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National Association of Federally-Insured Credit Unions

Greg Mesack
Senior Vice President, Government Affairs

May 15, 2023

The Honorable Charles Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Speaker
U.S. House of Representatives
Washington, DC 20515

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

Re: Setting the Record Straight on Credit Unions

Dear Leader Schumer, Speaker McCarthy, Leader McConnell, and Leader Jeffries:

I am writing on behalf of the National Association of Federally-Insured Credit Unions to remind Congress of the difference credit unions make in the lives of 135 million Americans every day. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial service products. Once again bankers are attacking credit unions, making unsupported claims, and urging Congress to remove the credit union tax exemption.

In light of these baseless attacks, I thought it was important to remind Congress why credit unions were granted tax-exempt status, and why nearly 90 years since the passage of the Federal Credit Union Act (FCUA) 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 FCUA 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 wasn't profitable and worth their time. The tax-exempt status afforded credit unions allowed them to reach out in areas banks could not and serve those that banks would not. By every account this legislation has been an unparalleled success. Today, credit unions serve over 135 million Americans, and still stick to that basic mission of providing safe, affordable financial services products to Main Street America.

At a time when the banking sector is experiencing noteworthy turmoil and consumers have real questions about financial stability, it is important to point out the key factors that differentiate credit unions from banks and make credit unions Main Street America's best source of safe, affordable financial services:

- **Structure**: Credit unions are mutually-owned financial cooperatives. A person who opens a credit union account is not just a customer – instead, they become an owner of that institution, joining with other members to elect the credit union’s board of directors and have an equal say over how the credit union is run. Each member has one vote, regardless of amount on deposit. Credit unions have statutory limits on interest rates, business lending activity, and maximum loan maturities, among other restrictions. And unlike banks, which focus on making money for shareholders, credit unions are not-for-profits. The 10 largest banks made \$75 billion in stock buybacks in 2021, three times higher than the earnings of the entire credit union industry.
- **Affordability**: Because credit unions are not focused on paying profits to investors, they can focus on making financial services more affordable for their members. A credit union returns its earnings to its members in the form of reduced fees, lower interest rates on loans, higher savings rates, and institutional improvements. As an example, credit unions on average pay a higher rate on certificates of deposits of all term lengths than banks and the average annual total value of fees collected by credit unions is less than that of large banks. Credit unions also frequently work with their members to waive fees when appropriate.
- **Membership**: People are eligible to join a credit union based on their employment; the community where they live, work, or worship; or other factors that create a common bond. The group of people eligible to join a certain credit union are known as the credit union’s field of membership. The common bonds that unite credit unions’ membership mean that credit unions emphasize relationship banking, focusing on a high level of customer service and always placing people over profits.
- **Safety**: The credit union industry is well capitalized, and a much larger share of credit union deposits are covered by federal deposit insurance than bank deposits. The average leverage ratio for credit unions is 10.8 percent, compared to only 9 percent for banks, and more than 90 percent of credit union deposits are insured, compared to approximately 50 percent of bank deposits.
- **Diversity**: More than half of credit union CEOs are women, while only 5 percent of banks have a woman CEO. And credit unions’ commitment to diversity also shapes how they serve their members and communities. Three times as many credit unions as banks are minority depository institutions, and compared to banks credit unions direct a larger share of their mortgage loans to Black, Hispanic, and women borrowers and make a larger share of their mortgages in low- and moderate-income neighborhoods.
- **Accessibility**: Credit unions are far more accessible to their members than banks are to their customers. Banks of all sizes, and particularly the largest banks, have closed thousands of branches in the last decade. Since 2020 the rate has accelerated, with banks closing 200 branches per month. During the same time, credit unions continue to open new branches. Additionally, credit unions outperform banks in consumer satisfaction surveys.
- **Community Focus**: Credit unions are focused on providing financial services to their local communities, and despite statutory limits on their business lending activities, credit unions are an important source of credit for small businesses. Since 2007, the credit union industry has seen a sixfold increase in small business loans while banks have increased their small business lending by less than 10 percent. Over the past five years, 57 percent of credit unions’ business loans were under \$150,000, compared to 46 percent of business loans made by other lenders. Furthermore,

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a limited number of banks that go out of business have opted to merge with credit unions in order to ensure service continues in their communities. It should be noted that these are not hostile takeovers, but decisions by the bank itself to merge, often because merging with a credit union will ensure its consumers in the community continue to get service after the bank disappears.

If bankers raise issues about credit unions, we hope you will keep these facts in mind. We thank you for the opportunity to share our thoughts and look forward to working with you on policies that benefit America's credit unions and their more than 135 million member-owners. Should you have any questions or require any additional information, please contact me at gmesack@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Mesack". The signature is fluid and cursive, with the first name "Greg" and last name "Mesack" clearly distinguishable.

Greg Mesack

cc: Members of the United States Senate
Members of the United States House of Representatives



National Association of
Federally-Insured Credit Unions

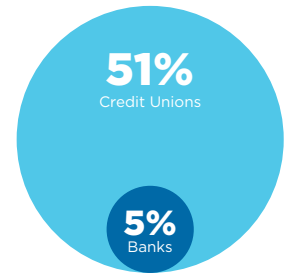
BENEFITS OF THE CREDIT UNION TAX EXEMPTION

The *Federal Credit Union Act* (FCUA) grants credit unions an exemption from federal taxes because “credit unions are mutual or cooperative organizations operated entirely by and for their members.” To this day, that not-for-profit cooperative spirit and structure lives on at our nation’s credit unions, no matter what their size, the same as it did in 1934 when the FCUA was enacted.

Critics falsely argue that credit unions today are no different than banks. However, the numbers tell a different story. The cooperative nature of credit unions makes them focus on their members, not profits to pay dividends to investors or big bonuses to CEOs. Here are just a few highlights of how credit unions are still meeting the goals of the FCUA almost 90 years later, and why they are still the best source of safe, affordable financial services products for main street America:



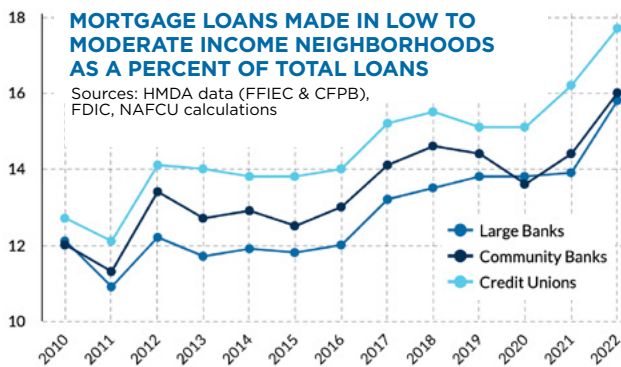
There are over 3x as many credit union minority depository institutions (MDIs) as bank MD



Over 50% of credit union CEO are women, more than 10x the number at banks.

While all types of banks (community, regional and national) have been closing branches, especially in rural and underserved areas, since 2020, the number of credit unions branches has increased.

Credit unions make a higher percentage of mortgage loans in low-to-moderate income neighborhoods as a percentage of total loans than banks.



An independent study on the credit union tax exemption released by NAFCU during the 117th Congress found that the credit union federal tax exemption benefits all consumers, whether credit union members or not. All consumers get a benefit from credit unions by their presence in the market and their competitive impact on rates, saving Americans \$15 billion annually. The bottom line is that the credit union federal tax exemption has allowed the industry to remain a safe, secure and reliable source for financial services for the American consumer.

	Number of Branches	Percent Change
Community Banks	-63	-0.2%
Regional Banks	-1,053	-9.7%
National Banks	-3,100	-10.6%
Credit Unions	197	0.9%

Credit union lending to main street small businesses has grown since 2007, while bank lending to small business has been stagnant.

