CORNERSTONE ADVOCACY

Preserve the Credit Union Tax Status

Credit unions continue to deliver financial benefits that are 10x the “cost” of the federal tax exemption. Credit unions are a small but constant presence in financial services, holding about 7.4% of financial institution assets—a market share that has not changed significantly in over 25 years.

Benefits of the Credit Union Tax Status (*Source: Credit Union National Association*):

- $12.6 billion in annual savings through fewer fees, higher returns, and lower interest rates on loans.
- Credit union members save $5.6 billion in auto loans annually.
- Consumers receive $4.9 billion in annual benefits by credit union’s presence in local banking markets.

Note that credit unions DO pay taxes - nearly $25 billion in local, state, and federal taxes annually.

Ask: Preserve the credit union tax status by investing in your community’s financial well-being. All consumers benefit when credit unions help keep financial services accessible—and affordable.

Oppose H.R. 4277 - Overdraft Protection Act

H.R. 4277 would limit financial institutions from charging consumers more than one overdraft fee per month and more than six in a year. The bill would also authorize the CFPB to issue rules within 18 months of the enactment of the legislation.

Since 2008, overdraft fees have declined by 77%, with the average size of purchases triggering an overdraft fee quadrupling from $50 to almost $200. Frequent overdraft use fell by 40% to 4.9% between 2014 and 2020.

Nearly two-thirds of consumers indicated triggering an overdraft payment was a conscious choice to meet an emergency expense.

More than 80% of those who opt-in to overdraft protection have signaled a clear intention of using the service to cover emergency payments and are aware they would incur a cost

Ask: Oppose S. 4277 - eliminating overdraft programs would limit a credit union's ability to serve members.

Credit Unions are the Original Consumer Protectors

Credit unions are the original consumer financial protectors. As not-for-profit cooperatives, we aren't driven to enrich investors, and we treat our members as if they own the credit union—because they do. This difference comes with more than a century's long proven track record of doing right by our members. Consumers lose when their credit union must divert resources to keep up with overly burdensome regulations that were designed for big banks.

Credit unions should not be subjected to standards designed to rein in the poor practices of large Wall Street entities. Rules affecting credit unions should be informed by our federal regulator, the National Credit Union Administration (NCUA), which has a more complete understanding of our unique needs and abilities.

Credit unions offer services that benefit their members and provide the exact type of relationship banking the CFPB Director has stated he wanted to return to.

Ask: Please consider the unique, not-for-profit structure of credit unions before supporting new regulations.

Exempt Credit Unions from CECL

The Current Expected Credit Loss (CECL) model on all financial assets and liabilities requires credit unions to incorporate forward-looking estimates into their calculations, which differs from the previous incurred loss approach that relied on historical data.

In addition, CECL will have a dramatic impact on credit unions because of the requirement to hold much more in reserves for future possible loan losses.

CECL will also hinder lenders' (including credit unions) ability to assist low- and moderate-income borrowers in their goal of achieving financial independence and the American dream. A completely unintended consequence of CECL is that it will force lenders to be much more discerning of potential borrowers with less than perfect credit.

Ask: Credit unions should not be subject to CECL because they were not a part of the poor lending practices that caused the financial crisis. We urge policymakers to recognize the impact of CECL and provide an exemption for not-for-profit credit unions.