Good morning,

I am writing to set the record straight in response to recent efforts by banking groups to continue to distort the truth about credit unions and the credit union difference.

While banks remain focused on earning record profits, credit unions are focused on serving their nearly 136 million members – consumers and main street small businesses. It is unfortunate that some groups in the banking industry have once again made attacking credit unions one of their priorities for this Congress.

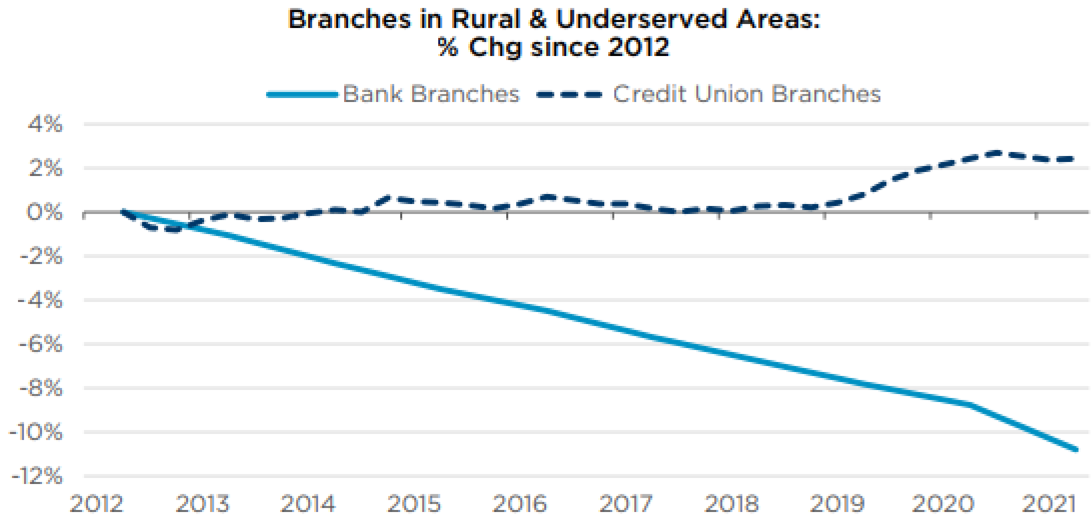
These banking groups will try to tell you that not-for-profit credit unions are no different than for-profit banks. They are wrong. We urge you to visit www.nafcu.org/cu-difference to help set the record straight on how credit unions are different.

While these banking groups call on Congress to change the tax status of credit unions, they fail to disclose that the banking industry received tens of billions of dollars in annual tax breaks from the Tax Cuts and Jobs Act. They also fail to point out that nearly one-third of all banks are Subchapter S corporations and do not pay corporate income taxes themselves. These annual tax breaks for banks far outpace the annual tax expenditure of the credit union tax exemption. They also do not take into account how the credit union tax status benefits the economy at large.

The fact is that the estimated benefit credit unions provide the greater economy totals roughly $16 billion a year, or $159 billion over 10 years, according to NAFCU's own independent study. 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.

NAFCU would also like to address the distorted claims bankers are making against credit unions and their record in low income, rural, and underserved communities. Banking groups try to paint a picture that for-profit banks, not credit unions, are the ones serving underserved communities, but the facts and data do not support this. Consider the following:

- Banks closed 6,764 branches between 2012 and 2017 according to the Federal Reserve (report).
- Branch closure by banks only accelerated during the pandemic, with banks closing more than 4,000 branches since March of 2020 according to an independent NCRC study. This is a pace of over 200 bank branch closures a month in the last 2 years (report).
- When merging banks closed a branch, the number of small business loans made in the area fell by 13 percent for more than eight years afterward, a study by an economist at the University of California, Berkeley found.
- As the chart below shows, the number of bank branches in rural & underserved areas have declined by 10.8 percent since 2012 while the number of credit union branches in those areas have grown by 2.4 percent.



Note: Bank data based on FDIC Summary of Deposits branch types 11 & 12
Sources: FDIC, NCUA, NAFCU calculations

When the banking groups make attacking credit unions one of their priorities, ask yourself why they are really doing this. How is this helping address our nation's underserved areas? The bottom line is that they are trying to limit their competition. Meanwhile, credit unions remain focused on serving their members – consumers and main street small businesses – so that our nation may recover. We encourage the banking groups to keep their focus on the same as well.

I thank you for allowing us to set the record straight on credit unions. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue or any credit union issue, please feel free to contact me.

Sincerely,

Greg Mesack