



National Association  
of Federally-Insured  
Credit Unions



February 21, 2018

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Hatch:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) and the Credit Union National Association (CUNA), who represent the nation's over 5,500 credit unions and their 111 million plus members, we are writing in response to the specious and overzealous letter written to you by the State Bank Associations. We are disheartened that the banks continue to use misinformation in their rhetoric against non-for-profit member-owned credit unions.

As you know, credit unions are tax exempt based on their structure and their mission. They are structured as not-for-profit financial cooperatives and they have been given a mission by Congress to promote thrift and provide access to credit for provident purposes. The banking lobbyists would like the tax status to be limited based on the products or services credit unions offer, the size of credit unions individually and as a sector of the financial services industry, their efforts to support their community and raise overall awareness, and other factors. But these factors have nothing to do with why Congress originally conveyed the tax status, nor why it continues to be extended. The fact is credit unions' structure has not changed and they continue to fulfill their mission.

Still, the banking lobbyists continue to propagate misinformed and downright misleading information about credit unions that we feel we must address.

Credit unions comprise a small percentage of the financial services industry and, unlike banks, are statutorily restricted in their powers with limited fields of membership (FOM). Credit union FOM are anything but generous and expansive. NAFCU and CUNA continue to hear from our members that NCUA's current FOM rules and regulations unnecessarily inhibit their ability to serve their communities. Additionally, our members believe that the federal credit union charter must keep pace with changes in state laws, technology, and the progressiveness of the financial services industry. NCUA is well within its statutory authority in this effort to streamline its

chartering and FOM procedures, as well as removing non-statutory constraints on FOM chartering and expansion.

Even with these restrictions and the limited market size of credit unions, they have managed to consistently pass on savings to their member-owners through better rates and member service. This is because, as not-for-profit cooperatives, credit unions focus on the member and not the shareholder. Perhaps banks should spend more time and effort working to improve their own industry rather than writing letters attacking credit unions who are upstanding contributors to their communities and membership.

Even with the outsized regulatory burden placed on the credit union industry, credit unions have continued to provide a tremendous value to our members and the economy of the United States. In previous communications to Congress and the Administration, NAFCU and CUNA have each shared the results of rigorous studies that show the broad and deep economic impact of the credit union tax status. It is clear from this research that the value that credit unions provide to consumers and the greater economy because of their tax status is greater than its cost of the government.

The numbers speak for themselves when you look at big bank fines and various settlements and buy-backs stemming from the financial crisis that total over \$135 billion in penalties paid by big banks (including over \$55 billion from Bank of America, \$24 billion from JPMorgan Chase, \$11 billion from Citigroup, \$6 billion from Wells Fargo and \$5 billion from Goldman Sachs, just to name a few). The banks' attack is the height of arrogance when you realize that a number of these settlements ended up being tax deductible for the banks! Analysis of these settlements has estimated the tax break value of these settlements at over \$17 billion, which is more than five times the estimated annual tax expenditure for the credit union tax exemption. Furthermore, over one-third of banks are formed as Subchapter-S corporations and pay no corporate income tax – many of these Subchapter-S banks are large and growing larger – there are now 79 Subchapter-S banks with over \$1 billion in assets, and 59 of those classify themselves as "community banks." While their letter acknowledges the tax breaks the nation's banks will enjoy from the passage of the *Tax Cuts and Jobs Act*, they forgot to point out that the banking industry already enjoyed a number of special tax advantages.

It is important to point out that credit union spending, including executive compensation and advertising budgets, is not only carefully watched by the boards of directors of a credit union (volunteers from its membership), but also NCUA. Credit union examiners are diligent in ensuring that credit union member-owner funds are being spent in a prudent manner that best serves the membership.

Finally, CUNA and NAFCU know that if the banking trade associations would partner with us on creating meaningful regulatory relief for the entire financial services industry, rather than attacking us in frivolous letters, we could truly advance access for financial services to all Americans.

In conclusion, NAFCU and CUNA would welcome the opportunity to speak with you about the misrepresentation of the facts and the immense regulatory burden facing credit unions. We believe that credit unions have been and will be the best avenue for Americans to gain access to the financial system. If you have any questions please contact Carrie Hunt, NAFCU's Executive Vice President of Government Affairs at (703) 842-2203 or Ryan Donovan, CUNA's Chief Advocacy Officer at (202) 508-6750.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is fluid and cursive, with a large initial "B" and "D".

B. Dan Berger  
President & CEO  
NAFCU

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large initial "J" and "N".

Jim Nussle  
President & CEO  
CUNA

cc: Members of the United States Senate