Myth vs FACT | CREDIT UNION & BANK MERGERS

Loud voices in the banking industry have been making false claims about credit union and bank mergers. The banker propaganda is littered with inaccuracies and complete fabrication of facts. To help clear the air, below are some of the most common myths along with the true facts of the story.

MYTH Merging with banks is a signal that credit unions are straying from their mission of serving the underserved and only focused on wealthy members

FACT Because of their cooperative not-for-profit nature and limited fields of membership, credit unions will always be focused on providing safe, affordable financial products while serving those who are underserved and often forgotten by big banks. Megabanks are closing branches in rural and underserved areas at a record pace while they are, hypocritically, fighting the ability of credit unions to enter those communities and ensure that people have access to safe, affordable financial services. The numbers speak for themselves:

1. According to an NCRC study, since March 2020, banks have closed more than 4,000 branches across the country. At 201 closures per month, they doubled their closure rate which - for the past 10 years - averaged around 99 per month.
2. Over the past five years, one-third of these closures were concentrated in rural and underserved areas. In stark contrast, during the same period credit unions have increased their presence in these communities by 2.4 percent.
3. Mortgage loan data shows that credit unions are serving low-income borrowers and underrepresented populations. Credit unions originated 15 percent of their loans to low- and moderate-income borrowers versus 13.8 percent for banks. And compared to banks, credit unions made a far higher percentage of mortgage loans to Black borrowers (5.6 percent to 4.1 percent) and Hispanic borrowers (6.2 percent to 4.9 percent).

MYTH Credit unions are using their competitive advantage as tax exempt institutions to buy banks.

FACT This is a classic, repetitive banker complaint about the tax status of not for profit, cooperatively owned credit unions and does not take into consideration the process of a merger. According to an NCRC study, since March 2020, banks have closed more than 4,000 branches across the country. At 201 closures per month, they doubled their closure rate which - for the past 10 years - averaged around 99 per month.

1. A bank's board of directors approve a merger only after evaluating all options and determining that a credit union is the best available partner.
2. The credit union tax exemption comes with numerous restrictions that banks do not face: credit unions can't take outside investments to raise capital, are restricted on business lending, confined to their field of membership, and limited on the products they can invest in.

Myth vs FACT

NAFCU

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MYTH When credit unions merge with banks, it erodes the local tax base.

FACT The bankers make it appear that if a bank and credit union did not merge, the bank would continue to operate as normal, and that's just not the case. Call report data clearly shows that at the median, banks that merged with credit unions in 2021 were much smaller in size ($88 million) than those that merged with other banks ($210 million). Those that merged with credit unions also had a lower return on average assets (70 basis points versus 94 basis points). Banks must either choose between merging with a credit union to sustain a trusted local financial institution for their community or closing their doors completely and leaving a gap in banking services.

1. A merger means that the branch remains open, retaining property taxes, payroll taxes and economic income generated by keeping those jobs in the community. NAFCU data shows that credit unions generate $12 billion in economic benefits each year.
2. If there's no merger, the bank either closes or sells to a bigger bank that will close the branch and keep the customers. A 2019 study from the Federal Reserve shows that the majority of rural counties have lost branches in recent years, and that there has been a substantial increase in the number of communities with no banks. These "deeply affected" communities tend to be poorer, less educated, and have a greater proportion of Black residents.

MYTH When credit unions buy banks, it hurts local investments because they don't have CRA requirements.

FACT A credit union's entire mission is to **only** serve their members and communities – it's the very nature of a not for profit, cooperative institution – and they cannot take outside investment and have a clearly defined field of membership.

1. Among institutions that are certified Community Development Financial Institutions (CDFIs), there are more than twice as many credit unions than banks, demonstrating credit unions' desire to better serve and invest in their local community.
2. Banks, on the other hand, are closing branches at a rate of 200 branches per month, further reducing their CRA requirements.