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National Association of Federally-Insured Credit Unions

July 30, 2019

The Honorable Chuck Grassley
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

RE: Setting the record straight on banker attacks

Dear Chairmen Grassley and Neal and Ranking Members Wyden and Brady:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to the recent attack on credit unions from various banker associations. Today's attack continues the banker hypocrisy by releasing an American Bankers Association (ABA)-funded study by a banker-backed consulting firm that continues to distort the mission of credit unions to fit the bankers' attack narrative.

It is ironic that the bankers continue to put resources into these attacks on credit unions in an effort to eliminate competition, when what they should be studying is why their members caused the financial crisis and how they can stop abusing consumers today. The fact remains that if banker associations had focused on the nation's largest banks being more responsible to begin with, the financial crisis may not have reached such epic proportions. Unlike banks, credit unions, which are supervised by the National Credit Union Administration (NCUA) (which the bankers also attack), were not the bad actors that caused the financial crisis. The numbers speak for themselves when you look at the nearly \$200 billion in big bank fines and various settlements since the financial crisis.

These "fines" include over \$76 billion for Bank of America, over \$40 billion for JP Morgan Chase, and over \$12 billion for Wells Fargo, just to name a few (a few that also happen to be listed as "clients," along with the ABA, of the firm that did the report). While the bankers continue to have the gall to attack the credit union tax exemption, they conveniently forget to mention how independent analysis has shown that the fines and settlements for wrongdoing by their members have actually amounted to billions and billions of dollars of tax relief over the years for the nation's largest banks.¹

¹ Browning, Lynnley. (October 27, 2014). Too Big to Tax: Settlements Are Tax Write-Offs for Banks. *Newsweek*. Retrieved from: <http://www.newsweek.com/2014/11/07/giant-penalties-are-giant-tax-write-offs-wall-street-279993.html>

We hope that the banker groups will change their approach and instead focus their resources on issues that can help the entire financial services community, such as consumer protection, regulatory relief and creating a national data security standard for those who do not currently have one, including retailers and others who handle consumer financial data.

Credit unions are proud of their track record in meeting the needs of nearly 117 million members and being a stable capital source to our nation's small businesses. As we have communicated to you before, this was demonstrated earlier this year when credit unions stepped up to help Federal workers impacted by the government shutdown when many banks did little.

The fact is that the total estimated benefit credit unions provide the greater economy totals over \$16 billion a year, according to NAFCU's own independent study. You can read the study at <http://www.nafcu.org/cutaxexemption/>. The study shows that altering the tax status of credit unions would have a devastating impact not only on credit union members across the country, but also on consumers and small businesses in general. Eliminating the credit union tax exemption would result in the loss of 900,000 jobs over the next decade, a shrinking of the GDP, and a net loss of revenue to the federal government.

Credit unions help facilitate economic growth through lower loan rates, higher interest on deposits, and lower fees. While for-profit institutions were unable to provide Americans with needed capital during the financial crisis, credit unions are proud of their service to Main Street. Any effort to strip credit unions of their federal tax exemption will have a drastic and immediate negative impact on credit unions and their 117 million members who will ultimately bear the cost of any new tax imposed on credit unions.

The tax exemption is an issue of survival for credit unions. In other countries where the tax exemption has been eliminated for credit unions, the number of credit unions has declined dramatically. If the tax exemption was removed, many would convert to banks or just go away. Without credit unions, the depository institution space would be void of checks and balances in the marketplace and for-profit banks would be free to increase rates and fees on consumers. Do not be fooled by the bankers—that is why they want you to go after credit unions. If the banker associations were really serious about helping consumers and reducing risk to the economy, they would clean up their own act. Nowhere in their recent attack do they suggest that they are doing so.

Thank you for this opportunity to set the record straight on this important issue. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me or NAFCU's Associate Director of Legislative Affairs Max Virkus at (703) 842-2261.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Committee on Finance
Members of the House Committee on Ways and Means