



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

July 22, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Response to the National Taxpayers Union Letter on Credit Unions

Dear Chairman Crapo, Ranking Member Brown, Chairwoman Waters and Ranking Member McHenry:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in response to a recent letter from the National Taxpayers Union (NTU) regarding credit unions in order to set the record straight.

It is unfortunate that the NTU continues to misrepresent the facts in order to fit their narrative on credit unions. It is disappointing that while our country seeks to recover from a pandemic and an economic crisis, the NTU continues these baseless attacks.

In their letter, NTU uses the fact that credit unions are seeking to do more to help small businesses recover from the pandemic by getting flexibility from the credit union member business lending (MBL) cap as a reason to suggest Congress impose new burdens and taxation on credit unions. What they fail to mention is that, in the middle of the pandemic, many banks refused to offer Small Business Administration (SBA) Paycheck Protection Program (PPP) loans to many very small businesses, leaving them with no choice but to go to their local credit unions. Many small businesses have joined credit unions in order to get help during this pandemic. Credit unions want to be able to continue to serve them as they recover post-pandemic.

The importance of credit unions for small businesses is clear when you analyze the SBA's recently released PPP data, and you find that credit unions met the needs of our nation's smallest businesses. The average credit union PPP loan was less than half the size of the average bank PPP loan. Credit unions also made a higher percentage of their PPP loans to minority-owned, women-owned, and veteran-owned small businesses than banks.

While the NTU called on Congress to change the tax status of credit unions, their letter fails to point out that the banking industry received tens of billions of dollars in annual tax breaks from the *Tax Cuts and Jobs Act* – legislation the NTU supported. 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 provides benefit to the economy at large.

The fact is that the total estimated benefit credit unions provide the greater economy totals roughly \$16 billion a year, or \$159 billion over 10 years, according to NAFCU’s 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. When they tell you to tax credit unions, they will not tell you the negative consequences to the economy.

NTU also tries to attack the credit union tax status based on the fact that a handful of banks have opted to merge with credit unions in recent years. We remind you that bank-credit union mergers are voluntary, market-based transactions that require a community banks’ board of directors to vote on selling to a credit union. These are not “hostile” takeovers. *The bank is the one that ultimately makes the decision to sell to, and merge with, a credit union.* These mergers cannot occur without approval from both bank and credit union regulators. Bank and credit union mergers are typically a win-win for a local community that may lose its community-focused financial services, or even local employees and branches, if a national bank buys the local community bank. Credit union-community bank mergers often mean employees retain jobs and branches remain open with a focus on the members in the community.

Credit unions remain a well-regulated industry overseen by the National Credit Union Administration (NCUA). While the NTU tries to attack credit union field of membership requirements, it should be noted that the U.S. Supreme Court just denied an appeal last month by the American Bankers Association that challenged NCUA’s chartering and field of membership rules.

In conclusion, NTU’s attempt to undermine credit unions is misguided and false. Credit unions have a tax exemption based on their structure and not-for-profit status. This tax exemption has been recognized many times by Congress over the years. Trying to link the tax exemption to the MBL cap (imposed in 1998) is illogical and has no place in the current discussions of pandemic-related policy. Credit unions have proven themselves time and again to be pillars of their local communities and underserved areas. While the NTU is busy attacking credit unions, credit unions are busy serving their members and helping people who have been turned away by banks.

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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 other credit union issue, please feel free to contact me or Brad Thaler, NAFCU's Vice President of Legislative Affairs, at 703-842-2204 or bthaler@nafcu.org.

Sincerely,



Carrie R. Hunt
Executive Vice President of Government Affairs and General Counsel

cc: Members of the Senate Banking Committee
Members of the House Financial Services Committee
The Honorable Chuck Grassley
The Honorable Ron Wyden
The Honorable Richard Neal
The Honorable Kevin Brady