

Credit Unions

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Issue Update

Nearly 90 years ago, Congress enacted the Federal Credit Union Act, giving credit unions a mission to provide basic consumer financial services to individuals in need with limited access to financial services. Historically, credit union customers were connected through a common bond within well-defined communities, such as employees of a company or parishioners of a church. This mission limited credit unions' potential membership and together with their not-for-profit status, justified an exemption from federal corporate taxes and certain reporting requirements.

The credit union industry has evolved dramatically over the past few decades, with 99% of Americans now eligible for membership. The expansion of the common bond and field of membership – largely a result of the Credit Union Membership Access Act of 1998 and subsequent actions taken by the National Credit Union Administration (NCUA) – have pushed credit unions away from their mission and eliminated the justification for their preferential tax and regulatory treatment.

Why It Matters

Serving LMI Communities. Community Reinvestment Act (CRA) requirements have historically not applied to credit unions as their field of membership limitations ensured they were focused on the specific groups they were chartered to serve. Although NCUA-approved field of membership expansions have since granted credit unions access to entire regions of the country, the CRA exemption remains. This incongruity deprives low- and moderate-income communities of investment and financial services. In the absence of congressional action, a number of states have enacted state-level CRA requirements for state-chartered credit unions.

Justifying Tax Subsidy. The \$2.2 trillion credit union industry receives a \$34.7 billion tax subsidy to provide basic consumer financial services to under-resourced groups and communities. However, unlike most tax exempt non-profits, tax exempt credit unions have no community benefit reporting requirements and do not disclose certain financial information to the public. With few reporting and disclosure requirements, credit unions have little accountability as it relates to their use of taxpayer resources.

Recommended Action Items

- **Tell Congress to Convene a Hearing on the Community Benefit of the Credit Union Tax Exemption.** Congress last examined this issue in 2005; oversight is necessary to determine whether 21st-century credit union industry practices align with its Depression-era mission.
- **Urge Congress to Require Metrics Around Credit Union Service to LMI Communities.** Congress should scrutinize whether credit unions are meeting their statutory objective of serving low- and moderate-income communities in a robust, demonstrable way.
- **Oppose Further Expansion Efforts.** Congress should oppose legislation seeking to expand credit union powers and enhance its oversight of the NCUA.