

**April 1, 2015**

**Letter to the Editor Submitted to the Chicago Tribune**

### **Illinois Can Ill-Afford Subsidizing the Credit Union Industry**

In your March 22 article "10 Things to Know About Credit Unions," the author neglected to mention key facts about credit unions that affect all Illinois citizens. Unlike individuals, families and businesses, credit unions do not pay a dime in state or federal income taxes to support our state and national economy.

In 1934, at the height of the Great Depression, Congress granted credit unions a tax exemption so that they could meet the credit needs of "people of modest means" or "tightly knit groups." Eighty-one years later, many credit unions bear little resemblance to an industry that was once deserving of this special tax treatment. Many large credit unions in Illinois have grown far beyond their original mission and have become indistinguishable from commercial banks.

In Illinois, 15 of 323 federally insured credit unions each are larger than 85% of all banks and thrifts in Illinois. Together, they earned more than \$175 million in tax-free net income last year, while Illinois banks paid \$1,066,522,000 in taxes. Illinois' largest credit union, Alliant in Chicago, has \$8.2 billion in assets and would have paid \$19.7 million in income taxes last year alone. Instead, they paid zero. We seriously doubt that Alliant provided \$19.7 million in lower loan rates, higher savings rates, "more palatable fees" and dividends to its customers last year.

Unlike banks and thrifts, credit unions are not examined for compliance with the federal Community Reinvestment Act. Consequently, there is little accountability to ensure that credit unions are meeting the needs of low and moderate income Illinoisans and are worthy of their tax-free status.

Case in point: Illinois credit unions are using their tax subsidy to originate cheaper mortgages to upper-income individuals, who do not need taxpayer-subsidized financial services. In 2013, Illinois credit unions originated only 234 mortgages benefitting low-income borrowers, compared to 13,224 mortgages they originated to middle- and upper-income borrowers, according to the most recent federal Home Mortgage Disclosure Act data.

According to the U.S. Office of Management and Budget, the federal credit union tax exemption costs the federal government – and American taxpayers – over \$2 billion a year. And according to the Illinois Commission on Government Forecasting and Accountability, credit unions' state income tax exemption is costing Illinois taxpayers more than \$25 million in lost revenues every year.

As we look for ways to resolve our state's fiscal crisis, it is time to reconsider the tax-exempt status that Illinois credit unions enjoy – a benefit that no other private sector financial or mutual institution receives. Our state and nation can ill-afford to subsidize the now \$1 trillion credit union industry on the backs of taxpayers.

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