

Testimony of  
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Before the  
Subcommittee on Financial Institutions and Consumer Protection  
Committee on Banking, Housing and Urban Affairs  
United States Senate

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Chairman Toomey, Ranking Member Merkley, Members of the Subcommittee:

Thank you for the opportunity to testify at today's hearing. The Committee's continued focus on the regulatory burden facing small community financial institutions is critical.

My name is Carrie Wood, and I am president and chief executive officer of Timberland FCU, a \$60 million credit union located in DuBois, Pennsylvania. We serve 9,800 members, over three-quarters of which are low-income. The fifteen full-time members of my staff and I work hard every day to help meet their financial service needs.

As a CEO of a credit union serving a rural area, I am faced with the mile wide, inch deep dilemma that other credit unions and small banks face: I am forced to comply with many of the same regulations as the largest financial institutions, but with far fewer resources than the too-big-too-fail banks.

While my title is CEO, I am also the security administrator, human resources department, compliance officer, marketing and business development department, backup IT person and

NMLS administrator. To help me keep up with the changes in rules coming out of Washington, I have assigned a team of five staff, a full third of my total, from various departments across the credit union.

When these team members are working on compliance issues, they are not serving our members. They're not helping them get loans. They're not providing financial counseling. They're not helping improve our processes and how we offer our services.

The time and resources we spend complying with rules designed for bad actors and large institutions are unnecessary costs that rob our members of the services we could have provided them.

Since the beginning of the financial crisis, credit unions have been subjected to at least 202 regulatory changes from nearly two dozen Federal agencies totaling more than 6,000 *Federal Register* pages. These numbers do not take into account regulatory changes that may emanate from state regulators. Every time a rule is changed credit unions and members incur costs – even if we are not ultimately required to comply with the rule. The credit union staff and board must make the time to understand the new requirement, modify our computer systems, update our internal processes, properly train staff on the compliance liability and new policies, design and print new forms and produce materials to help the credit union member understand the new requirement. Even simple changes in regulation cost credit unions thousands of dollars and many hours: time and resources that could be more appropriately spent on serving the needs of credit union members.

Rules are often changed in the name of consumer protection, but when they make it harder or more expensive for me to serve my members, that's not consumer protection. Sometimes the new rules are difficult for us to decipher, and more so to explain and educate our members on the changes we are forced to make.

Since the passage of the Dodd-Frank Act the sheer volume and complexity of the rules that we must comply have increased substantially, which means that I need to hire specialists in order to

comply and keep the regulators from citing me for violations. One of the most recent demands is that NCUA would like me to have two technology specialists on staff to comply with cyber security requirements. As CEO, I above anyone, understand the importance of protecting my members, however, it can be very expensive and difficult to attract high quality personnel with the necessary experience because they are not always found locally, and they don't often want to give up urban life for rural living. A real-world issue that is not considered by my regulator.

The constant churn of new regulatory requirements not only takes a hit on our bottom line – which for a not-for-profit institution directly affects our members and service – it also has kept us from entering new markets.

Our members want us to offer small business loans, but we are hesitant because of the regulatory and statutory restrictions in place today.

We also delayed our entry into indirect auto lending because the ongoing dilemma of who is going to oversee the program and administer the day-to-day, what compliance issues are there, when are we going to train for it, what procedures do we need, who will audit, what is NCUA going to be require in our policy and for a compliant program. We know these programs are on the regulators radar and have proceeded with caution. As a result, we find ourselves behind on meeting member demands, perhaps to the detriment of their credit, in the name of convenience.

On top of that, the CFPB has added an entire new level of regulatory anxiety for my credit union and others like us. In the interest of time, I will raise an immediate issue we are facing related to the implementation of the TILA-RESPA Integrated Disclosure (TRID) forms. But rest assured there are many others.

We have known TRID is coming down the pipe for some time and we have worked with our vendors to comply. TRID a complicated rule and the CFPB provided us absolutely no transition time. One day we have to do things the way we've always done them; the next day, we were required to abruptly change and do things differently. No transition period. No enforcement delay. No protection from legal liability if we made a mistake. As a small institution, we rely on outside

vendors on many things. With this particular change, we are vendor-dependent to ensure our data processing system pulls all the right information into the correct fields on the forms. When we ran into an unanticipated problem after we flipped the switch to the new form, we were forced to manually input information into the new forms, slowing down the process for our members and potentially exposing us to errors.

I know the NCUA, which will supervise our compliance, has said that their examiners are going to exercise tolerance for a reasonable amount of time. But what I don't understand is why Congress will not protect us from legal liability as we work out the kinks in the system. We're trying to comply as we continue to serve our members, but I don't want to see our credit union hit with a lawsuit three or five years down the road because we made a mistake in the first few months of this new system.

Despite the ever increasing regulatory burden, we continue to do what we can to help our members. And, in closing, let me tell you about a few of those services.

When members open an account, we offer a free credit review. We are also working on having three current staff members receive their Certified Financial Counselor designation to have free, in-house credit counseling for our members.

We participate in our state program called Better Choice, which allows us to offer an alternative to pay day lending. For members to take advantage of this program, we require financial counseling and partner with our local Community Action to provide that counseling. Timberland FCU makes absolutely no money on this program; we offer it as a member service.

Additionally, small, underwritten loans are pretty common here. Members request small loans to get fuel, payoff pay day lenders, buy an Amish mattress, among other things. I once did a loan for a man who just had his 5 granddaughters move back in with him because his daughter lost her job. He needed \$200 because the girls had contracted a medical condition at school. He couldn't afford the treatments until his next social security check, and the girls couldn't go back to school until he took care of them. I've written car loans for members who've totaled their cars due to

hitting a deer, and once, for a member who hit a horse. Public transportation is a struggle because we are so spread out. I drive 23 miles one way to work every day, but it only takes me ½ hour. My members need a car, which makes expediency of these types of loans a must. The work we do at Timberland FCU – like the work credit unions across the country do – helps families stay in their homes, members hold their jobs, and children stay in school. We're a lifeline for our members.

My members need their credit union to be in a position to help them in these situations. Unfortunately, every time a rule is created or modified it makes it much more difficult for us to be there when they need us.

There is a reason that we are losing a credit union a day – and it's coming out of Washington in the form of ever-changing and ever-increasing regulatory burden. Again, your focus on the crisis facing small community financial institutions is critical, and I applaud your efforts.

Thank you for the opportunity to testify.