

Credit Unions Have

Outgrown Their Mission and Tax Exemption



Eastman Credit Union – Kingsport, TN
\$2.8 billion in assets



Apple FCU – Fairfax, VA
\$1.8 billion in assets



Vystar Credit Union – Jacksonville, FL
\$4.9 billion in assets



Desert Schools FCU – Phoenix, AZ
\$2.9 billion in assets

It's Time for the Credit Union Industry to **Pay Its Fair Share**

Congress established credit unions in the 1930s to provide small-dollar loans to close-knit groups of people of modest means. To encourage credit unions in their mission, Congress exempted credit unions from federal income taxes.

However, many of today's credit unions bear little resemblance to the industry that received this special tax exemption and today have become indistinguishable from the banking industry. Credit unions have leveraged their taxpayer subsidy to aggressively grow—becoming a \$1 trillion industry. And as the credit union industry expands, it does so at the expense of all taxpayers.

There are now 208 credit unions with more than \$1 billion in assets—a significant increase from the 13 only twenty years ago. Credit unions were never meant to be tax-exempt banks but that is what they have become, while not paying a dime in federal income taxes.



Billion-Dollar Credit Unions Increasing Rapidly



Source: National Credit Union Administration

Credit Unions are Abusing Their Taxpayer Subsidy by **Ignoring Their Mission**

Instead of focusing on the financial needs of low- and moderate-income individuals—the very individuals Congress envisioned them serving—evidence shows that credit unions are using their tax exemption to subsidize wealthy individuals and commercial real estate developers. Taxpayers should no longer be subsidizing an industry that no longer aligns with good public policy.

► **JUMBO LOANS FOR THE AFFLUENT**

“We’ve seen a need for increasing our lending limits amongst our wealth management and private banking clients,” said Rebecca Matteson Nelson, SVP of Wealth Management at **\$1.8 billion Technology Credit Union** (San Jose, CA). This credit union offers taxpayer-subsidized jumbo mortgage loans up to **\$8 million**.



► **BIG TOY LOANS**

Credit unions are using their taxpayer subsidy to offer big toy and jumbo loans, aggressively marketing to the affluent, while ignoring those the industry is congressionally mandated to serve. For example, **\$3.9 billion Wings Financial Credit Union** (Apple Valley, MN) is providing big loans for private aircraft, boats and snowmobiles.



► **LARGE COMMERCIAL REAL ESTATE PROJECTS**

The taxpayer subsidy is going to finance large commercial real estate projects. For example, **\$5.4 billion Bethpage FCU** (Bethpage, NY) provided **\$16.25 million** to fund a 280,000 square foot industrial office building in Philadelphia, PA.



Credit Unions are Abusing Their Taxpayer Subsidy by Aggressively Growing Membership

Credit unions were based on a simple concept—common bond—where members were from the same church, school, employer or community.

Some credit unions are serving expansive geographic regions, including the entire state. Others are resorting to gimmicks to evade existing membership limitations so that virtually anyone can join. The “common bond” requirement is being forsaken for rapid membership growth at the expense of taxpayers.

► \$10 BUYS YOU MEMBERSHIP

To skirt common bond requirements: “You can join **GTE Financial** through our non-profit educational financial club, CUSavers. ... joining CUSavers for a one-time \$10 membership fee qualifies you for credit union membership. To make joining even easier, we’ll pay your \$10 membership fee!”

Source: gtefcu.org



► IF YOU LIVE IN WASHINGTON YOU CAN JOIN

\$5.4 billion Alaska USA Federal Credit Union's (Anchorage, AK) field of membership includes the entire state of Washington.

\$11 billion-plus Boeing Employees Credit Union (Tukwila, WA) allows anyone who lives, works, worships, or attends school in the state of Washington to become a member.

Anyone in Washington can
be a member of AlaskaUSA
—including you.

► ANYONE CAN JOIN

\$1 billion Allegacy Federal Credit Union (Winston-Salem, NC) touts that “Anyone can join.”

\$2.9 billion Lake Michigan Credit Union (Grand Rapids, MI) announces that “Anyone can open an account!” Its field of membership covers 97% of the state’s population.

Anyone can join.

Anyone can open an account!

Credit Unions are Abusing Their Taxpayer Subsidy by **Spending Inappropriately**

It is not the intention of the credit union tax exemption to be squandered, subsidizing lavish headquarters and buying the naming rights to sports arenas and bowl games.

► **BOUGHT NAMING RIGHTS**

\$6.3 billion San Diego County Credit Union (San Diego, CA) bought the naming rights to the Poinsettia Bowl.



\$5.3 billion Digital Credit Union (Marlborough, MA) paid **\$5.2 million** to purchase the naming rights of an arena.



► **EXTRAVAGANT HEADQUARTER BUILDINGS**

\$4.1 billion Pennsylvania State Employees Credit Union (Harrisburg, PA) built a 238,000 square-foot corporate office building at a cost of **\$71 million**.



It's Time for Credit Unions to Pay Their Fair Share

The evidence today indicates that the credit union tax expenditure is no longer justified. Credit unions have drifted from their original mission, and have outgrown their special tax-exempt status. Taxpayers can no longer afford to continue subsidizing the credit union industry.

- ▶ An individual taxpayer will pay more in taxes than all credit unions combined.
- ▶ The credit union tax exemption is among the largest corporate tax expenditures.
- ▶ Since 2001, credit unions have increased the federal debt by **NOT PAYING AN ESTIMATED \$22.3 BILLION** in federal income taxes.
- ▶ As credit unions leverage their tax exemption to grow aggressively, the cost to taxpayers has grown ever larger.

Congress Should Ask:

**Why should taxpayers pay more in taxes
so that credit unions can pay none?**



End Credit Unions' Outdated Tax Exemption

aba.com/ItsTimetoPay

[@ItsTime2Pay](https://twitter.com/ItsTime2Pay)