

**TESTIMONY OF  
TOM BREWER  
PRESIDENT AND CEO OF PEOPLES FEDERAL CREDIT UNION  
BEFORE THE  
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS  
AND  
CONSUMER CREDIT**

**COMMITTEE ON FINANCIAL SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**HEARING ON  
*AN EXAMINATION OF THE CHALLENGES FACING COMMUNITY FINANCIAL  
INSTITUTIONS IN WEST VIRGINIA***

**ROBERT C. BYRD COURTHOUSE – CHARLESTON, WV**

**AUGUST 20, 2012**

Chairman Capito and members of the Subcommittee:

Thank you very much for the opportunity to testify at today's hearing on challenges facing community financial institutions in West Virginia. My name is Tom Brewer and I am President and CEO of Peoples Federal Credit Union in Nitro, WV. My credit union has been in operation for almost 50 years and we have \$95 million in assets and serve approximately 11,000 member/owners. I first became involved with the credit union when I worked for Union Carbide at the Institute plant. I was elected by the membership to serve on the credit union's board of directors in 1985 and I did so as a volunteer for 12 years. In 1997 I became CEO of the credit union and I have served in that capacity for the past 15 years.

Peoples Federal Credit Union was originally chartered to serve the employees of the Union Carbide Plant at Institute. Over the years the plant changed hands several times and the employment base has been drastically reduced. In the mid 1990's our credit union converted from a single sponsor charter to a community charter and we now serve residents of Kanawha, Putnam, and Mason counties. Throughout our history our mission has remained the same: to provide affordable saving and lending services to our members.

***The burden faced by community financial institutions in dealing with the increased volume and compliance costs of federal financial regulations.***

One of the most significant changes I have seen during my 27 years with the credit union involves regulatory burden and compliance with the multitude of complex regulations we must now address. Credit unions are one of the most heavily regulated businesses today and the volume of regulations seems to increase every year. (See attachment 1) These come from not only our regulator, the National Credit Union Administration (NCUA), but also from the Federal Reserve and numerous other federal and state agencies. The creation of the Consumer Financial Protection Bureau (CFPB) poses yet another concern as they begin to issue new regulations for the financial services industry.

Regulatory compliance is a top priority at our credit union and we strive to remain fully compliant with these multitude of regulations. We employ 29 full-time individuals to operate the credit union and one of these is devoted full-time in the area of compliance. With a relatively small staff, having someone devoted full-time to compliance is a considerable financial burden and was unheard of only a few years ago. It diverts resources from direct member service, such as from the teller line or from the loan department or from financial counseling. With budgets already very tight, this added expense impacts what we can pay members on their savings and what they have to pay on their loans. For every dollar spent on compliance, it is a dollar less we can provide in direct member service.

Most of the costs of compliance do not vary by size and, therefore, are proportionately a much greater burden for smaller institutions. If a smaller credit union offers a particular service, it has to be concerned about complying with most of the same rules as a larger institution, but can only spread those costs over a much smaller volume of business. Today there are 100 credit unions operating in West Virginia with roughly 50% of them having less than \$10 million in assets. Many of these have only one or two full-time employees who manage all aspects of the operation with guidance from their volunteer board. Not surprisingly, smaller credit unions consistently say that their number one concern is regulatory burden. Difficulties in maintaining high levels of member service in the face of increasing regulations is a key reason that some credit unions have merged into larger credit unions in recent years.

Of all the challenges we face in today's very difficult financial environment, coping with compliance is at the top of the list.

***The effect of these regulations on promoting or reducing economic growth in West Virginia for financial institutions and their small businesses and consumers.***

There is nothing about the current climate of over-regulation that could be considered positive for economic growth in West Virginia. Some of the regulations are repetitive and simply confuse consumers. Many of our members feel the disclosures we have to provide them for both deposit accounts as well as for loans are excessive. Also, while we understand the importance of complying with the Patriot Act, the many facets it entails when opening an account often frustrates our members.

One area where a great deal of good could be done with regard to economic growth in West Virginia would be passage of legislation to increase the cap on member business loans for credit unions. By passing H. R. 1418 an additional \$13 billion in new capital for small business loans could be generated, creating an estimated 140,000 jobs nationally. In West Virginia, that amounts to \$ 31 million in new business loans and 335 new jobs.

***An overview of the role community financial institutions play in West Virginia.***

Because of our ownership structure, Peoples FCU is truly a part of the communities we serve. Our board is elected by our “community” of members and is representative of them all.

We serve as a financial lifeline for many in our three county area. We are seeing more and more small dollar loans and emergency loans for such items as tires, hot water heaters, and payments to get utilities turned back on. We make loans for as little as \$250 and we have specially trained financial counselors to assist members in dealing with their financial difficulties. There is little doubt that many of our members are living paycheck-to-paycheck and we strive to assist them with a wide array of affordable financial services. (See attachments 2 & 3 for further examples.)

Other members are experiencing more prosperous economic times and are borrowing for such items as automobiles, campers, and college tuition. We have experienced a significant increase in our deposit base over the past few years as our members seek a safe and secure institution to place their hard-earned savings. That increase has placed a strain on our capital since earnings are so tight, but we appreciate the confidence our members place in us.

***The effect inconsistencies in the application of examination standards and guidance has on community financial institutions.***

I recognize that one of the primary responsibilities of our regulator is to evaluate our financial performance and determine how well our credit union manages risk. However, there are many inconsistencies among credit unions in how that level of risk is evaluated. There is an expectation of uniformity in the examination process and that expectation, at times, is not being met.

For the most part, the examination process works reasonably well. However, I strongly support H. R. 3461, the Examination Fairness and Reform Act, as a way to ensure more consistency in exams and to provide much needed changes in the appeals process.

***The future landscape for community financial institutions including the costs and benefits of consolidation in the industry.***

Through the years, credit unions have grown considerably and now play a vital role in the local community. The Credit Union National Association (CUNA) estimates that West Virginia credit unions provided \$15,584,368 in direct financial benefit to the state's 389,500 members during the twelve months ending June 2011. These benefits are equivalent to \$41 per member and \$77 per member household.

Overall, credit unions in West Virginia have a very bright future. Deposits are setting records and loans are beginning to increase once again. However, the number of credit unions continues to decline. In some cases, this is due to a plant closing or a company downsizing. However, for others it is due to the difficulty of operating a small credit union in light of the increasing number and complexity of regulations. When mergers occur, often times local ownership is lost and a once-flourishing community based institution is gone forever.

My credit union, as all other credit unions, exists to serve the financial needs of our members. We understand their needs and have a strong desire to fulfill those needs. In the coming years, however, it will be more difficult to do so due to over-burdensome regulations.

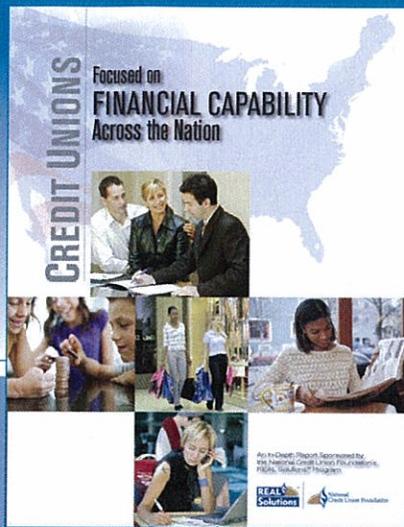
Thank you for the opportunity to testify before your subcommittee and I would be happy to answer any questions you may have.

**Attachment 1**  
**Finalized Federal Regulatory Changes Applicable to Credit Unions**  
**(Since January 1, 2008)**

<b>Regulatory Change</b>	<b>Effective Date</b>	<b>Agency</b>
	1/1/2008	FEMA
1. FEMA Flood Map Changes		
	1/1/2008	IRS
2. Annual Electronic Filing Requirement For Small Tax Exempt Organizations – Form 990-N		
	1/1/2008	IRS
3. IRS Form 990 Instructions - New Reporting Form		
	1/1/2008	IRS
4. IRS Redesign Form 990		
	2/25/2008	NACHA
5. Final Rules On Transaction Origin Identification		
	5/29/2008	NCUA
6. Disclosures for Subprime Mortgage Loans		
	7/7/2008	FTC
7. CAN-SPAM Act Rules		
	10/1/2008	FHA
8. Hope for Homeowners Program for Subordinate Lienholders		
	10/10/2008	FASB
9. Use of Fair Value in an Inactive Market		
	10/22/2008	NCUA

10. Share Insurance Signs to Reflect Increased Limits	10/31/2008	NCUA
11. Official Advertising Statement	11/21/2008	NCUA
12. Incidental Powers	11/21/2008	NCUA
13. Share Insurance Signs for Shared Branching	12/15/2008	FASB
14. Amendments to the Impairment Guidance of EITF Issue No. 99-20	12/31/2008	NCUA
15. PCA: Amended Definition of Post-Merger Net Worth	1/2/2009	NCUA
16. Criteria to Approve Service to Underserved Areas	1/7/2009	FHA
17. Interim Final Rule on Hope for Homeowners Program	1/16/2009	HUD
18. Final RESPA Rule	1/19/2009	FED
19. Unlawful Internet Gambling	4/1/2009	NCUA
20. Share Insurance Signs for		

Shared Branching	4/27/2009	NCUA
21. RegFlex Changes for Unimproved Land	5/14/2009	NCUA
22. Technical Changes to the FACT Act "Red Flags"	6/15/2009	FASB
23. Fair Value: Decrease in Market Activity/Transactions That Are Not Orderly	6/15/2009	FASB
24. Recognition and Presentation of Other-Than-Temporary Impairments	6/20/2009	FED
25. Restructuring of Federal Reserve's Check Processing Operation: Districts 10, 11, and 12	7/2/2009	FED
26. Fed Rule Authorizing Excess Balance Accounts and Earnings on Balances	7/2/2009	FED
27. Fed Rule Authorizing Pass-through Accounts and Adjusting the Limitation on Savings Account Transfers	7/19/2009	FED
28. Restructuring of Federal Reserve's Check Processing Operation: Districts 6 and 8		



# ACROSS THE NATION

In an effort to capture the depth and breadth of existing financial capability programs, the National Credit Union Foundation (NCUF) and its REAL Solutions™ program conducted a comprehensive national study of credit-union provided member and consumer financial education and counseling. The data derived from this study quantifies the extent to which credit unions are providing opportunities for consumers to advance their financial knowledge and decision-making skills.

The data on which this report is based was collected through an online survey of U.S. credit unions. *Credit Unions: Focused on Financial Capability Across the Nation* features an analysis of information submitted by 576 credit unions of all sizes from 45 states. These credit unions represent 8% of all U.S. credit unions, and 27% of all U.S. credit union memberships as of December 2010.

In 2010, credit unions invested millions of dollars to provide financial education and counseling programs that touched millions of lives:

- ▶ **1.6 million** consumers received financial counseling and/or advice through a credit union.
- ▶ Credit union representatives presented more than **24,000** educational sessions to over **600,000** students in classrooms across the nation.
- ▶ **111,500** student members had **\$34 million** on deposit at **1,400** in-school credit union branches that encourage savings and connect financial education with financial access.
- ▶ **1.2 million** members visited or used a credit union online educational tool, resource and/or course and generated tens of millions of page views.
- ▶ **85,000** teens and young adults participated in **1,200** experiential learning events organized or provided by credit unions. Experiential learning provides participants with a taste of the real financial world in a safe and controlled environment.
- ▶ Between **19 and 24 million** credit union members have access to education and/or counseling that deals with the five individual Financial Literacy and Education Commission (FLEC) core concept categories. Credit union financial education/counseling content is designed to develop proficiencies regarding spending, saving/investing, borrowing, protecting, and earning/income.
- ▶ Credit unions invested **\$140 million** during 2010 toward improving the financial capability of members and consumers in general. Whether it be through grants, human resources or budgeted financial resources, credit unions invest heavily in member and consumer financial education/counseling.

The National Credit Union Foundation believes that access to financial products and services should always be accompanied by educational opportunities. In particular, NCUF encourages behavior change through experiential learning and one-on-one counseling/advice. This link between education and impending opportunities to make financial decisions enables people to take action based on newly gained knowledge, resulting in more financially capable and secure consumers.

*Credit Unions: Focused on Financial Capability Across the Nation* represents one of several ongoing projects to assist credit unions with educational program development, measurement, and implementation. In the coming years, NCUF and REAL Solutions™ will continue to gather and publish data about credit union provision of financial education/counseling.

To learn more about the **National Credit Union Foundation** and REAL Solutions™, please visit [www.ncuf.coop](http://www.ncuf.coop). A copy of the full report, and individual state supplements can be found at the **REAL Solutions™ Impact Center** at [www.realsolutions.coop](http://www.realsolutions.coop).

## About Credit Unions

- ▶ Credit unions are not-for-profit financial institutions that adhere to cooperative principles.
- ▶ As of December 2010, 92.6 million U.S. consumers were member owners of 7,605 credit unions across the country.
- ▶ Earnings are returned to members in the form of lower loan rates, higher interest on deposits, and lower fees.
- ▶ Credit unions serve members who have a common bond such as employment, association membership, or residence in a particular geographic area.
- ▶ Every credit union is governed by a board of directors, elected by and from the credit union's membership. Board members serve voluntarily.
- ▶ Congress exempts credit unions from federal income taxes but credit unions are subject to payroll, sales and property taxes.
- ▶ Credit unions are democratically owned and controlled institutions with a "people helping people" philosophy. Each credit union member has equal ownership and one vote.
- ▶ Credit unions assist members in becoming better-educated consumers of financial services.
- ▶ Credit unions are a small but significant presence in the financial services industry. Credit unions hold approximately 6.7% of household financial assets.

Source: Credit Union National Association, Inc.

For more information, contact:  
 Lois Kitsch, CUDE & National Program Director  
 National Credit Union Foundation  
 5710 Mineral Point Road  
 Madison, WI 53705  
 Phone: 407.616.2409  
[lkitsch@ncuf.coop](mailto:lkitsch@ncuf.coop)

January 2012



*Credit Unions: Focused on Financial Capability Across the Nation*

# WEST VIRGINIA

Credit unions in West Virginia are working to help members through these difficult economic times and to help students prepare for futures as responsible and money-savvy adults. The following are three examples of how credit unions are accomplishing these actions.

**Eastern Panhandle Credit Union** is a \$14 million credit union serving a tri-county area in eastern West Virginia. Charlene Gaither, CEO, was inspired by other credit unions with high school branches and wanted to help her own student community. In 2007, the credit union opened a branch in Hedgesville High School. The branch is located in the school's cafeteria and is open two mornings a week and during lunch hours twice a week.

Student tellers, under the supervision of Tina Sheppard, Member Services Manager, open accounts, take deposits, help with withdrawals and provide other services to their peers. As a result of the on-site branch, over 200 students have opened 350 different accounts and hold over \$12,000 in deposits. A slightly higher interest rate is paid to students for savings and CD accounts. "It's a learning experience for all of us," says Gaither. "A teller was explaining CDs to a student, who asked if the teller was talking about some sort of music CD."

**Clarksburg Area Postal Employees (CAPE) Credit Union** is \$11 million in assets. CEO Melinda Woodyard is a graduate of CUNA's Management School where she heard about CUNA's Mad City Money program, a budgeting simulation program for teens. "It's sort of a taste of reality, as students take on adult roles for a couple of hours and have to budget for expenses," explains Woodyard. The credit union serves only postal employees in the area, but wanted to do its part to educate youth.

This is the fourth year CAPE has been providing the simulation workshop. What started out with students from business classes in one high school has evolved to whole senior classes in four different schools. "The response to the program has been excellent," says Woodyard. "Schools hear about it from other schools and want to participate, as well, CAPE is next going to try using the simulation program to help at-risk adults learn budgeting skills.

**West Virginia Central Credit Union (WVCCU)** is over \$90 million in assets. The credit union in conjunction with Consumer Credit Counseling Services (CCCS) offer classes twice a year to members and non-members, entitled "Credit Where Credit is Due," to help people understand credit and how to better manage it. The eight-session classes are offered every Tuesday and Thursday during the months of February and September from 5:45 pm to 8 pm, with dinner provided by WVCCU. Whereas most of the emphasis of the course is helping people understand and improve credit, a recent addition to the program is a session on budgeting.

WVCCU began offering the classes in the late 1990s. Mark Greenlees, VP of Lending took over the program in 2003 and has watched participation grow. "We generally get good participation," says Greenlees. "Sometimes as many as 40 or 50 people attend per class." The instruction books for the classes are provided free to participants by CCCS. Credit union employees and CCCS staff teach the classes. The classes are free and a test is administered by CCCS at the end of the course. People who pass the test can have their scores reported to the credit bureaus which can help raise their credit scores.

"We had one woman who had a credit score of 798," reports Greenlees. "But she wanted a score over 800, so she took the course. Another woman had several credit problems and a score in the 500s. She took the course six years ago and steadily worked her way through each credit issue. Today, she has a score over 700."

The West Virginia Credit Union League is proud of the efforts of all its credit unions to help youth and adults learn responsible money management skills.



*"These three credit unions are a representation of the impact our West Virginia credit unions are having in their communities to advance financial literacy,"*

*—Ken Watts, CEO of the league.*

