



**America's
Credit Unions**

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The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Re: Today's Hearing: "Hearing on the President's Fiscal Year 2025 Budget"

Dear Chairman Wyden and Ranking Member Crapo:

On behalf of America's Credit Unions, I am writing regarding the Committee's hearing entitled, "Hearing on the President's Fiscal Year 2025 Budget." America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their nearly 140 million members nationwide.

As the Committee discusses important financial services and tax policies today, we urge you to focus on several key areas of the President's Fiscal Year 2025 (FY25) budget that protect credit unions' ability to serve communities in need.

Benefits of the Credit Union Tax Status

America's Credit Unions writes in strong support of the preservation of the credit union tax exemption, which represents one of the best investments that the government makes in its citizens. We urge Congress to retain and reaffirm this tax status so that credit unions can continue to advance communities, improve the financial future for all people, and keep local economies strong.

The importance of having not-for-profit credit unions as vibrant and viable alternatives in the financial services marketplace is as significant today as it has ever been. Credit unions provide accessible and affordable basic financial services to people of all means and encourage the equitable distribution of capital across all individuals, families, communities, and small businesses. Credit unions infuse financial market competition with multiple and differentiated competitive business models. They help keep financial services accessible—and affordable—for all consumers, whether they are members of a credit union or not. This non-profit status is an integral part of credit unions' structure that allows them to focus on their mission of "people helping people."

Credit unions provide significant financial benefits to both their members as well as nonmembers. According to America's Credit Unions' analysis of NCUA and DataTrac data, credit unions provide \$21.5 billion in total financial benefits annually to consumers and communities

across the country through higher returns on savings and returns, lower loan rates, and fewer fees.

In the aftermath of the financial crisis and the COVID-19 pandemic, more Americans are choosing credit unions as their best financial partner. Some may have joined because their bank failed, and others may have joined because they grew frustrated with the policies and fees of the for-profit sector. What is important is that when they needed an alternative, a healthy credit union system with the capacity to grow was ready to serve them, and as credit union members, they benefit from conducting their financial services with an institution that they own. The credit union tax status is crucial to encourage and support the continued existence of this alternative, cooperative component of the financial system.

Congress should preserve the credit union tax status because:

- the tax treatment for credit unions continues to serve the purpose for which it was conveyed;
- credit unions are different because of their structure as not-for-profit member-owned financial cooperatives;
- the tax status represents good public policy because it causes the creation of substantial benefits to the public, far in excess of its cost; and,
- taxing credit unions would represent a tax increase on 140 million Americans—taxpayers who pay a total of \$1.5 trillion in taxes annually. In addition, credit unions pay nearly \$20 billion in local, state, and federal taxes annually.

Simply put, the credit union tax exemption helps grow the greater economy and create jobs, which is what a corporate tax exemption should be doing. Both credit union members and non-members benefit from credit unions' role in the marketplace, as they serve as a check on the rates and practices banks would otherwise implement to maximize profit.

Community Development Financial Institutions Fund

The President's budget proposes \$325 million in new budget authority for FY25 for the Community Development Financial Institutions (CDFI) Fund. America's Credit Unions, in consultation with our partners in the credit union movement, recommends that the Fund receive an appropriation of \$500 million in Fiscal Year 2025. We also support the budget's proposed \$500 million for the CDFI Bond Guarantee Program (BGP), which provides CDFIs with greater access to low-cost, long-term, fixed-rate capital. Specifically, the BGP fully guarantees long-term bonds with maturities of up to 30 years. Since its creation in 2010, this program has guaranteed \$2.5 billion in bonds to 27 CDFI-certified institutions.

The CDFI Fund was established in 1994 by the Riegle Community Development and Regulatory Improvement Act and is administered by the Treasury Department. With 1,456 CDFI-certified institutions nationwide, 515 of which are credit unions, the Fund makes capital grants, equity investments, and awards for technical assistance to community development financial

institutions. Examples of CDFIs include community development banks, community development credit unions, community development loan and venture capital funds, and microenterprise loan funds. CDFIs are required to provide a 1:1 match for most of the awarded funds, which are offered on a competitive basis. CDFIs finance community development initiatives such as small businesses, community facilities, and low-income housing.

CDFIs such as Community Development Credit Unions (CDCUs) are charged with supplying low-income, distressed communities with traditional financial services such as savings accounts, personal loans, and the tools needed to become self-sufficient stakeholders in their own future. The Fund uses small amounts of federal dollars to leverage significant amounts of private and non-federal dollars. This has added a tremendous boost to the CDFI industry, which relies heavily upon private sector funds from corporations, individuals, religious institutions, and private foundations.

Community Development Revolving Loan Fund

The President's budget proposes \$4 million in budget authority in FY25 for the Community Development Revolving Loan Fund (CDRLF). We respectfully request that funding for this account be increased to \$6 million. This fund provides revolving loan and technical assistance grant programs to low-income credit unions. Last year, it had \$2.75 million in loans on its balance sheet. In addition, \$3.5 million in technical assistance grants were awarded to 147 low-income credit unions.

Created in 1979 and transferred to the National Credit Union Administration (NCUA) in 1986, the CDRLF assists credit unions serving low-income communities to: 1) provide financial services to their communities; 2) stimulate economic activities in their communities, resulting in increased income and employment; and 3) operate more efficiently. No Congressionally-appropriated funds are used to fund the CDRLF's administrative or overhead costs. These costs are paid by credit unions insured by the NCUA. Therefore, every dollar appropriated by Congress to the CDRLF is passed on directly to underserved communities and the credit unions that serve them.

Some of these CDRLF technical assistance grants have been used to help credit unions expand their digital services, such as mobile or home banking or electronic bill payment. Other grants have been used to help small credit unions fight fraud and embed EMV chips in their credit and debit cards. In addition, some grants have been used to open new branches in underserved areas or move from home-based locations to non-residential spaces. Also, some grants allow credit unions to offer services like free income tax preparation and financial literacy classes.

Finally, these grants enable small credit unions to offer a new product or service, such a new ATM or an asset liability management model. In an age of rapid consolidation in the credit union and small bank sector, it is vital to allow these small credit unions to compete and not have to close shop or merge with a larger financial institution that may not know the needs of the members of these small credit unions.

Financial Crimes Enforcement Network

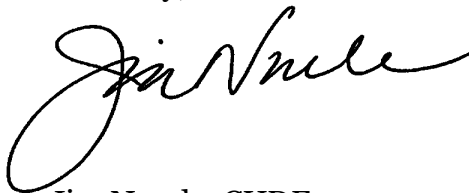
The President has proposed a \$325 million budget in FY25 for the Financial Crimes Enforcement Network (FinCEN) within the U.S. Department of the Treasury. America's Credit Unions supports this request.

FinCEN is our nation's "Financial Intelligence Unit." FinCEN plays a critical role in combatting money laundering and other illicit uses of the financial system that fuel international terrorism, cybercrime, corruption, human rights abuses, and the illegal trafficking of persons, drugs, weapons, wildlife, and more. Crucially, FinCEN is also a key player in detecting any attempts to evade sanctions or US-imposed import restrictions related to the Russian Federation.

In conclusion, we believe these three funding requests are good investments and are fiscally prudent. Credit unions are often the exact types of community lenders that are perfectly suited to help someone make that mortgage payment or receive that small loan to pay their one or two employees. Credit unions, not predatory lenders, should be where these Americans turn for financial assistance. On behalf of America's Credit Unions and 140 million members nationwide, I urge you to fully fund these three important programs. Thank you for your consideration.

On behalf of America's Credit Unions and the 140 million credit union members, thank you for holding this important hearing and considering our views on the subject.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the beginning.

Jim Nussle, CUDE
President & CEO

cc: Members of the Committee on Finance