

Testimony of  
Mark Willer  
Chief Operating Officer  
Royal Credit Union  
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

We are a community-based credit union serving consumers in eighteen counties in west central Wisconsin and twelve counties in eastern Minnesota. Our members, as well as their financial services needs, are diverse. In our Statement of Commitment developed by our Board of Directors and Management Team we state:

**“As a Member-owned, not-for-profit financial cooperative, RCU is committed to our Members. We will uphold our fundamental responsibility to actively serve people within our Field of Membership and in the communities in which we live. We will continue to deliver a wide range of products and services to the diverse economic and social make-up of our Members and potential Members.**

**RCU’s strategic plan includes efforts that encourage our Members to become financially self-sufficient and successful. We will continue to place a high importance on consumer education and financial thrift.**

**RCU strives to offer services designed to improve the economic and social well-being of all Members from all socio-economic backgrounds and to return financial value to all those who participate in our Member-owned financial cooperative.”**

The current regulatory environment creates a significant challenge to achieve this statement of commitment.

As a result of the ongoing economic crisis Congress has enacted legislation that has created a significant burden on the financial services marketplace. The well-

intentioned legislation has had significant unintended consequences that confuse and financially harm the very consumers they intended to protect.

The regulatory pendulum has swung so far that financial institutions are faced with eliminating services or charging for them to offset the cost and increased regulatory burden of providing them.

Many of the new regulations are intended to address abuses in the financial marketplace, or prevent unethical financial practices that harm consumers. For example, the new rules on that are being developed on a consumer's ability to repay mortgage loans and the debit interchange provisions in the Dodd-Frank Act were advocated to correct problems that some may have engaged in.

Yet, I would challenge any Member of this Committee to find a single local community credit union or community bank that has been accused of such practices. To the contrary, we are seen as the trusted, local financial services provider. Unfortunately new regulations do not consider this. As a result:

- Costs to provide services have increased – unfortunately these costs are typically passed on to the consumer. Costs include:
  - Training and education for credit union personnel
  - Forms or form revision to reflect rule changes
  - Brochures
  - Software/programming costs
  - Compliance and auditing expenses.
- The consumers are confused.
  - New disclosures only add to the overwhelming process of obtaining a mortgage loan, and
  - They look to us to provide a quality product with no hidden strings.

I will provide a sample real estate file as compared to an auto loan file as an example of regulatory burden.

The costs of regulatory burdens to credit unions have been enormous. At RCU we have an Executive VP that oversees our compliance function. As a result of the increase in regulations and rules changes we recently hired a compliance specialist. This is in addition to an Internal Audit Manager and two internal auditors.

Additionally, RCU hires multiple third party service providers to insure compliance with any and all regulatory requirements. These are real costs that ultimately are passed on to the consumer.


As we are coming out of the financial crisis, we have a new government agency to deal with: the Consumer Financial Protection Bureau. Like many of my colleagues in the credit union system, I am afraid that the CFPB will only add a layer of regulation, not replace a layer of regulation as it was intended. We understand that the intentions are to protect consumers, unfortunately history shows that regulations, rules and bureaucracies reach beyond their original intentions. We hope Congress will exercise prudent oversight of the CFPB, especially in the early days of its operation.

Thank you for the opportunity to provide this testimony.

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:
MARK Weller	Royal Credit Union
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
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: Mark H Weller	

Please attach a copy of this form to your written testimony.