DENVER BUSINESS JOURNAL

Seeking relief

Credit unions get backing for push to ease Dodd-Frank rules.
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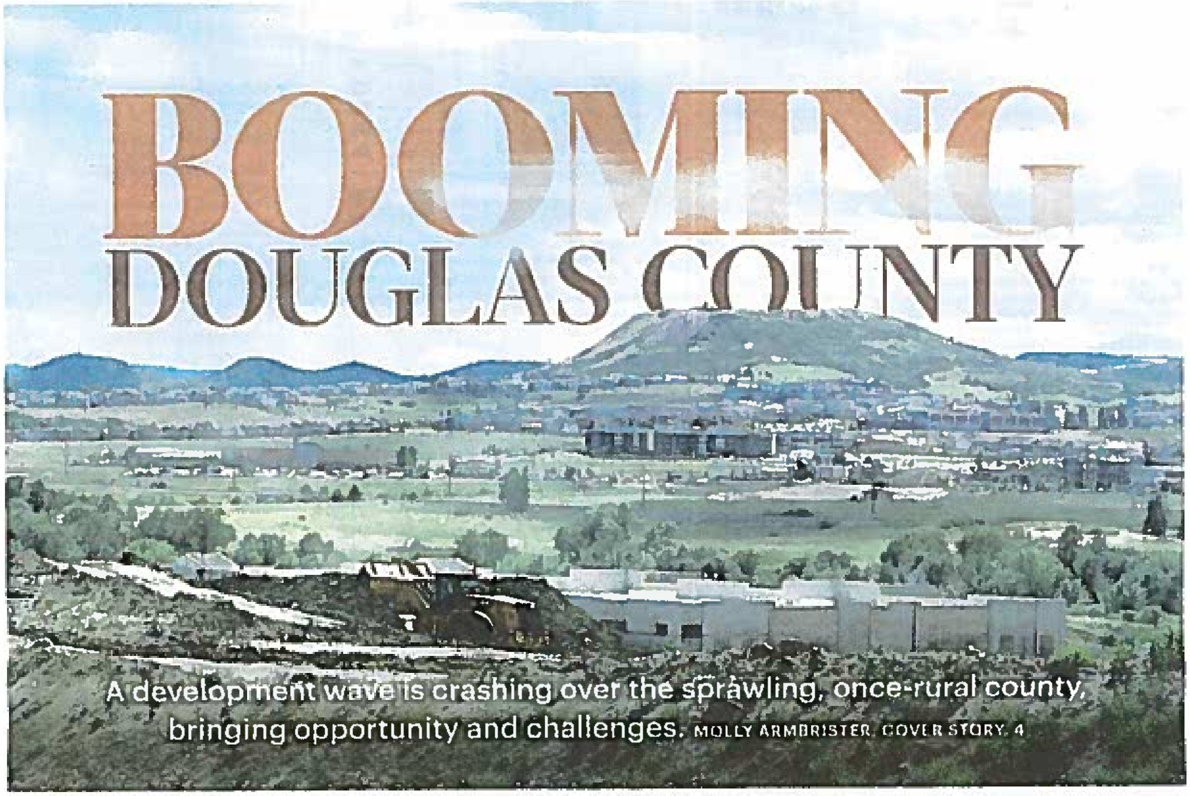

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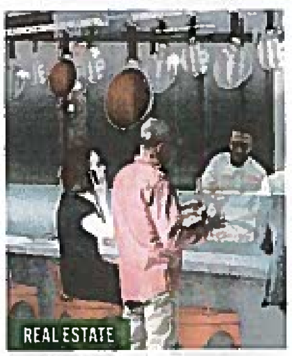

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Seeking relief from Dodd-Frank

CREDIT UNIONS GET BACKING FOR PUSH TO EASE COSTLY RULES

Credit union CEOs live in a world that breaks down like this: Pre-Dodd-Frank and post-Dodd-Frank – the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

In a post-Dodd Frank world, credit union CEOs spend their days in webinars learning about new rules and regulations and then take those new regulations to their staffs for training.

It's pages and pages of rules, said Kerry Spradling, president and CEO of White Crown Federal Credit Union in downtown Denver, which has just under $60 million in assets.

Take, for instance, a mortgage loan filing. It used to be 35 pages. Now on average it's 80 pages.

"What's happened is regulations have taken us out of what we are doing," Spradling said. "A friend of mine in the industry said, 'We are not presidents of credit unions anymore. We are compliance officers.'"

The Dodd-Frank Act, a sweeping reform of financial institutions, was enacted to protect consumers in the wake of the 2008-09 financial crisis. The law created a number of agencies including the Consumer Financial Protection Bureau (CFPB), which examines credit unions with more than $10 billion in assets and writes rules for all credit unions.

Now, a move to relieve some of the regulatory mandates – in areas including housing finance reform and member business lending – for credit unions is gaining support.

This month, 70 U.S. senators from both parties signed a letter to CFPB Director Richard Cordray urging the bureau to exempt credit unions from certain rules, which is allowed under the Dodd-Frank Act.

"I think it could happen," Spradling said about changes to the regulations all credit unions must follow. "I hope it happens."

Since the Dodd-Frank Act, an estimated 1,250 federally-insured credit unions have shuttered due to the piled-on regulations, according to the National Association of Federal Credit Unions. That's about 17 percent of the industry.

According to a Credit Union National Association (CUNA) report, completed by Cornerstone Advisors, the combined affect of increased costs and reduced revenue due to time and personnel spent on complying with new regulations under Dodd Frank cost credit unions $7.2 billion from 2010 to 2014. That was about $1.7 billion higher than credit unions would have spent pre-Dodd-Frank.

MONICA MENDOZA, BUSINESS JOURNAL

Kerry Spradling, president and CEO of White Crown Federal Credit Union.

Spradling says the costs are operational with more staff training and more regulations to track, monitor and incorporate into the business and the time it takes away from customers. Where time spent on compliance at White Crown use to take one person, it now takes five of the nine employees, he said.

"For example, when they change a real estate regulation, I have to have one person who works with a third-party company to create a new loan document to match the new regulation," he said. "It's very large and a long process. Then you have to train everyone and then explain it to the members."

Colorado's 86 credit unions spent an estimated $88.1 million on compliance from 2010 to 2014 and the credit unions lost an estimated $19.3 million, according to the CUNA report. That's about $1.2 million per credit union. The study found cost impacts were much higher at smaller versus larger credit unions.

"We have to do what everyone else does," Spradling said. "Larger credit unions, they generally have gone to hiring staff for this [compliance] and some have attorneys on staff."

The cost of compliance affects credit union members too, Spradling said. In Colorado, the financial impact of the new regulations on each credit union member is estimated at $67 per member from 2010 to 2014.

"I would say we used to spend more time helping members achieve their financial goals," Spradling said. "Now we can't spend as much time doing that. And that is key."

BY THE NUMBERS
DODD-FRANK ACT COMPLIANCE
For credit unions in Colorado.

80
Number of of pages in a typical mortgage loan filing. Pre Dodd-Frank it was 35.

1,250
Number of federally-insured credit unions that have closed since the act passed in 2010.

88.1 million
Cost to Colorado credit unions to comply with Dodd-Frank 2010-2014.

70
Number of U.S. senators who signed a letter urging the Consumer Financial Protection Bureau to exempt credit unions from certain Dodd-Frank rules.

▸ THEY SAID IT

DU LAW DEAN ON FUNDING FOR PROFESSORS

Q&A

In May 2015, the University of Denver's Sturm College of Law announced that it would add a full-time professor devoted to the development of marijuana law and policy. The position is underwritten by the Denver law firm Vicente Sederberg LLC, which represents clients in the cannabis industry and works on state and local marijuana policy reform.

Then, in June, the law school said it would add a professor dedicated to animal rights — a position underwritten by the Animal Legal Defense Fund, an organization with a mission to protect the lives and advance the interests of animals through the legal system.

I asked Bruce Smith, DU/Sturm's new dean, about those moves.

For more of my interview, go online to **bizj.us/1ngx4k.**

KATHLEEN LAVINE, BUSINESS JOURNAL

Bruce Smith is DU/Sturm's new dean.

Is partnering with firms or organizations that have distinct political agendas a new way of raising money for the law school and is it a trend that will continue? One has to balance in all circumstances — the integrity of the academic mission, academic freedom, the notion that we need to teach, in my view, in a very neutral way — without pre-loading the nature of our discussion.

One always has to please those particular decisions. And one needs to do it, certainly, in the area of fundraising.

Imagine the law school dean — all law schools have colossal fundraising expectations of their deans. And that is what the deans are fundamentally engaged in.

One can't shape policy unless one has the budget capable of shaping your policy.

One always has to be vigilant about the nature of those relationships ... always be sure those particular arrangements are consistent with academic freedom. What we cannot do in this effort to place ourselves in a stronger footing, is compromise what, fundamentally, we do here. Our goal is to provide the nation's best legal education.

And that will not be compromised at any price.

▸ BIG NUMBER

Marc Lampkin is the managing partner of Brownstein's Washington office.

$6.7M

Second-quarter revenue reported by law firm Brownstein Hyatt Farber Schreck from federal lobbying — a 7.8 percent increase over the second quarter of 2015. The Denver-based firm, which has offices in Washington, D.C., and 10 other cities, is a full-service lobbying, public policy practice with 250 lawyers.

"We continued to expand our practice with six new registrations in health care, technology and communications," said Marc Lampkin, managing partner of Brownstein's Washington office. "As we look to the November elections, we will be working with these and all of our clients to prepare for the transitions in Congress and the executive branch."