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**ILLINOIS' CREDIT UNIONS:  
GROWING, CONSOLIDATING, AND  
OFTEN INDISTINGUISHABLE FROM COMMERCIAL BANKS**

**EXECUTIVE SUMMARY**



## TAXES PAID IN 2012

**ILLINOIS BANKS AND SAVINGS INSTITUTIONS – \$978,223,000**

**ILLINOIS CREDIT UNIONS – \$0**

Includes all applicable federal, state and local, and foreign income taxes.

Congress created credit unions in the 1930s to serve people of modest means who have a tightly-knit common bond, and in return they were exempted from corporate income taxes and granted special regulatory treatment. Their income tax exemption is costing U.S. taxpayers more than \$2 billion annually, and that is not taking into account lost revenues from many state and local taxes.

Yet, today, credit unions have evolved into a trillion dollar industry with hundreds of credit unions that have grown into multi-million and even multi-billion dollar, full service financial institutions that are indistinguishable from commercial banks and savings institutions. These large, bank-like institutions long ago strayed from their original purpose. They provide the same diversified financial services as banks to a wide array of unrelated customers in large geographic areas -- all while keeping their privileges of not paying income taxes and not being examined and graded on their reinvestments in their communities.

The credit unions' tax exemption gives them a distinct advantage when they compete directly with banks, especially community banks. To quantify the tax breaks and analyze the explosive growth of some of Illinois' largest credit unions, the Illinois Bankers Association commissioned a comprehensive study conducted by Marvin Umholtz, a 37-year credit union industry veteran who has held numerous leadership positions with credit union organizations. This is an Executive Summary of his key findings.

### Credit Union Income Tax Exemption and Estimated Taxes

Based upon 2012 year-end calculations of reported net income, Illinois' 11 largest federally insured credit unions would have an **estimated combined 2012 state and federal income tax obligation of nearly \$54 million**. For all 331 federally insured Illinois credit unions, that obligation would be nearly \$70 million.

Some of Illinois' Largest Credit Unions: 2012 Net Income and Estimated Tax			
Credit Union	\$ Assets	\$ Net Income (Loss)	35% Rate Estimated 2012 Income Tax \$
Alliant CU	\$8,270,837,261	\$36,850,910	\$12,897,819
Citizens Equity First CU	\$4,794,269,503	\$38,158,106	\$13,355,337
Scott CU	\$887,748,102	\$9,815,428	\$3,435,400
I.H. Mississippi Valley CU	\$868,314,734	\$3,750,493	\$1,312,673

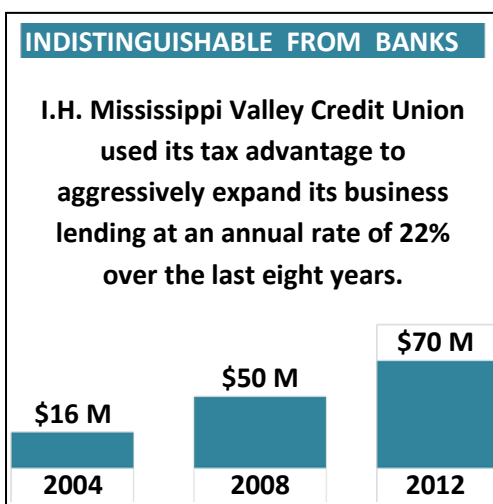
## Credit Union Facts

- ➔ As of January 1, 2013, there were 331 federally insured credit unions in Illinois, with total assets of \$34 billion and nearly 2.6 million members. There also were 23 **privately insured** Illinois credit unions, with more than \$2.8 billion in assets.
- ➔ Eleven of the 331 federally insured credit unions in Illinois have **more than \$500 million in assets**, and, together, these 11 credit unions **control almost 70% of all credit union assets in the state and account for more than 50% of all credit union members in Illinois**. These 11 credit unions also account for almost 80% of all business lending in Illinois.
- ➔ Each one of these 11 is larger than 84% of all Illinois banks and savings institutions. The tax exemption clearly favors these large, bank-like credit unions. In 2012, Illinois' credit union industry reported a profit of nearly \$199.8 million -- with more than \$154 million concentrated in the eleven largest institutions. This means that 77% of credit union industry profits and the majority of the industry's tax benefits are consolidated in just 3.1% of Illinois credit unions. Had the largest credit unions paid their fair share of taxes last year, they would have paid an estimated \$54 million in income taxes alone.
- ➔ Today, the nation's credit unions hold more than a trillion dollars in assets, and more than 200 credit unions have more than \$1 billion in assets, which is larger than 90 percent of our nation's taxpaying community banks.

Illinois credit unions have roughly doubled in assets each decade since 1970. And they are on track to nearly double their assets again from 10 years ago, with two-thirds of this growth in those credit unions with \$500 million or more in assets.

## Membership Eligibility for Illinois Credit Unions

- ➔ As credit unions grew, their advocates found ways to **expand membership eligibility** criteria to fuel growth. Most credit unions in Illinois were originally organized to serve one employee group or single rural community that shared a "common bond," but there remain few single-group bonds among today's credit unions.



➔ The 11 largest federally insured credit unions in Illinois have **membership eligibility criteria that range widely**. The more traditional common bonds at State Farm Federal Credit Union, Motorola Employees Credit Union and Deere Employees Credit Union have eligibility criteria that require a direct link to the founding sponsor or employee group. These credit unions have stayed true to their membership bonds.

➔ Several of the largest credit unions, however, have eligibility criteria that only require that one live, work or sometimes worship in a **broadly defined multi-county geographic area**. Some even have "back door" membership eligibility through unrelated partnerships or

through a prospective member's ability to join a charitable organization or consumer advocacy group.

- ➔ While credit unions were created to serve “people of modest means,” they are not subject to the federal Community Reinvestment Act (CRA) like banks and savings institutions. Despite the low-income designation held by many credit unions, the industry's commitment to serving the underserved is unverified while each bank's CRA activities are well documented. Credit union critics, including consumer activist and economic justice groups, are demanding that credit unions prove that they adhere to their public purpose (and are worthy of their tax exemptions) by complying with CRA requirements.

### Examples of Illinois Credit Unions' Overreaching Fields of Membership

- ➔ Any employee of more than 200 qualifying organizations, including Google, Orbitz, United Airlines and even the Beverly Hills Hotel, can be a member of Alliant Credit Union, the largest credit union in Illinois with \$8.3 billion in assets and 274 thousand members. Membership covers several states, and includes any person who lives or works in a qualifying Chicago area, including 19 cities and O'Hare Airport. In addition, any member of Foster Care to Success or anyone who donates just \$10 to join that charitable organization can join Alliant.
- ➔ Peoria-based Citizens Equity First Credit Union – CEFCU – holds \$4.8 billion in assets and boasts 293 thousand members. It is the second largest credit union in Illinois and the 18<sup>th</sup> largest nationally. CEFCU would have paid an estimated \$13.4 million in income taxes in 2012. Membership spans 14 counties in Illinois and three counties in California. Membership is also extended to employees or retirees of the credit union's partner companies – with “partner” companies being defined as “independent companies that have entered into an agreement with CEFCU to have CEFCU provide credit union membership as an employee benefit.”
- ➔ Scott Credit Union in Southern Illinois has an ever expanding field of membership—including 18 counties spanning two states, in addition to many occupational common bonds. Scott has \$887 million in assets and 105 thousand members. Scott's estimated income tax payments for 2012 would have added \$3.4 million to state and federal coffers.

*The largest credit union in Illinois and sixth largest in the U.S. is Alliant Credit Union, with more than \$8.3 billion in assets and over one quarter of a million members. This credit union alone is larger than 99% of all banks and savings institutions headquartered in Illinois. Alliant would have paid an estimated \$12.9 million in taxes during 2012 had it paid its fair share.*

**About the Executive Summary:** The Illinois Bankers Association commissioned Marvin Umholtz, President & CEO of Umholtz Strategic Planning & Consulting Services based in Olympia, Wash., to provide a data-driven overview about credit unions headquartered in Illinois with an additional focus on the largest Illinois-based credit unions. Umholtz is a 37-year credit union industry veteran who has held many leadership positions with credit union organizations and financial services industry vendors during those years. A former association executive and lobbyist, he candidly shares his credit union industry knowledge and analysis with public policymakers, financial industry executives and vendor companies. For a complete copy of the report, “Illinois' Credit Unions: Growing, Consolidating, and Often Indistinguishable from Commercial Banks,” contact the Illinois Bankers Association.