

August 4, 2016

The Honorable Kurt Schrader
U.S. House of Representatives
Washington, DC 20515

The Honorable Jim Cooper
U.S. House of Representatives
Washington, DC 20515

The Honorable Henry Cuellar
U.S. House of Representatives
Washington, DC 20515

The Honorable Collin Peterson
U.S. House of Representatives
Washington, DC 20515

Dear Representatives Schrader, Cooper, Cuellar, and Peterson:

On behalf of the Credit Union National Association (CUNA), I am writing in support of the Overtime Reform and Enhancement Act (OREA). The Credit Union National Association represents America's credit unions and their more than 100 million members.

Overly burdensome and costly regulations mean that credit union members are not able to fully access the high-quality, affordable, and safe financial services that credit unions provide. It also means that resources that credit unions would otherwise apply to more fully serving their members are spent instead on compliance. The Department Of Labor's (DOL) overtime final rule not only adds to the regulatory burdens for credit unions since a disproportional percentage of their employees are swept into the new threshold of \$47,476, which has been nearly doubled, but it also has unintended negative consequences for those it aims to help, as well as credit union members. Credit unions in rural and underserved areas, as well as small credit unions particularly will face compliance and regulatory burdens as a result of the rule. OREA would help relieve some of the burdens associated with the current rule, by creating a staggered three year implementation and eliminating the requirement of automatically updating the salary threshold, which the current rule requires every three years.

The DOL's rule magnifies the challenges credit unions are already facing due to an unprecedented amount of regulatory burden over the past several years. In the United States, there are approximately 2,700 credit unions with five or fewer employees, nearly 3,000 with less than \$20 million in assets, and approximately 4,000 with less than \$50 million in assets. A recent study conducted by Cornerstone Advisors showed regulatory costs now account for 30% of total operating expenses at smaller credit unions, and the financial impact of regulation on credit unions has increased by 40% since 2010. Consequently, smaller credit unions have seen concerning attrition rates over the past several years. The attrition rates for credit unions with less than \$100 million in assets (75% of all credit unions), have consistently risen above the levels experienced during the Great Recession and its aftermath. In both 2014 and 2015, the attrition rate at credit unions with less than \$25 million in assets (half of all credit unions are of this size) has exceeded 6%. Regulations such as the overtime final rule will only add to this heavy regulatory burden small credit unions are already facing.

Notably, 35% of all credit unions have no employees making salaries over the DOL's threshold. In certain areas, and at credit unions with smaller asset sizes, even Chief Executive Officers (CEOs) can

make below the threshold or approximately \$50,000. To illustrate the massive impact this rule will have on credit union operations it is important to understand that among credit unions with less than \$10 million in assets, almost all CEOs make less than \$50,000 and among those with \$10 to \$20 million in assets, roughly half of CEOs make less than \$50,000.

Approximately 46% of all credit union CEOs work at credit unions with \$20 million or less in total assets. As such, there is no question credit union operations will be affected by this rule, and the relief provided in OREA would help lessen that impact.

Credit unions exist to serve their members, and the products and services they offer are often the best and most affordable options for middle class families. We do not believe the DOL properly weighed the burdens of this rule, against the services credit unions provide to their communities. Our analysis of the DOL's overtime rule is that the unintended consequences and additional regulatory burdens placed on credit unions, outweigh the good intentions of the rule. We appreciate that your legislation is a step in the right direction of creating a more practical DOL overtime rule.

On behalf of America's credit unions, thank you for your important work in this area.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the beginning and end.

Jim Nussle
President & CEO