

February 28, 2024

The Honorable Jason Smith  
Chairman  
House Committee on Ways and Means  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Richard Neal  
Ranking Member  
House Committee on Ways and Means  
United States House of Representatives  
Washington, D.C. 20515

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

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

Dear Chairmen Smith and Wyden and Ranking Members Neal and Crapo:

On behalf of the American Bankers Association and the 52 state bankers associations, we write to express our strong support for a hearing to help determine whether the credit union industry's tax exemption is justified by the community benefit it produces.

Credit unions were designed to provide basic consumer financial services to those in need. That mission of service – and their structure as not-for-profit cooperatives – explained their tax status and limited their activities, which have become increasingly complex since Congress last examined their tax exemption almost 20 years ago.

Seemingly at odds with their mission and structure, today's credit unions acquire banks, issue subordinated debt, and offer nationwide membership.

The National Credit Union Administration (NCUA) has acknowledged these shifts within the industry it oversees. NCUA Chairman Todd Harper recently asserted, "the credit union system is rapidly changing" and becoming "more dynamic, complex, and larger with 426 credit unions holding \$1 billion or more in assets, which includes 22 credit unions with more than \$10 billion in assets."<sup>1</sup>

Federal Reserve Board Governor Michelle Bowman has observed these changes too, commenting on bank acquisitions, membership expansion, and upticks in business lending.

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<sup>1</sup> <https://ncua.gov/newsroom/speech/2023/ncua-chairman-todd-m-harper-remarks-defense-credit-union-council-annual-conference>

Within the banking ecosystem, “credit unions today are much more likely to compete directly with traditional banks offering the full ‘cluster’ of banking products and services,”<sup>2</sup> said Bowman.

Credit union growth, while theoretically positive for the communities credit unions serve, is only beneficial if it is accompanied by congressional oversight and careful regulatory supervision that accounts for the potential consequences of that growth on the credit union model. As Chairman Harper recently noted, “There is this myth within the credit union system that because credit unions are owned by their members, they’re always going to do right by their members...the people who manage the credit union, their interest doesn’t always align with that of the members.”<sup>3</sup> As credit unions continue to grow, Congress has a responsibility to ensure that disclosure and transparency requirements keep pace and provide adequate documentation of responsible stewardship of taxpayer funds.

We welcome competition and recognize that it benefits American households. We also believe that American taxpayers deserve accountability and that financial institutions awarded special tax and regulatory treatment should live up to their stated missions. Accordingly, these significant recent developments within the credit union industry deserve congressional review, particularly given the limited amount of publicly available data regarding credit union activities as compared to other tax-exempt entities, which, unlike federal credit unions, file IRS Form 990.

Indeed, consumers have indicated their support for a hearing, as evidenced by a recent poll which found “a wide majority of respondents (62%) said that Congress should examine whether credit unions are providing enough community benefit to warrant their existing tax exemption.”<sup>4</sup>

Moving forward, the impact of rapidly evolving regulatory regimes and emerging technologies will necessitate more regular oversight of tax-exempt credit unions.

Hearings once every 20 years are not enough for the 140 million consumers who use credit unions, nor the taxpayers who subsidize their services.

We respectfully request that the House Committee on Ways and Means and Senate Committee on Finance fulfill its mission as it relates to oversight of tax-exempt entities and promptly schedule a hearing on America’s credit unions.

Sincerely,

American Bankers Association  
Alabama Bankers Association  
Alaska Bankers Association  
Arizona Bankers Association  
Arkansas Bankers Association  
California Bankers Association  
Colorado Bankers Association  
Connecticut Bankers Association  
DC Bankers Association  
Delaware Bankers Association

Florida Bankers Association  
Georgia Bankers Association  
Hawaii Bankers Association  
Idaho Bankers Association  
Illinois Bankers Association  
Indiana Bankers Association  
Iowa Bankers Association  
Kansas Bankers Association  
Kentucky Bankers Association  
Louisiana Bankers Association

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<sup>2</sup> <https://www.federalreserve.gov/newsevents/speech/bowman20220928a.htm>

<sup>3</sup> <https://www.brookings.edu/events/a-conversation-with-national-credit-union-administration-chairman-todd-harper/>

<sup>4</sup> <https://www.aba.com/about-us/press-room/press-releases/credit-union-consumer-survey>

Maine Bankers Association  
Maryland Bankers Association  
Massachusetts Bankers Association  
Michigan Bankers Association  
Minnesota Bankers Association  
Mississippi Bankers Association  
Missouri Bankers Association  
Montana Bankers Association  
Nebraska Bankers Association  
Nevada Bankers Association  
New Hampshire Bankers Association  
New Jersey Bankers Association  
New Mexico Bankers Association  
New York Bankers Association  
North Carolina Bankers Association  
North Dakota Bankers Association  
Ohio Bankers League  
Oklahoma Bankers Association  
Oregon Bankers Association  
Pennsylvania Bankers Association  
Puerto Rico Bankers Association  
Rhode Island Bankers Association  
South Carolina Bankers Association  
South Dakota Bankers Association  
Tennessee Bankers Association  
Texas Bankers Association  
Utah Bankers Association  
Vermont Bankers Association  
Virginia Bankers Association  
Washington Bankers Association  
West Virginia Bankers Association  
Wisconsin Bankers Association  
Wyoming Bankers Association