the budget hard especially for smaller financial institutions, not to mention the time spent by staff to try to meet the deadlines, take additional time to explain the new forms to our members and the additional time and financial resources that are required for training and education.

While the new Consumer Financial Protection Bureau seems to be approaching its job with a watchful eye toward minimizing regulations and has sought ongoing input from credit unions on its work, concerns remain.

The CFPB rules may not necessarily change how credit unions operate, but if we are not careful they could result in increased costs associated with changing processes, documentation and training to comply with the new rules. That is why credit unions, through our national trade association, have been working closely with the CFPB staff during the transition period, and we have encouraged them to establish an office of regulatory burden monitoring. We are pleased that they have established an Office of Community Banks and Credit Unions.

The CFPB was designed to regulate *instead of* and not *in addition to* the Federal Reserve Board and other regulators, with respect to the 19 consumer protection laws that it now implements under the Dodd-Frank Act. Credit unions are concerned with how the CFPB and the NCUA will coordinate regarding the implementation of consumer financial protection laws. There are also concerns about whether credit unions will be subjected to burdensome data collection requirements and how NCUA's own Office of Consumer Protection fits into the consumer protection regulatory regime.

CUNA has urged the NCUA to take several steps to improve the regulatory process and relieve credit unions' regulatory burden. And, I would ask that a copy of a letter that CUNA sent to NCUA Chairman Matz be inserted into the record.




Among our recommendations, we have called on the NCUA to impose a moratorium on new regulations for at least the next six months. We have also called on the agency to reinstate the Regulatory Flexibility Program, which provides well managed and well capitalized credit unions an exemption from certain regulations which are not statutorily required. We believe that there is considerable merit to these recommendations because there are no new, material systemic problems with the credit union system, and current safety and soundness concerns within natural person and corporate credit unions are being well managed.

Madame Chairman, thank you very much for coming to Wisconsin and holding this hearing. Credit unions remain committed to serving their members; the ever increasing regulatory burdens we have make it more difficult. We appreciate the attention that you're giving to this issue and look forward to working with you to solve the problem.

United States House of Representatives
Committee on Financial Services

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	2. Organization or organizations you are representing:
Pat Wesenberg	Central City CU
3. Business Address and telephone number: 	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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