Credit Union National Association
CUNA

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The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20552

Dear Chairman McWilliams:

I am writing on behalf of the Credit Union National Association (CUNA), which represents America's credit unions and their 115 million members, to express my disappointment in remarks made by you at a December 4, 2019, House Financial Services Committee hearing.

You expressed concern regarding credit unions purchasing bank assets and the potential negative impact on communities because of the corporate income tax treatment to which credit unions are subject and the fact that credit unions are not subject to the Community Reinvestment Act. These comments were misinformed, inaccurate and, frankly, something we would expect to hear from a banking lobbyist, not a banking regulator.

The structure and mission that Congress has established for credit unions are the foundation of the corporate income tax treatment to which credit unions are subject. Credit unions have a statutory mission to promote thrift and provide access to credit for provident purposes. They fulfill this mission through a not-for-profit cooperative ownership structure. Far from creating the unlevel playing field that you and the banking lobby suggest, this arrangement levels the playing field of consumers, small businesses and communities to ensure they enjoy safe and affordable access to financial services. And importantly, while banks have and use several tools to reduce or eliminate their corporate income tax responsibilities, the tax treatment conveyed to credit unions is available to any bank through conversion to a credit union charter.

With respect to your concerns regarding the Community Reinvestment Act, there is a reason credit unions were excluded when Congress enacted the law in 1977. Simply put: banks were redlining and credit unions weren't. This law was enacted to encourage *banks* to meet the needs of consumers in their communities that had been intentionally ignored and to reduce discriminatory lending practices, or "redlining," the ramifications of which still plague our country today.

Since their inception over 100 years ago, credit unions have continually offered full and fair service to their members, including those at low- and moderate-income levels. Today, credit union membership remains concentrated in the working class of American society. National survey data from the 2016 Federal Reserve Survey of Consumer Finances reveals that nearly two thirds (62.0%) of primary credit union customers have incomes between $25,000 and $100,000, well over the percentage of primary bank customers that have incomes in that range.

Furthermore, Home Mortgage Disclosure Act (HMDA) data reveals that credit unions – significantly encumbered with field of membership restrictions and in the absence of government-mandated reporting requirements – still make a higher percentage of their mortgage loans to low-moderate income borrowers than do bank lenders, outpacing their bank counterparts. While credit union mortgage loan originations to low-moderate income consumers have increased by 48% from 2007 to 2016, according to recent HMDA data, bank mortgage originations to low-moderate income consumers declined by 56% of total originations. This is proof that communities thrive when credit unions are present and serving consumers.

There is simply no evidence whatsoever that credit union presence in a market has a negative or adverse impact and substantial evidence to the contrary. In fact, the experience of recent credit union purchases of banks and bank assets proves this point.

While still extraordinarily rare relative to the number of bank mergers, credit union-bank transactions take place because they are good business decisions for the parties involved, as well as the consumers, small businesses and communities involved. Consumers benefit by gaining access to strong, responsible community-focused financial services. Communities benefit because credit unions provide more than $4 billion in indirect consumer benefits, especially in underserved areas that often have no other affordable option for financial services. And, clearly, bank investors benefit, or why would the bank sell in the first place?

There have been more than 30 of these transactions since 2012, and more than 80% have been conducted by credit unions that have a specific focus on low-income families. So, don't be concerned when communities lose a banking presence to a credit union that will prioritize consumer and community needs over profits. Credit unions help communities and their citizens thrive. It's what they do, and it is something that should be cause for celebration, not concern.

Sincerely,

Jim Nussle
President & CEO

CC: The Honorable Mike Crapo, Chairman, Senate Banking Committee
The Honorable Sherrod Brown, Ranking Member, Senate Banking Committee
The Honorable Maxine Waters, Chairwoman, House Financial Services Committee
The Honorable Patrick McHenry, Ranking Member, House Financial Services Committee