Speech of Senator Mike Crapo

Credit Union National Association 2019 Gov’t Affairs Conference

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*As prepared for delivery:*

“Thank you for that introduction, Troy. I work with Troy often, and can attest to his effectiveness and leadership of the Northwest Credit Union Association. They’re lucky to have you representing our states out West.

“CUNA has been a great partner over the years, and I always appreciate the opportunity to speak with you. Your CEO Jim Nussle is a good friend of mine – we served together when I was first elected to the House, so we have known each other for a long time.

“While every Congress is different, and I suspect people in this audience care more about what is on the horizon than what the Senate Banking Committee did in the past, it is worth taking a few minutes to discuss what the Committee accomplished during the 115th Congress.

“Before I speak about the Banking Committee specifically, I want to say that I am very excited about the meaningful improvements that have been made to our economy and country over the last two years. We achieved historic tax reform, moved a record number of judicial nominees, including Neil Gorsuch and Brett Kavanaugh for the Supreme Court, delivered tens of billions of dollars in regulatory relief, and strengthened investor choice by utilizing the Congressional Review Act and confirming more free market regulators.

“Unemployment is down, average hourly earnings are up, and small business owners report record-level employee compensation and more job openings than qualified applicants. The Commerce Department recently reported that real gross domestic product grew 3.1% from the fourth quarter of 2017 to the fourth quarter of 2018 – the largest rise in 13 years. Our economy is strengthening. The benefits of the tax reform and banking reform laws are just starting to be felt, and the positive effects will be realized in many different ways in the years ahead.

“For the Banking Committee’s part, in the 115th Congress, we held 70 hearings, 17 executive sessions, moved 43 of President Trump’s nominees through the Committee, and passed dozens of bipartisan bills, many of which became law.

“One of our pinnacle achievements was getting the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155) signed into law. We could not have gotten this bill across the finish line without CUNA’s help.

“This bill was the largest regulatory rollback for Main Street financial institutions in nearly a decade, passed with broad, bipartisan support and signed into law in May 2018. The law’s primary purpose is to make targeted changes to simplify and improve the regulatory regime for community banks, credit unions, midsize banks and regional banks to promote economic growth.

“The law takes steps to right-size regulation for smaller financial institutions by responsibly expanding the qualified mortgage safe harbor, addressing severe appraiser shortages in rural areas, reducing superfluous HMDA reporting requirements and exempting certain loans from escrow requirements. It includes several credit union-specific provisions, such as amendments to Dodd-Frank, a provision providing limited relief from member business lending limits, a provision that requires NCUA to hold an annual budget hearing and a provision that protects credit union officials that report suspected elder financial abuse. CUNA played a crucial role in securing bank-credit union parity in non-owner occupied 1-4 unit residential loans.

“These provisions will help to ease the compliance and regulatory reporting requirements borne by many small financial institutions, freeing up scarce resources for their communities and enabling more individuals to find a home loan, or get the funding to start a business. Again,without CUNA’s help and grassroots efforts, we could not have gotten S. 2155 across the finish line and signed into law. I thank you all for that.

“The banking regulators are now implementing the law, and the Banking Committee has conducted several oversight hearings to encourage prompt, proper implementation, and we will continue to do so.

“Just as important as our legislative victories, we moved 43 presidentially-appointed nominees out of Committee. Among others, the following nominees were confirmed by the full Senate after moving out of the Banking Committee: SEC Chairman Clayton, SEC commissioners Pierce, Jackson, and, Roisman; Fed Chairman Powell, Fed Vice Chairman Clarida, Fed Vice Chairman Quarles, and Fed Governor Bowman; FDIC Chairman McWilliams; OCC Comptroller Otting; and CFPB Director Kathy Kraninger.

“Just two weeks ago, the Committee approved Rodney Hood and Todd Harper to be members of the NCUA Board, along with Mark Calabria to head the FHFA. Full Senate confirmation for these nominees is a priority. Getting all of these nominees into place was a critical step toward implementing the Committee’s agenda.

“At the beginning of the 115th Congress, Members of the Banking Committee led efforts to use the Congressional Review Act, which, until last Congress, had rarely been used. The Congressional Review Act establishes expedited procedures by which Congress may disapprove agency rules by enacting a joint resolution of disapproval with a simple majority (that is, without needing 60 votes to overcome a filibuster). Before this Congress, the CRA had only been used once in the two-plus decades since its enactment. In the 115th Congress, the CRA was used 16 times.

“The Consumer Financial Protection Bureau’s rule on arbitration agreements and the Bureau’s guidance on indirect auto lending are two of the rules that were disapproved under the CRA this Congress. The vote disapproving the Bureau’s arbitration agreements rule, which was perhaps the most significant CRA, was a 50 to 50 vote with the Vice President breaking the tie in favor of disapproval. CUNA played a critical part in educating members about the value of alternative dispute resolution, and I am not sure we would have successfully passed this CRA without that assistance. Thank you.

“All that said – it was a very exciting, productive year for the Banking Committee, and I expect this session will also be productive.

“I recently released a list of priorities for the next two years.

“A major priority is addressing our broken housing finance system, which is the last significant piece of unaddressed business following the financial crisis. This has been one of my top priorities since becoming Ranking Member of the Committee in 2013, and it is unfortunate that the issue remains unresolved so many years later.

“I released an outline for housing finance reform legislation that will establish stronger levels of taxpayer protection, preserve the 30-year fixed rate mortgage, increase competition among mortgage guarantors and promote access to affordable housing. This proposal is an amalgamation of elements from many of the plans and principles for housing finance reform legislation that have been discussed by legislators, analysts, stakeholders and thought leaders since the passage of Crapo-Johnson back in 2014.

“I have encouraged all stakeholders to engage with the Committee, and to provide input on what they believe will be a workable, legislative solution for a permanent, sustainable new housing finance system. I appreciate CUNA’s involvement on this front over the years. I have read your principles for housing finance reform, and recognize that access to the secondary mortgage market is critical for ensuring a robust lending market. As part of the Crapo-Johnson bill in 2014, I supported the concept of a small lender mutual that will allow small lenders direct access to the secondary market, without having to rely on large banks for aggregation services.

“Housing finance reform will be a heavy lift, but we all agree that it is time to fix the flawed system in a bipartisan manner and set up a more sustainable, efficient, permanent housing finance system that will provide future economic opportunities for millions of families and individuals throughout America.

“Data privacy and the collection, protection and use of personally identifiable information by both the government and private companies is also a priority this Congress.

“As technology has developed, and the ability to readily and cheaply interact with and use data has flourished, we have experienced a sort of revolution into the digital era. Although these technological developments are incredibly positive, the increased digitization and ease of collecting, storing and using data present a new set of challenges and require our vigilance.

“Recent large-scale data breaches have highlighted the importance of not only protecting consumers’ information, but the need to provide consumers with more control over what information is collected and how such information is used. We need legislative solutions to give consumers more control over and enhanced protection of consumer financial data, and to ensure consumers are notified of breaches in a timely and consistent manner.

“I agree with CUNA that the current patchwork of data privacy and security regulations exposes gaps in protection, and leaves many entities and individuals vulnerable to attack. A national, consistent data security standard would help to secure data and protect Americans’ privacy.

“Senator Brown and I recently announced a request for legislative solutions and best practices that will give consumers more control over, and enhanced protection of, consumer financial data, and to ensure consumers are notified of breaches in a timely and consistent manner. We are collecting proposals through the end of this week and then we will determine next steps.

“CUNA does a great job with grassroots advocacy, and I want to highlight a few items on your 2019 Advocacy Agenda that I encourage you to bring up in your meetings on the hill.

“Many of the post-crisis rules and regulations are outdated, overly complex and were drafted with bad actors in mind—not credit unions. I continue to encourage regulation that not only ensures proper behavior and safety for our markets, but that accurately reflects risk and is tailored appropriately.

“This morning, the Committee received the semiannual testimony from Director Kraninger with the Consumer Financial Protection Bureau. While I am encouraged by the actions the CFPB has taken under Director Kraninger’s leadership, the fundamental structure of the CFPB is still an issue that should be addressed. I continue to support a bipartisan commission instead of a single director, a Congressional funding mechanism, and a safety and soundness check to ensure the agency is transparent and accountable.

“The CFPB should also exercise its exemption authority when necessary and consult with the NCUA before issuing rules. The NCUA has regulated the credit union industry for decades and appreciates your unique structure and mission. While the agency is making progress in modernizing its operations to match our technology-driven society, there are additional steps that the agency can take to streamline reporting, eliminate regulatory redundancies and continue to improve the way in which credit unions are supervised.

“Turning to some of my other priorities this Congress: Capital Markets – we recently held a hearing to discuss nearly thirty bills related to capital formation and corporate governance, and we will be working to identify which of these proposals can garner bipartisan support. FinTech, and what possible improvements can be made to ensure the regulatory landscape welcomes that innovation. Ongoing Oversight, including over whether the agencies’ regulations, guidance and supervisory expectations are consistent with the intent of the sponsors of Economic Growth, Regulatory Relief and Consumer Protection Act.

“We also have several expiring programs this Congress, like the National Flood Insurance Program; the Export Import Bank’s charter, the Terrorism Risk Insurance Act and the Fixing America’s Surface Transportation, or FAST Act. We will be addressing each of these programs, and in my experience, there is no such thing as an ‘easy’ reauthorization.

“Access to credit is vital for economic development and remains a priority. The Committee will continue to look for opportunities to further tailor regulation so that financial institutions can adequately deliver credit to local communities. Similarly, the Committee will conduct oversight when financial companies use their market power to manage social policy by withholding access to credit or services to customers and industries they disfavor.

“I encourage you to remain engaged with policymakers, and to help them identify areas of improvement to our often outdated laws and regulations that stifle economic growth and opportunity. You are well-represented here in Washington, and we appreciate your contributions to some of these important policy discussions. Thank you.”