

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."¹

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

¹ <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,”² 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.”³ 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.”⁴

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

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

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

⁴ <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