

**CUNA Analysis of  
ICBA/Tax Foundation Study of the  
Federal Credit Union Tax Exemption**



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## Response to Independent Community Bankers Association (ICBA) Research

### Executive Summary

Credit unions earn their tax exemption by remaining true to their traditional structure as democratically- controlled, not-for-profit financial cooperatives, directed by volunteers and by continuing to provide significant societal benefits. The ICBA-funded paper shows absolutely no understanding of what credit unions are, or what they do. Like previous banker-funded studies, it relies heavily on faulty assumptions and on selective and erroneous interpretation of historical fact to reach its faulty conclusions.

While there are many problems with the ICBA paper four principal flaws stand out:

1. The ICBA paper claims that credit unions should be taxed because their service offerings and membership fields have grown. However, as recently noted by the U.S. Treasury Department, the original justification for credit unions' tax exemption centered on the unique structure of credit unions and had absolutely nothing to do with either field of membership restrictions or the extent to which credit union service offerings were limited.
2. The ICBA paper claims that credit unions do not provide significant member benefits in the form of higher dividend rates on deposits or lower borrowing costs. To reach this conclusion it dismisses a substantial body of research that finds that credit unions deliver large member and nonmember benefits. Instead, the ICBA paper bases its conclusion on a crude analysis of credit union and bank prices for a small subset of products (including only one deposit account) on a single day in 2004.
3. The ICBA paper claims that credit unions use their tax status to accumulate "unusual returns" in the form of relatively large capital positions. However, it conveniently ignores the fact that federal law requires credit unions to hold higher capital levels than do banking institutions, and it likewise ignores the fact that the ICBA has lobbied vigorously to maintain that higher credit union capital requirement.
4. The ICBA paper claims that it is desirable public policy to promote financial institution tax equity but hypocritically ignores banking institution Subchapter S election -- one of the largest and fastest growing tax *inequities* in the depository institution sector. It similarly neglects to mention that banking lobbyists, including ICBA lobbyists, were recently successful in significantly widening this tax system inequity.

Credit unions are an essential alternative to for-profit banking institutions. Credit unions earn their tax exemption by remaining true to their traditional structure as democratically-controlled, not-for-profit financial cooperatives, directed by volunteers and by continuing to provide significant societal benefits.

The ICBA-funded anti-credit union paper shows absolutely no understanding of what credit unions are, or what they do. Like previous banker-funded studies, it relies heavily on faulty assumptions and on selective and erroneous interpretation of historical fact to reach its faulty conclusions.

### **The Unique CU Structure is Unchanged**

**The ICBA paper claims that credit unions should be taxed because their service offerings and membership fields have grown. However, as noted by the U.S. Treasury Department, the original justification for credit unions' tax exemption had absolutely nothing to do with either field of membership restrictions or the extent to which credit union service offerings were limited.**

Field of membership restrictions were included in the original Federal Credit Union Act as a device to support the operations of small, volunteer-run credit unions. Since lending was to be crucial to credit union operations, the idea was to ensure that credit unions knew to whom they were lending in the days before comprehensive credit reports. Second, when credit unions were first established, the range of financial services to consumers was very limited. It's true that credit unions did not then offer their members credit cards, money market accounts, and a wide range of share certificates in the 1930's. But, of course neither did banks. These services had not yet been invented. Today they are part of the normal portfolio of consumer financial services. Both credit unions and banks have expanded their service offerings over the past seven decades as consumer demand and technological advances have combined to create new products and services.

Rather, the original reason for the tax exemption had everything to do with the cooperative structure of credit unions. The U.S. Treasury Department underlined this fact in its recent comprehensive report on credit unions wherein it outlines the rationale for the 1937 granting of the tax exemption for federal credit unions.<sup>1</sup> The report states:

Two reasons were given for granting this exemption (in 1937): (1) that taxing credit unions on their shares, much as banks are taxed on their capital shares, "places a disproportionate and excessive burden on the credit unions" because credit union shares function as deposits; and (2) that "credit unions are mutual or cooperative organizations operated entirely by and for their members . . ." Thus, the tax exemption was based primarily on the organizational form of credit unions. . .<sup>2</sup>

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<sup>1</sup> U.S. Department of the Treasury "Comparing Credit Unions and Other Depository Institutions", January 2001. Page 28.

<sup>2</sup> Quotes within this excerpt are from H.R. REP. NO. 1579, 75<sup>th</sup> Cong., 1<sup>st</sup> Sess. P. 2.



Credit unions continue to operate as the nation's only democratically controlled mutual institutions, serving only their members, on a non-profit basis, meeting the main rationale for the tax exemption. Unlike banks, the net income of credit unions is not distributed among a small group of stockholders. Instead, that portion not returned to members in lower loan rates and fees, or higher yields on savings, is retained by the credit union to ensure safety and soundness.

Congress recently reaffirmed the logic behind the tax treatment of credit unions in the findings to the Credit Union Membership Access Act of 1998<sup>3</sup>:

The Congress finds the following: . . .

... (4) Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means.

Despite the ICBA paper's claims, the reasons for the credit union tax exemption today are the same as they were 70 years ago. Credit unions remain true cooperatives, operating for the benefit of their members.

### **CUs Deliver Substantial Societal Benefits**

**The ICBA paper falsely claims that credit unions do not provide significant member benefits in the form of higher dividend rates on deposits or lower borrowing costs.**

To achieve this strange result the ICBA paper does five bizarre things:

- (1) It reviews but inexplicably dismisses a body of research which recognizes large member (and nonmember) benefits;
- (2) It dismisses this research in favor of a crude analysis which examines differences in credit union and bank interest rates on a single day in 2004;
- (3) It limits its crude analysis to a small subset of products and services, including only one deposit account;
- (4) It largely dismisses, for no apparent reason, the significant credit union pricing advantages that the analysis does identify;
- (5) It completely ignores the fact that credit unions charge fewer and lower fees than do commercial banking institutions.

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<sup>3</sup> Pub. L. No. 105-219. August 7, 1998.



The ICBA paper contains a lengthy bibliography but it glosses over the large and growing body of evidence that runs contrary to ICBA rhetoric. This includes a large and growing body of evidence that credit unions benefit both their members *and* banking institution customers.

First, credit union members save and earn approximately \$6.3 billion a year on the loan rates, savings interest rates and fees they would pay if they did their business at banks instead of credit unions.<sup>4</sup>

As noted above, the interest-rate-related benefits credit unions deliver to their members is largely ignored in the ICBA paper, in part because the paper limits its examination to single-day differences between bank and credit union pricing and further limits its examination to a small subset of products and services.

A more comprehensive, longer-term, and therefore more realistic view of credit union and bank pricing is summarized in the table on the following page.

The table contains monthly Datatrac interest rate averages for an entire year. Datatrac surveys roughly 15,000 financial institutions and is the nation's leading provider of financial institution interest rate comparisons. Datatrac also is the rate comparison service endorsed by the American Bankers Association. The company's monthly average rates for 2004 show that the average interest rates at credit unions, in almost every case, are much more favorable than the comparable interest rates at banking institutions.

The one exception to this general rule appears in the mortgage arena, where retail pricing is determined in the secondary market.

Contrary to the ICBA claims, the favorable pricing differences apparent in this table result in substantial financial benefits for credit union members. For virtually all products, credit unions charge less for loans and pay more for savings compared to banking institutions.

Moreover, the differences apparent in the table tend to be wider in higher-rate environments. Thus, if history is a good guide, the credit union member benefits described in the table will increase in the coming months.

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<sup>4</sup> *The Benefits of Credit Union Membership*. CUNA Research and Policy Analysis White Paper, 2004.



<b>Credit Union Member Benefits Comparative Interest Rates at U.S. Financial Institutions (2004 Monthly Average Rates)</b>			
<b>Product</b>	<b>Credit Union Average</b>	<b>Banking Institution Average</b>	<b>CU Difference</b>
<b>Consumer Loans:</b>			
60-month new car	4.75%	6.44%	-1.70 pp
48-month used car	4.93%	7.06%	-2.12pp
Unsecured loan	10.86%	12.09%	-1.22pp
Credit card – classic	9.99%	10.08%	-0.09pp
Credit card – gold	10.86%	11.07%	-0.21pp
<b>Mortgage Loans:</b>			
First mortgage:30-Yr Fixed	5.76%	5.76%	0.00pp
First mortgage:1-Yr ARM	3.24%	3.25%	-0.01pp
Home equity/2 <sup>nd</sup> mtg.	4.53%	4.54%	-0.01pp
<b>Savings Accounts:</b>			
Regular savings	0.74%	0.48%	+0.27pp
Share draft checking	0.45%	0.34%	+0.11pp
Money market	0.95%	0.54%	+0.41pp
3 Month CD	1.08%	0.77%	+0.31pp
6 Month CD	1.36%	1.13%	+0.23pp
1 Year CD	1.68%	1.43%	+0.24pp
2 Year CD	2.16%	1.93%	+0.23pp
3 Year CD	2.70%	2.47%	+0.23pp
4 Year CD	3.14%	2.85%	+0.29pp
5 Year CD	3.56%	3.24%	+0.32pp
Source: Datatrac.			

The ICBA paper completely ignores credit union service to those of modest means. Credit unions take seriously their role to serve all their members, including those of modest means.

Credit unions have a proven record of serving those of modest means who fall within their fields of membership. A recently published report finds that: “Households that use a bank only have higher median incomes than those who use a credit union only.” and



“Among households that use both a bank and a credit union, those that use a bank primarily have higher median incomes than those that use a credit union primarily.”<sup>5</sup>

Credit unions are not as present in the financial lives of those at the very lowest end of the income distribution as they are for those in the middle-income and lower-middle-income groups. Credit union membership is highest in the \$30,000 to \$80,000 range of household income. At higher and lower income levels, credit union membership is lower. Upper income households are more likely to be bank customers; lower income households are more likely to be unbanked.

The lower membership rates in the very lowest income groups do not mean credit unions have avoided their responsibilities. Credit unions in the U.S. have a 70-year history of serving primarily occupational fields of membership. There have always been a few community credit unions in some parts of the country, but the overwhelming character of credit union fields of membership has been occupational. As such, credit unions have developed into powerful forces of financial betterment in the lives of working people all over the country. The move to serve select employee groups (SEGs) over the past two decades has extended the availability of credit union service to more Americans, but this membership expansion has been largely restricted to occupational fields.

Those at the very lowest end of the income distribution are less likely to be employed, particularly at the larger employers where credit unions have historically had the greatest presence. Indeed, research shows that “unbanked” households tend to be headed by a person who isn’t working. Therefore, the reason credit unions might not show up in statistics as heavily serving the lowest end of the income distribution is because those households are least likely to have in the past been eligible to join traditional, occupationally based credit unions.

It’s important to note that credit unions didn’t choose the occupational field of membership model as a way of excluding potential members. In fact, just the opposite has been the case. Many credit unions have for much of their history, especially in the past two decades, been doing what they can to expand fields of membership.

In summary, restricted by law and regulation that defined fields of memberships on occupational grounds, credit unions have performed very well in serving those of modest means who fell within those fields. With recent field of membership expansions, especially the move to more community based fields of membership, we expect the provision of credit union service to those at the lower end of the income distribution to increase in the coming several years. Evidence of credit union interest in this area is found to the extent to which credit unions have added underserved areas to their fields of membership under the NCUA’s Access Across America program. Since the beginning of 2002, almost 76 million potential members from underserved areas have been added to

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<sup>5</sup> Filene Research Institute. *Who Uses Credit Unions*. Third ed., page 15.



credit union fields of membership.<sup>6</sup> Although it will take some time for credit unions to reach out to and serve members in these communities, it is instructive to note that in the three years ending December 2003, credit unions that added such underserved areas experienced membership growth of over three times that of other credit unions (17.4% vs. 5.2% over the three year period.)

The ICBA paper likewise ignores Home Mortgage Disclosure Act (HMDA) data which consistently shows that credit union members in all demographic groups (including low income, moderate income, and all minority groups) are much more likely to be approved for mortgage loans at their credit union than are consumers in similar groups who apply for mortgages at other mortgage lending institutions.

<b>Low Income* Mortgage Applicant Approval Rates By Lender</b>			
<b>Year</b>	<b>CU Lenders</b>	<b>Non-CU Lenders</b>	<b>Ratio of CU to NonCU</b>
2000	69.0%	46.3%	149.0%
2001	62.1%	38.2%	162.6%
2002	63.8%	38.9%	164.0%
<u>2003</u>	<u>72.2%</u>	<u>47.8%</u>	<u>151.0%</u>
Four-Year Average	66.8%	42.8%	156.7%

Source: FFIEC HMDA data, CUNA E&S.  
 \* Low-income: Borrowers with less than 50% of MSA median income.

The ICBA paper incorrectly states that credit unions were excluded from CRA because of the presumption that they must be serving such consumers. In fact, CRA was created to fight the obvious, systematic discrimination against lending to low-income borrowers that existed in the banking industry. There simply was no obvious, systematic discrimination of this sort within the credit union movement. And the same is true today.

Second, bank customers themselves, according to a new study, save \$4.3 billion a year just because credit unions influence the behavior of banks, causing them to pay more on savings, and charge less on loans.<sup>7</sup>

Zion’s Bancorporation, whose CEO is Harris Simmons, chairman-elect of the American Banker’s Association and a fierce credit union antagonist, recently acknowledged this influence. In an interview with the American Banker newspaper, a Zion’s executive

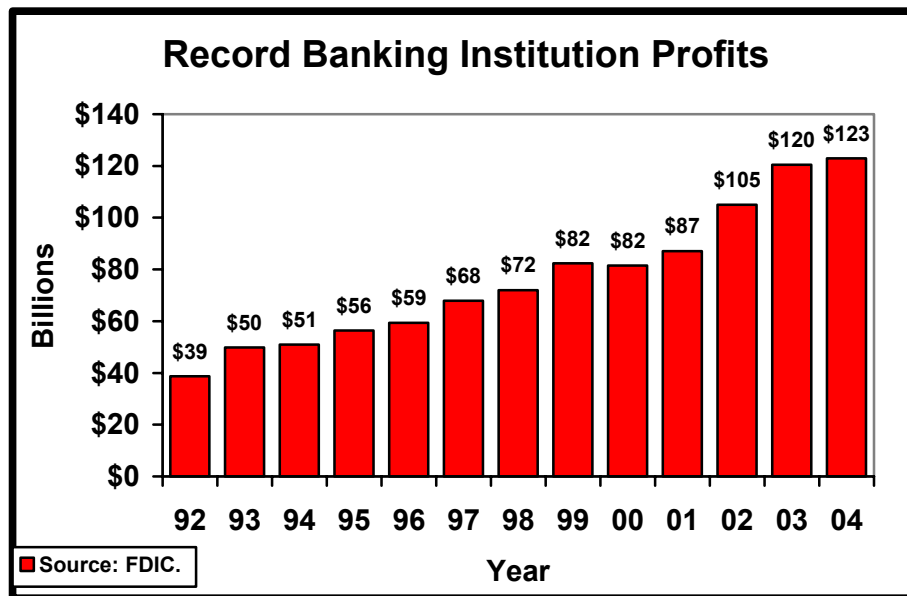
<sup>6</sup> NCUA Underserved Area Reports. 2002, 2003, 2004.

<sup>7</sup> Robert J. Tokel *An Estimate of the Influence of Credit Unions on Bank CD and Money Market Deposits in the U.S.* Idaho State University. January 2005. and Robert M. Feinberg *An Analysis of the Benefits of Credit Unions to Bank Loan Customers* American University January 2005.



indicated that his \$32 billion banking institution's record 2004 profits (up 20% compared to 2003) would have been higher yet if Zions didn't have to respond to credit union competition and pay its customers higher rates on their deposits.<sup>8</sup>

Importantly, while Zions complains that credit unions force the bank to pay its depositors higher rates (i.e., deliver a higher level of consumer benefit), this has not impinged on the banks' ability to reap record profits. The same is generally true -- the banking industry, as shown in the graph below, recently earned a record \$123 billion, adding to its string of record-breaking profitability. These results do not include the billions of dollars in earnings recorded at the holding company level for all of the non-traditional business operated by bank holding companies.



### CU Operations Reflect Restrictive Laws

The ICBA paper falsely claims that credit unions use their tax status to accumulate “unusual returns”. Specifically, the author claims that credit unions use their tax exemption to accumulate “unusually large” retained earnings but this conclusion completely ignores four critical facts:

- (1) Credit union law *requires* credit unions to hold a 7% capital-to-asset ratio to be considered “well capitalized”<sup>9</sup> – this is two percentage points (40%) higher than the comparable banking institution requirement;

<sup>8</sup> American Banker. Monday, January 31, 2005. “Feeling Heat from Deposit Competition”

<sup>9</sup> 12 U.S.C. § 1790d.



- (2) Credit unions are compelled to hold capital in excess of the required minimums because they have no access to the capital markets and must generate capital exclusively from earnings;
- (3) The banking industry, including the ICBA, has vehemently opposed all efforts on the part of credit unions to obtain legislative relief that would result in more equitable capital requirements and/or greater access to alternative capital instruments.<sup>10</sup>
- (4) Unlike banking institution retained earnings, credit union retained earnings are not accumulated for the benefit of management, other insiders, or stockholders. They exist only for the benefit of members in the future by providing for the stability of the credit union.

### **Bankers Promote Tax Inequality That Benefits Banks**

**The 28-page ICBA paper that claims it is desirable public policy to promote financial institution tax equity but it hypocritically ignores banking institution Subchapter S election -- one of the largest and fastest growing tax *inequities* in the depository institution sector. It similarly neglects to mention that banking lobbyists, including ICBA lobbyists, were recently successful in significantly widening this tax system inequity.<sup>11</sup>**

Subchapter S status creates inequities because it is a substantial tax advantage available only to closely-held banking institutions (i.e., those with relatively few stockholders). At year-end 2004, 24% of banking institutions (i.e., 2,133 institutions) with \$321 billion in assets had elected Subchapter S status.<sup>12</sup> These institutions reported 2004 earnings of \$6.2 billion and avoided \$2.2 billion in 2004 federal income taxes at the corporate level (assuming a 35% tax rate).

Adjusting for the fact that Subchapter S shareholders are taxed on their institutions' earnings we find that the 2004 foregone federal income tax revenue is approximately \$800 million. This amount is roughly equal to one-half of the foregone Treasury revenue that arises from the credit union tax exemption.

**Furthermore, the ICBA paper makes no attempt to measure the comparative size of the foregone Treasury revenue that arises from the many tax avoidance schemes employed by banking institutions that have not elected Subchapter S status.**

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<sup>10</sup> See, for example, the ICBA's July 2004 letter to Congress outlining the association's opposition to the Credit Union Regulatory Improvements Act. <http://www.icba.org/advocacy/commentlettersdetail.cfm?ItemNumber=3119>

<sup>11</sup> See, for example, the ICBA's June 19, 2003 testimony to Congress in support of Subchapter S expansion: <http://www.icba.org/advocacy/testimonydetail.cfm?ItemNumber=542>

<sup>12</sup> Federal Deposit Insurance Corporation.



The amount of foregone Treasury revenue arising from these sources clearly dwarfs the size of the credit union tax advantage. For example, a recent PBS “Frontline” broadcast – “Tax Me If You Can” outlined how Wachovia bank, with \$4 billion in profits in 2002, used a foreign leasing scheme to dodge all federal income taxes in the year.<sup>13</sup> In fact, with \$4 billion in profits it actually received a refund in the year. This single bank recorded earnings roughly equal to two-thirds of the total earnings of all U.S. credit unions in 2002 but it paid no federal income taxes.

Moreover, in an update to the February 2004 broadcast, Frontline producers reported that Wachovia Bank paid \$910 million in federal taxes in 2003 -- an effective tax rate of 16 percent.<sup>14</sup> Had Wachovia paid taxes at the 35% federal rate, it would have paid \$1.99 billion in taxes. Thus, the foregone Federal income tax revenue for this single institution was roughly \$1.1 billion in 2003 – an amount that is roughly equal to nearly 75% of what credit unions would have paid, if taxed by the federal government in that year.

**While completely ignoring banking institution foregone tax revenue, the ICBA paper presents an estimate of the size of the credit union tax exemption that is vastly overstated.** The ICBA’s estimate is not only vastly overstated, it exceeds estimates of both the Congressional Budget Office (CBO)<sup>15</sup> and the Office of Management and Budget (OMB)<sup>16</sup>. In fact, were all credit unions subject to income taxation, the maximum revenue to the Treasury would be \$1.6 billion in 2004. If credit unions could be nearly as successful as banks in "managing" their tax liabilities, the amount would be far less than that.

Some of the other errors and omissions in the ICBA paper include the following:

- The ICBA paper claims credit unions are growing quickly, but also asserts that credit unions don’t provide significant consumer benefits. The author fails to explain, from an economic standpoint, how financial institutions that don’t provide financial benefits manage to grow and flourish.
- The ICBA paper neglects to mention that as owners of the nation’s only democratically controlled financial institutions credit union members can actively participate in the operation of their credit union. Oddly, the 28-page ICBA paper contains no occurrence of the word “democratic”. Of course, unlike credit union members, bank customers are not owners of their institutions. This basic structural difference is what gives rise to the credit union tax exemption.

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<sup>13</sup> PBS *Frontline*. February 19<sup>th</sup> 2004. <http://www.pbs.org/wgbh/pages/frontline/shows/tax/>

<sup>14</sup> PBS *Frontline*. May 2004. <http://www.pbs.org/wgbh/pages/frontline/shows/tax/etc/update.html>.

<sup>15</sup> Congressional Budget Office. *Budget Options*, February 2005.

<sup>16</sup> Office of Management and Budget. *Analytical Perspectives, Budget of the United States, Fiscal Year 2005*. Government Printing Office, 2004.



- In a similar vein, the ICBA paper repeatedly uses false and misleading terminology to paint credit unions in a negative light. One example of this is the ICBA paper’s repeated use of the term “subsidy” to describe the credit union exemption from federal income taxes. In fact, the author uses the term “subsidy” more than 20 times. The credit union tax exemption is not a subsidy, as the author (and the ICBA) undoubtedly knows. Another example of this deceit is the repeated use of the term “low-income” when referring to the credit union charge to serve those of modest means. One would be hard-pressed to find a policy maker that would agree that “low-income” and “modest means” were interchangeable terms.
- The ICBA paper dismisses as irrelevant consumer satisfaction surveys that prove that consumers are much more satisfied with credit unions than with banking institutions. These surveys, conducted by the American Banker newspaper<sup>17</sup>, have been conducted for nearly two decades. Every survey reaches the same conclusion: consumers are much more satisfied with credit unions than with banking institutions. The author’s claim that household business doesn’t matter to commercial banks doesn’t square with the fact that banking institutions control nearly 90% of household deposits.<sup>18</sup> And it certainly doesn’t square with the increasing number and intensity of the banking industry’s attacks on credit unions.
- The ICBA paper incorrectly states that mutual savings banks lost their tax exemption because they competed with taxed institutions. In truth mutual savings banks lost their tax exemption because they competed with these institutions AND because they engaged in widespread proxy voting schemes and were not democratically controlled (voting was based on the size of each member’s deposit not on the basis of one-member-one-vote as is the case with credit unions). The U.S. Treasury underlined this fact in its recent comprehensive report on credit unions. The report states: “In 1951, however, Congress removed the thrift tax exemption because these institutions had evolved into commercial bank competitors, and had lost their “mutuality,” in the sense that the institutions’ borrowers and depositors were not necessarily the same individuals”<sup>19</sup>
- The ICBA paper makes numerous claims regarding differential efficiency between banks and credit unions and also examines differences in state and federal credit unions. However, the analysis does not adjust for institution size. However, the author freely admits there are major size differences in the institutions he studies. He further states, “Thus comparing banks and credit unions is fraught with difficulties because of many fundamental differences in the businesses *besides their tax treatment*” [Emphasis added].

<sup>17</sup> See, for example, American Banker. *American Banker/Gallup Consumer Survey*. October 2004.

<sup>18</sup> Federal Reserve Flow of Funds (Release Z.1), Money Stock Measures (Release H.6) and NCUA.

<sup>19</sup> U.S. Department of the Treasury “*Comparing Credit Unions and Other Depository Institutions*”, January 2001. Page 2.



- The ICBA engages in a lengthy discussion of differences in Federal and State credit union pricing for various accounts but fails to mention that the “prices” it uses are not prices for specifically defined accounts but the call report data for the “most common” rates on large groupings of products and services. As such, they do not sufficiently account for portfolio differences that might exist between the two types of institutions.
- The ICBA paper claims that CUMAA widened credit union fields of membership. It did not. It simply restored the longstanding regulatory interpretation of fields of membership – interpretations that existed since the early 1980s.
- The ICBA paper complains about the growth of credit union business lending but neglects to mention that credit unions control less than 1% of the business loan market in the U.S.
- The ICBA paper improperly analyzes the Incidence of a Federal Tax. The paper uses a market demand curve for credit union loans, which is just the aggregation of all individual demand curves. To do a proper analysis of the incidence of a federal income tax applied to credit unions, it would be better to analyze the demand curves of higher income and lower income members separately. Higher-income members would have a very elastic demand (ie.flat demand curve) for credit union loan products because of their access to alternative loan products (substitutes) from other lenders. Lower-income members, in contrast, would have a very inelastic demand curve (ie. steep demand curve) for credit union loan products because of their lack of alternative loan products (few substitutes) from other lenders. So when a tax is imposed on a credit union, the supply curve will shift up raising the loan interest rate. High-income members will opt for alternative lenders, while low-income members will remain at the credit union and end up paying the higher loan rates and therefore the entire tax. Also, the tax incidence will fall entirely on borrowing members and not the credit union because the loan supply curve is basically flat. So the tax will be passed onto low-income borrowings members. The tax will therefore be *regressive* by falling on low-income members.
- The ICBA paper acknowledges that credit union taxation will magnify adverse selection and moral hazard problems (increasing credit union default risk and loan chargeoffs). It specifically claims that taxed credit unions would be smaller, and many would fail or otherwise be forced to cease operations. Rather than viewing this as a significant consumer problem, the ICBA paper perversely finds that this would be a good thing because it would result in substantially larger banking institution profits and would ultimately increase government tax revenues. The ICBA paper is conveniently silent on the idea that this would represent a transfer of wealth from the nation’s 85 million credit union members to a relatively small group of affluent banking institution stockholders.

- Finally, for a PhD economist, the ICBA paper's author strangely avoids customary quantitative analysis. Single-point financial comparisons and abstract supply and demand graphics may seem impressive to the untrained eye. But these are a very poor substitute for the standard rigorous statistical techniques that his peers would deem a fundamental component of serious research.