



**America's
Credit Unions**

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June 3, 2024

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Re: Clarity on the Federal Credit Union Act and the Credit Union Tax Exemption

Dear Speaker Johnson and Leader Jeffries:

I am writing to help set the record straight on misperceptions about the Federal Credit Union Act (FCU Act) and assertions about the tax-exempt status of credit unions that have arisen surrounding an amendment filed to the House Rules Committee for consideration by the House as part of the FY2025 National Defense Authorization Act (NDAA). The amendment, #645 offered by Representatives Pete Sessions, Young Kim, and Gerry Connolly, would allow the National Credit Union Administration (NCUA) to provide federal share insurance for accounts offered on overseas military bases as part of the Department of Defense's (DoD) Overseas Military Banking Program (OMBP). America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 142 million members nationwide.

Some have made the assertion that because a credit union is now the contractor providing the infrastructure to operate the OMBP, granting federal share insurance would cause credit unions to lose their tax-exempt status. This is factually incorrect. Amendment #645 would simply ensure that deposits made as part of the OMBP have federal insurance if DoD so chooses. This amendment is attempting to solve a problem created when big banks walked away from serving those in our armed forces and, once again, a credit union stepped in to fill the void left by banks leaving. It should be noted that the FCU Act already allows credit unions to accept non-member deposits in certain instances and doing so has not negatively impacted the credit union tax status.

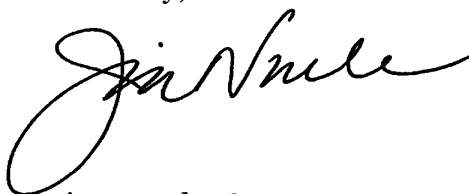
Critics have also argued that Navy Federal Credit Union (NFCU) holding this contract is in violation of the FCU Act. This is factually incorrect. NFCU, which was awarded the contract by DoD, is working as a fiscal agent of the federal government in operating the OMBP, and acting as a fiscal agent of the government is clearly permitted by the FCU Act. Doing so does not place the credit union tax status at risk. The provision of share insurance for acting as a fiscal agent requires clarification, but the activity itself is clearly permitted. 12 U.S.C. § 1789a states that "[a]ny credit union the accounts of which are insured under this subchapter...may be employed as fiscal agent of the United States" and "[e]ach credit union shall perform all such reasonable duties as...fiscal agent of the United States as may be required of it."

Another argument made against amending the FCU Act is the claim that the only current exception in the FCU Act that grants statutory authority to extend share insurance to non-members is exclusively where credit unions are considered “low-income-designated credit unions,” i.e. those primarily serving low-income individuals. In fact, Congress has previously acted to expand pass-through share insurance with respect to Interest on Lawyers’ Trust Accounts (IOLTAs) and “other similar escrow accounts” without placing the tax exemption at risk and can amend the FCU Act’s share insurance provisions again if it chooses. In 2014, Congress unanimously passed, and President Obama signed into law, the Credit Union Share Insurance Fund Parity Act (Insurance Parity Act), which expanded share insurance coverage to the funds of non-member clients of an attorney or principals of an escrow agent whose funds were kept in IOLTAs or other escrow accounts at a federally-insured credit union. This legislation resolved a disparity between federal deposit insurance and federal share insurance. The Insurance Parity Act in no way placed the credit union tax exemption in jeopardy, and such claims regarding this current issue are not supported by history or the facts.

There can be legitimate questions about the granting of the OMBP contract to NFCU. However, those discussions should be grounded in fact. Allowing credit unions to help our government serve those who protect us does not place the credit union tax exemption in jeopardy. While we are working with the amendment sponsors to address concerns about their approach in the amendment, America’s Credit Unions remains committed to working with Congress to find a solution that allows credit unions to enjoy the same protections as banks when acting as fiscal agents for the government in this or other instances. This is rooted in our firm belief that credit unions are the best financial option for Americans.

Thank you for your time and attention to this issue. America’s Credit Unions looks forward to working with Congress to ensure credit unions have the ability to fulfill their mission of people helping people. If you have any questions please contact our Chief Advocacy Officer, Carrie Hunt, at chunt@americascreditunions.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the beginning.

Jim Nussle, CUDE
President & CEO

cc: Members of the U.S. House of Representatives