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April 24, 2018

The Honorable Orrin Hatch, Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairman Hatch:

On behalf of the Credit Union National Association (CUNA), I am writing in response to your letter dated today to Acting Internal Revenue Service (IRS) Commissioner David Kautter asking him to consider whether the "largest federal credit unions" should be required to file an annual IRS Form 990. CUNA represents America's credit unions and their 110 million members. Credit unions are Americans' best option for financial services, and the credit union tax status represents one of the best investments that the government makes in its citizens.

As your letter accurately states, federally chartered credit unions are not required by the IRS to file the Form 990 that other tax-exempt organizations are required to file. Federally chartered credit unions are organized as United States instrumentalities under Section 501(C)(1) of the Internal Revenue Code. Since 1934, there has been a Form 990 filing exemption for corporations organized under an Act of Congress, if such corporations are instrumentalities of the United States. U.S. instrumentalities include, among others, the Federal Deposit Insurance Corporation, Fannie Mae, Freddie Mac, and the Federal Reserve Banks.

Credit unions were founded to "promote thrift and make loans for provident purposes." Credit unions have stayed true to this core mission through their not-for-profit cooperative structure focused on their member-owners, not profit margins. Meeting the financial services needs of their members is why credit unions exist. The asset size of a credit union and the products and services offered should not be factors in regulating one credit union more than another. Some of the largest credit unions in the world serve primarily veterans, members of the U.S. military, and their families. Credit union products and services have evolved over time as the nature of the financial marketplace has evolved. The banking industry has attempted to stymie every such move by credit unions in the decades since the enactment of the Federal Credit Union Act. For instance, the banking lobby opposed credit unions offering checking accounts, credit and debit cards, and online banking.

Unlike many other tax-exempt organizations, federally insured credit unions are regulated and examined by federal agencies. The National Credit Union Administration (NCUA) regulates and examines all federally chartered credit unions and the Consumer Financial Protection Bureau (CFPB) provides additional regulation for all credit unions and also conducts examination for all credit unions with assets in excess of \$10 billion. Therefore, there is no question that credit unions are complying with their tax-exempt purpose, as determined by the Congress in the Federal Credit Union Act. This makes such additional disclosure unnecessary.

All federally insured credit unions file extensive quarterly call reports that are publicly available on the NCUA's website. If an examiner believes that an expense category is out of line, he will undoubtedly make an inquiry. If an examiner finds that a credit union is suffering from overall operational problems, he will require the board of directors to take action.

CUNA and our member credit unions are always eager to tell our story and the "credit union difference." My staff and I look forward to continuing to work with you as well as the staff and Senators on the Oversight Subcommittee. We appreciate the work that all of you do. On behalf of America's credit unions and their 110 million members, thank you very much for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large initial "J" and "N".

Jim Nussle  
President & CEO