

The Credit Union Value Proposition

Did You Know?

- Congress has provided the credit union federal tax-exemption because of the not-for-profit, cooperative structure of credit unions, and the special mission credit unions have to serve consumers.
- The credit union tax status is not based on the size of credit unions or the products and services that they offer; **it is based on the credit union structure.**
- This rationale for the tax-exempt status has been ratified several times by Congress.

Our Ask:

- Members of Congress should be outspoken in their support for the credit union tax status, and should not use the tax status as a mechanism to prevent improvements to the Federal Credit Union Act.

What are the Policy Implications?

- There is no hiding the fact that the Federal government faces a significant budget crisis. A Presidential Commission recently recommended eliminating all tax expenditures.
- The credit union tax status benefits all consumers – credit union members and those who are not credit union members. While the credit union tax expenditure “costs” the federal government approximately **\$600 million** annually, consumers benefit to the tune of **\$10 billion** annually because credit unions are tax-exempt.
- Credit union competition helps keep bank and savings and loan prices lower. For example, credit unions offering credit cards now charge lower interest rates than most other lenders (on average by two or three percentage points). Imagine how expensive other lenders would make credit cards, or auto loans, if credit union competition did not exist!
- Further, the existence of credit unions in the marketplace provides consumers with access to consumer-friendly financial services. If credit unions were taxed, product pricing would increase, and, as a result, there would be little incentive for a cooperative-financial institution to exist. This would leave low to moderate income consumers seeking financial services either at for-profit banks (more expensive products) or predatory lenders. The motives of credit unions are different because they are not-for-profit. Credit unions are in business for their members, not to make profits for anonymous shareholders.

What are the Implications for Credit Unions?

- **Eliminating the credit union tax status eliminates credit unions.** It is that simple, and given what our economy has just been through, that would be a shame for consumers.
 - Even though credit unions were affected by the financial crisis, none of the problems that precipitated the crisis were caused by credit unions. This is because the motives of credit unions and the incentive structures are different from for-profit financial institutions. If credit unions are taxed, there is no incentive for credit unions to remain not-for-profit; they will convert to banks; and our economy will lose the only sector of the financial industry that is not driven by profit, but rather driven by a dedication to serve its members.
 - Credit unions are people helping people; unlike the banks, they are not people using people to generate profits for shareholders.
- Credit unions are the best way for consumers to conduct their financial services. Taxing credit unions takes this option away from consumers, and will drive up the cost of financial services for all.