Chairman Capito, Ranking Member Meeks, Members of the Subcommittee:

Thank you for the invitation to testify in front of the Subcommittee today regarding regulatory burdens on credit unions. I appreciate you taking the time to hear my testimony. My name is Mitch Reiver, and for the past 25 years I have served as General Counsel for Melrose Credit Union in Jamaica, Queens, New York. Melrose Credit Union serves over 24,000 members and has total assets of $1.8 billion.

It is my general assessment that the increasing regulatory burden on credit unions is both misguided and misplaced. Although I recognize the need for appropriate regulation, too often credit unions end up paying the price for abusive practices perpetrated by non-credit union entities. We continue to endure this reality every day as the Consumer Financial Protection Bureau conducts its rulemaking process with the intent of preventing another financial meltdown, but also with the result of burdensome regulations being issued on institutions that did not play a role in causing the crisis. A seemingly unending rulemaking process stemming from the CFPB, coupled with outdated and duplicative regulations already in statute, result in credit unions spending more resources on compliance and less on other services that benefit our membership.

Regulation for the sake of regulating, as opposed to issuing rules with clearly defined intent and realistic effectiveness are two very different approaches. Credit unions require more of the latter – certainty – in order to best serve their members. Today I would like to briefly touch on five topics I believe highlight examples where common sense regulatory relief is needed: recent changes to the Real Estate Settlement Procedures Act; privacy notifications required by Gramm-Leach-Bliley; the effectiveness of Currency Transaction Reports and Suspicious Activity Reports required by the Bank Secrecy Act; examination fairness; and the proposed CFPB rule on remittances.

On the issue of annual privacy notices, I would like to thank Representatives Luetkemeyer and Sherman for their work on H.R. 749, the Eliminate Privacy Notice Confusion Act, which passed the House by voice vote in March. Streamlining annual privacy notices by requiring them to be sent to consumers only when a policy changes is a step in the right direction and is illustrative of the

general premise that consumers can often benefit more from “less”. Streamlining privacy notifications in this way will create greater consumer awareness while simultaneously offering some relief to credit unions.

Like all Americans, I too am concerned about the safety and security of our country. While the Bank Secrecy Act is a valuable tool, I have concerns about the effectiveness of its goals relative to the costs and compliance burdens on credit unions and small institutions. Tens of thousands of Currency Transaction Reports and Suspicious Activity Reports are filed by financial institutions. While the issue of what happens once we file is not technically a regulatory burden on credit unions, the cost of compliance is a burden. Smaller credit unions are particularly impacted by the costs of compliance. Identifying and fixing inefficiencies in these reports can help reduce those costs.

For example, it would be helpful to understand more about how the government and law enforcement is using BSA reports, as well as what types of SAR and CTR reports are useful and which are not? BSA compliance burdens disproportionately affect smaller financial institutions, including approximately 3,000 credit unions that have 5 or fewer employees that must comply with BSA and numerous other laws and regulations.

Proposed regulatory changes on BSA also create compliance burdens. I fear that our credit union will expend significant time and costs if the proposed changes on the customer due diligence (CDD) proposal are finalized. Instead of any newly proposed requirements on credit unions, which are among the most heavily regulated with respect to BSA/AML, more focus should be placed on strengthening rules that apply to other types of institutions that are not subject to these strict requirements.

Examination fairness is another are of concern for all credit unions. Melrose is a New York State Chartered credit union, supervised by the New York State Department of Financial Services. The NCUA examines the credit union in its role as the insurer of our shares. It has long been the case that our primary regulator is superseded by the NCUA during what are usually joint exams. For example, at times it appears that the NCUA oversteps the scope of what is supposed to be an insurance review, usually taking refuge under the “safety and soundness” umbrella.

However, in fairness, it does appear that the quality and competence of the NCUA examiners has improved over the years, and while we may not always agree with their findings, they appear to be doing their homework. However, as a State Chartered Credit Union, if the system of dual chartering is to mean anything, the NCUA should defer to our State Regulator, and not the other way around.

While on the issue of examinations I would like to thank Chairman Capito and Representative Maloney for their hard work on examination fairness legislation. Establishing a process for credit unions to share their examination experiences without fear of retaliation is extremely important as well as giving credit unions an opportunity to appeal an examination decision through an independent process.

Credit unions are also now faced with virtually impossible new requirements for conducting international remittances. The CFPB's new disclosure requirements for remittances will clearly create a burden on our operations, both in cost and compliance. These new rules will require credit unions to disclose real-time foreign taxes and fees imposed by other financial institutions overseas, information that may not always be readily available or guaranteed at the time of the initial transaction. Many credit unions will forgo offering remittances due to the liability attached to these new requirements. These rules will almost certainly cause many if not all smaller credit unions who still offer remittances to end those services. Remittances are an essential service required in areas across the country with large numbers of foreign born citizens and temporary and permanent residents. They provide a vital monetary lifeline between an individual residing here and his or her family in another country. If these services cease in certain areas, which is very likely under the new rules, the result will be very real on thousands of American families.

Although the CFPB did revise its exemption threshold from 25 remittances per year to 100 per year, this threshold is still much too low to offer any measureable relief for participating credit unions. Some additional changes to the rule that would provide for a more manageable set of requirements include revising requirements for foreign tax and fee disclosures. Instead of credit unions being required to provide information on taxes and fees that are subject to change without their knowledge, they should instead be given the flexibility to provide

disclosure of the highest possible fees and maximum possible taxes the member might incur.

Credit unions strive to provide only the best services to their members. As membership based not-for-profit financial cooperatives, the health and prosperity of a credit union is directly tied to the health and prosperity of each and every one of its members. The more time and resources we spend on complying with a conveyor belt of new and existing rules, the less we can spend on providing quality services to our members. As I mentioned earlier in my testimony, smaller community institutions bear the brunt of the effects of overregulation. Appropriate focus should be placed on efficient and effective regulations that don't place the weight of the burden on smaller institutions.

Chairman Capito, Ranking Member Meeks, I would like to again thank you for inviting me here today for the opportunity to testify on these important issues. I appreciate your due consideration on these matters and for recognizing that regulatory burdens on credit unions not only exist, but are growing. I look forward to progress being made on the issues I raised today. I am happy to answer any questions you may have.