



**Testimony of**

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**“Enhanced Consumer Financial Protection After the Financial Crisis”**

**Before the**

**Senate Committee on Banking, Housing and Urban Affairs  
United States Senate**

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## **Introduction**

Truliant Federal Credit Union appreciates the opportunity to provide input into the public policy dialog regarding the enhancement of consumer protection. We would like to thank Chairman Johnson, Ranking Member Shelby, Senator Hagan, and Members of the Committee for having us here today.

Our mission is to “Enhance the quality of life of our members’ and to become their preferred financial institution”. Headquartered in Winston-Salem, NC, Truliant is a full service, not-for-profit financial cooperative with assets totaling approximately \$1.5 billion. We serve over 180,000 member-owners and their families who work for over 900 Select Employer Groups, including Cook Medical, TIMCO Aviation Services, Klaussner Furniture, or who reside, work, or worship in our communities with a concentration in the Piedmont Triad area and in Charlotte, NC.

Truliant offers a full range of financial services including savings, checking, certificates, money market, IRAs, and Rainy Day Savings. Loan services include first mortgage and home equity, new and used auto, personal lines, and VISA credit cards. We offer small business services including member business and SBA loans. We provide state-of-the-art home banking and electronic bill payment programs, mobile access, and remote deposit capture. Through our Credit Union Service Organization, we offer financial planning and a very popular auto buying service.

As a member-owned financial institution, we can offer lower loan rates, higher savings rates, low (and often no) fees as we help member-owners execute sound financial plans for their future. Central to all our services is our emphasis on financial literacy education and counseling to our member-owners and for our communities. Over 55% of our member-owner households earn less than \$45,000 per annum. Affordable, well-informed financial service access and delivery is key to our mission.

Truliant maintains an overarching commitment to improve our member-owners' lives by understanding and meeting their financial needs. This focus translates into our TruService culture. Our staff engages our member-owners to bring about real change and help them meet their long-term objectives – rather than the traditional product-pushing sales approach so prevalent in modern banking. For example, a benefit of low interest rates has allowed us to reposition hundreds of member-owners into lower cost mortgages and car loans.

Our operating principle is “Consumer BE Aware”; NOT Consumer Beware. Well before the financial crisis we instituted our Points of Differentiation that embody the spirit and practice of improving member-owner financial lives. For example:

- *We have not sold our credit card accounts to the large credit card issuers.*
- *We never offered an opt-out courtesy pay overdraft protection program.*
- *We don't advertise a car loan rate to member-owners unless the majority has the credit standing to qualify.*
- *We don't allow indirect auto loan car dealers to mark-up our rate.*
- *We help our member-owners become debt free on their primary residence by retirement.*

We support public policy that informs and educates the consumer on financial decisions while improving personal balance sheets.

Our experience at Truliant is that consumers have been needlessly financially disadvantaged by a history of questionable practices and procedures by both mainstream and non-bank providers. Examples include opt-out overdraft protection, the sequence of clearing checking debits, extending credit to borrowers with terms they could not reasonably meet in ordinary circumstances, overly complex disclosure materials, and punitive credit card practices. These practices, which seem to be acceptable “gotchas” rather than consumer-focused services, argue for some balance toward better information sharing. Congress has addressed some of the more egregious practices, and heightened consumer awareness post-financial crisis may have driven providers to become more consumer-friendly in the near term.

Even with reforms including the Card Act, Regulation E rule changes, and the consumer protection initiatives of individual regulators, including the National Credit Union Administration, it make sense to have a regulator focused on consumer protection.

Clearly, controlling practices of non-bank providers, such as unregulated mortgage brokers, who in some cases were able to lure our member-owners into products that did not improve their financial lives, is needed. We noted 13 finance companies operating in the small manufacturing town of Asheboro, North Carolina, which lead to our extending services there. As we offered Volunteer Income Tax Assistance at Truliant this spring, I observed that many of the national tax preparers continued to offer high-priced, tax-refund anticipation loans. A

consumer protection regulator could address these practices either directly or through a national initiative to improve financial literacy for consumers of varying degrees of education and experience. We all want our children to make better decisions for themselves.

Even for traditional financial service providers, we support clear language and visual presentations like the “federal box” required of credit card disclosures. Warnings should be issued for overly complex consumer products that “trick” the consumer into overpaying for services or making decisions not generally in their long-term best interests (e.g. variable rate mortgage that reset with payments beyond the likely ability to repay).

However, regulators should be mindful of the impact of mass-implementation of regulation on smaller financial institutions, particularly credit unions, where the cooperative structure has historically resulted in pro-consumer practices.

Seemingly small regulatory dictates can have a large impact on these institutions and ignore their “local knowledge” of how to best communicate with members. Larger institutions will benefit from economies of scale on a per account cost basis, further tipping the scale toward TBTF institutions.

There may be unintended consequences to consumer-friendly financial institutions as the “bad actors” are reined in by “one-size-fits-all” regulations. Implementation of the Card Act requiring that specific credit card statement language regarding late payments be used resulted in hundreds of panicked calls by Truliant member-owners who were not delinquent. The staff time

required to explain the language mandated by the Federal Reserve could have gone to advising our member-owners on how to better build their financial foundation.

### **Conclusion**

Truliant supports streamlining and simplifying existing overlapping regulation to improve consumer understanding while reducing cost to the financial institution that can be passed on to the member-owner. We welcome combining TILA and RESPA to improve usability by the consumer and financial institutions. Streamlining ECOA and FCRA could have similar benefits.

Truliant supports regulation that allows and promotes innovation in financial services that is also helpful to the consumer. The consumer protection regulator will need to carefully balance these two deliverables. Consumer protection is not a one-time fix, but an ongoing effort that will span different political landscapes. We support a balanced governance structure that would not make the regulator ineffectual or one that allows for public policy to become overly politicized. Thank you again for the invitation to speak on behalf of Truliant. I welcome your questions and discussion on this matter.