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Inclusiv 2023 Advocacy Platform

Inclusiv works to ensure low- and moderate-income people and communities can achieve financial independence by expanding access to safe and responsible financial products and services provided by credit unions. Inclusiv's hundreds of member community development credit unions (CDCUs) serve more than 18 million people in low-income communities, historically redlined communities of color, underserved rural and immigrant communities, and other communities excluded from the financial mainstream in 47 states, Washington DC, Puerto Rico and the U.S. Virgin Islands. CDCUs are regulated, fully-insured not-for-profit financial institutions that are owned and governed by their members on a one member, one vote basis. This structure ensures that CDCUs exist to serve their members, not extract profit for shareholders, and, as a result, CDCUs specialize in providing safe and affordable loans and financial services that help their members build assets and avoid predatory debt traps. As the national membership association and CDFI intermediary committed to expanding, growing, and strengthening these mission-driven credit unions, Inclusiv advocates for policies that strengthen the institutions *and* the members and communities they serve.

1. Support Community Development Credit Unions to Advance Equitable Economic Growth
CDCUs are the most effective mechanism to channel capital into historically redlined communities and other communities that mainstream financial institutions fail to serve. CDCUs provide affordable credit to households and small businesses, support individuals and business owners with financial coaching and technical assistance, and offer innovative programs to increase access to homeownership. These activities not only help low-income people and families achieve economic security but also spur equitable economic growth. To most effectively serve their members, CDCUs must be able to successfully participate in federal community development programs and leverage private investment in their work.

- **Provide robust funding for the Community Development Financial Institutions (CDFI) Fund.** CDFI Fund awards generate billions of dollars annually in loans and investments to build and improve homes, increase job mobility, expand access to affordable health and childcare, and create greater financial capacity among low- and moderate-income households. More than 300 Inclusiv member credit unions are certified CDFIs and they collectively serve more than 10 million people.
  - Congress should increase the funding allocated to the CDFI Fund for Financial and Technical Assistance Awards to $1 billion annually and, at a minimum, allocate $500 million for FY24. Congress should also allocate permanent federal funding for grants to and equity-like investments in CDFI, MDI and high-impact LID credit unions, building on the models of the Equitable Recovery Program and Emergency Capital Investment Program. In addition, Congress should increase technical assistance resources to the CDFI Fund to ensure credit unions are able to participate in all CDFI Fund programs, including the New Markets Tax Credit and the CDFI Bond Guarantee Programs which yield substantial returns to institutions and communities.
  - The CDFI Fund's efforts to maintain strong standards for CDFIs are critical and the Fund must ensure that it does not inadvertently exclude high-impact, mission-driven regulated credit unions from CDFI certification as it updates its standards.

- States should create, fund and effectively administer state-level CDFI funds to complement the work of the CDFI Fund and ensure small, locally-focused financial institutions that may not have the capacity to secure CDFI Fund investments have the opportunity to access needed funding to expand their work.

- **Remove regulatory barriers to small and MDI credit unions' growth and sustainability.**
    - The National Credit Union Administration (NCUA) in 2020 developed a new rule that effectively prohibits small, low-income designated credit unions from including subordinated debt in their net worth, in direct contravention of Congress' intent in its 1998 updates to the Credit Union Membership Access Act that permitted low-income designated credit unions to include secondary capital in their net worth. The new rule effectively cuts off smaller, financial inclusion focused credit unions from accessing subordinated debt and using it to support their growth by exponentially increasing the cost of compliance and by requiring a process that is far too complex for smaller institutions and their boards to manage. Given that Minority Depository Institution (MDI) credit unions make up a disproportionate number of small credit unions, this rule will have a disparate impact on MDI credit unions and threatens their future growth and sustainability. The NCUA should exempt credit unions with less than $500 million in assets—those under the NCUA's "complex" credit union threshold—seeking to enter into bilateral loan agreements, like those permitted under the previous secondary capital rule, from the subordinated debt rule.
    - The NCUA's forthcoming Office of Innovation and Access should provide an innovation sandbox for MDI credit unions, ensure any future data security rulemakings are feasible for small institutions, and address the core system tech oligopoly that limits small credit unions' ability to adopt new technology.

- **Federal agencies should support access to the secondary market and guarantee programs for credit unions that are working to close the racial wealth gap.**
    - FHFA should ensure both Fannie Mae and Freddie Mac support CDCU's efforts to make homeownership accessible and affordable to potential homeowners who face the deepest discrimination in the housing market, particularly Black Americans. The Agencies should expand their criteria for the loans they buy on the secondary market by, for example, widening the range of acceptable credit scores and by purchasing loans made to homeowners who participate in multiple down payment assistance programs or borrow 100% LTV mortgages without mortgage insurance. They should also work to remove administrative barriers to participation by small institutions.
    - The Small Business Administration (SBA) should allow CDFI credit unions to participate in the Community Advantage Loan Program and should offer a streamlined process and provide financial support for small, mission-driven lenders making loans under $150,000 in the 7(a) Loan Program.
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2. Address Inequities in the Financial System and Stop Predatory Lending

CDCUs are the cornerstone of an equitable financial system and their cooperative, member-owned structure aligns the success of the institution with the success and well-being of its members. This structure also guards against predatory practices and can serve as a model for broader efforts to democratize our financial system and advance financial justice and consumer protection.

- The federal banking regulators should issue a strong, racial equity focused Community Reinvestment Act (CRA) rule and should use the CRA to hold banks accountable for their discriminatory practices and ensure their community development activities effectively support community needs.
- Predatory payday lenders and financial technology companies often operate under the guise of financial inclusion and meeting emergency needs while extracting hard-won wealth from low-income people and communities and trapping people in long-term cycles of debt.
    - Congress should ban payday lending nationally by enacting a usury cap of not more than 36%, and state governments that do not currently have strong usury laws should enact them.
    - The federal banking regulators must ensure that nationally chartered banks do not use their charters to facilitate predatory fintechs making loans in states where their products would otherwise be illegal.
- As the Consumer Financial Protection Bureau (CFPB) issues new guidance on courtesy overdraft products, it should ensure that the majority of overdraft fees are no longer paid by a small fraction of account holders, often low-income people of color, who can least afford to pay significant fees. In addition, the CFPB should be cognizant of the effect its rule changes will have on small institutions, especially MDI credit unions, and ensure that final rules do not result in the closure of small and MDI credit unions serving local communities.
- Cities and states should support the creation of public banks. Not only do public banks allow localities to avoid placing their deposits in Wall Street banks that fund destructive industries and engage in redlining but they also offer localities the opportunity to partner with CDCUs working to meet local credit and financial services needs. Rather than competing with CDCUs, public banks can help CDCUs grow and serve their communities effectively by providing liquidity, subordinated debt and credit enhancements.

3. Advance Racial and Economic Justice through Climate Finance

CDCUs are already playing a key role in advancing equitable climate finance and must be prioritized in federal and state climate finance policy to ensure the benefits of a greening economy reach frontline communities, communities of color and low-income communities.

- The Environmental Protection Agency (EPA) must ensure that its implementation of the Inflation Reduction Act's (IRA) Greenhouse Gas Reduction Fund meaningfully supports participation by CDFIs and indirect participation by CDFI, MDI and low-income designated credit unions. These institutions are key to the IRA reaching its Justice40 goals and already have significant expertise lending deeply, including with a focus on green lending, in communities excluded from mainstream climate finance.