February 22, 2018

Members of the Iowa Senate
Des Moines, Iowa

Dear Senators:

On behalf of the Credit Union National Association (CUNA), I am writing in response to Senate Study Bill 3197. CUNA represents America’s credit unions and their 110 million members, including 1.2 million Iowans.

**Simply put: this legislation would raise taxes on Iowa credit union members and reduce taxes on banks and their stockholders, many of whom do not live in the state.** It would make it more expensive for Iowans to access safe and affordable credit provided by not-for-profit financial cooperatives. This legislation is bad for Iowa and we urge this body to soundly reject it.

Credit unions are taxed differently than banks because they are inherently different from banks. Credit unions are not-for-profit, member-owned, financial cooperatives. Rather than distributing earnings among stockholders, credit union earnings are returned to members in the form of lower loan rates and fees, and higher yields on savings. Conversely, for-profit banks exist to maximize return to shareholders who often live out of state and overseas. These differences between credit unions and banks are not impacted or influenced by the size of the institution or the services they offer; they are inherent to the structure of mission of the institutions.

Because credit union members own their financial institutions and are not beholden to outside shareholders as banks are, the decisions credit unions make reflect the needs and interests of their memberships. If credit unions are taxed, credit union members will pay the taxes and they will be robbed of safe and affordable financial services provided by institutions they own and control. Last year, Iowa credit union members saved $105 million in better rates and lower fees than they would have at banks.

Iowa credit unions make up only fourteen percent of the state’s financial market and the competition they provide for-profit banks creates a less predatory environment for Iowans and keeps bank fees from getting even more outrageous. For example, according to Datatrac (a research firm that tracks financial institution pricing throughout the country) a 60-month new car loan rate at Iowa banks average 4.37%, while the same loan rate at Iowa credit unions average 3.21%. That difference means that the average Iowa consumer who chooses to finance a $30,000 new car will save $940 by doing business with a credit union in the state. That means average Iowans – many of whom live paycheck-to-paycheck have more in their pocketbook.

In addition to quantifiable benefits, credit unions also provide Iowa consumers with significant intangible benefits. Credit unions exist to help people and strictly adhere to the “People Helping People” philosophy
and their structure lends to a focus on providing exceptional member (customer) service. Credit unions offer full and fair service to all of their members.

The existence of a thriving set of alternative member-owned financial institutions benefits not only the members of Iowa credit unions, but also customers of for-profit banks and other institutions. Because of their benefits to consumers, Iowa credit unions should be fostered and strengthened, not hampered by new taxes as proposed in S.S.B. 3197.

As a native Iowan, I know firsthand the positive impact credit unions make in our state. I also know that the notion that the differences in taxes levied on credit unions and banks creates an unfair advantage is a myth. Iowa credit unions seek to offer reasonably priced financial services to their 1.2 million-member owners and raising taxes on credit unions would chill this effort.

A ‘yes’ vote on this legislation raises taxes on Iowans and reduces taxes on bank stockholders. We urge you to vote for Iowa and defeat this legislation.

On behalf of America’s credit unions and their 110 million members, thank you very much for your consideration of our views.

Sincerely,

Jim Nussle
President & CEO