



**America's
Credit Unions**

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September 4, 2024

Scott Hodge
President Emeritus & Senior Policy Advisor
The Tax Foundation
1325 G Street NW
Suite 950
Washington, DC 20005

Re: Setting the Record Straight on Credit Unions

Dear Mr. Hodge:

I am writing on behalf of America's Credit Unions in response to your misguided comments about the credit union industry on CNBC on September 3, 2024. 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 140 million members nationwide.

It is disappointing to see the Tax Foundation once again siding with those who represent the same banks that put profits over people, making unsupported claims, and urging Congress to remove the credit union tax exemption. The reality is many credit unions are stepping up to keep financial services local when community banks look to merge out of existence.

It is ironic that banking trades and those they support have also long been an opponent of voluntary bank and credit union combinations even though it is their member community banks that are ultimately making the choice to dissolve. Bank and credit union combinations are typically a win-win for a local community that may lose its community-focused financial services – including local employees and branches – if a mega-bank buys the local community bank. Sadly, it comes as no surprise that the allies of mega-banks would oppose credit unions staying in the community. Credit union-community bank combinations often mean employees retain jobs and branches remain open with a focus on the members in the community. These mergers also cannot occur without approval from the bank's board of directors and both bank and credit union regulators. This is a power that the National Credit Union Administration (NCUA) takes seriously, as evidenced by its rulemaking work in this area. Furthermore, credit unions that take over bank branches retain their credit union characteristics and are still subject to strict statutory prohibitions and limits on powers as set out in the Federal Credit Union Act (FCU Act), including field of membership requirements for the newly acquired bank customers, limits on business lending, a usury ceiling, and the capital limitations of credit unions.

It is also disturbing that an organization like the Tax Foundation, which claims to understand the tax system, does not recognize that there is actually a tax benefit to credit unions keeping an institution open in a community that may close otherwise. Credit unions actually paid over \$12

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billion in direct taxes in 2023 through payroll, property, excise, and other taxes, and generated over \$20 billion more indirectly in tax revenue for governments by being in the marketplace.

I must also point out that credit unions delivered an estimated total of \$35 billion in financial benefits in the year ending March 2024 for American consumers. These benefits arise from member-ownership and the absence of stockholders demanding a market return on investment, and they take the form of lower loan interest rates, higher savings yields, and fewer/lower fees. In contrast, the Joint Committee on Taxation (JCT) estimates the value of the credit union federal tax expenditure was \$2.6 billion in 2023. The fact is the credit union federal tax exemption is one of the best returns on the tax expenditure dollar for the federal government.

In light of these misguided attacks, it is important to point out why credit unions were granted their federal income tax-exempt status, and why nearly 90 years since the passage of the FCU Act the work that credit unions do to serve those left behind by the big banks is more important than ever. During the depths of the Great Depression, when banks and savings associations were closing across the country, Congress passed the FCU Act to charter credit unions: not-for profit financial cooperatives that provide safe, affordable financial services products for those left behind by the bankers who decided that serving working class Americans was not profitable and worth their time. The tax-exempt status afforded to credit unions allowed them to provide credit and serve those that banks would not.

Credit unions continue to fulfill this mission today, as evidenced by the fact that since 2020 banks have closed a net 8,600 branches while credit unions have opened almost 2,000 branches. As a result, according to Federal Reserve data, credit unions have cured 36 percent of banking deserts in the past four years while having only 20 percent of total financial institution branches in the country. By every account, the FCU Act has been an unparalleled success. Today, credit unions serve over 140 million Americans and still stick to that basic mission of providing safe, affordable financial services products to Main Street America.

Moving forward, we hope the Tax Foundation will keep these facts in mind. We thank you for the opportunity to provide clarity on this matter.

Sincerely,

A handwritten signature in black ink that reads "Carrie R. Hunt". The signature is written in a cursive, flowing style.

Carrie R. Hunt
Chief Advocacy Officer