The Wisconsin Credit Union League
One League, One Focus - Your Success!

FOR THE RECORD

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Don't buy banks' rhetoric about credit unions and CRA

Wisconsin banks tried but failed this legislative session to subject credit unions to regulations similar to those banks must follow under the federal Community Reinvestment Act (CRA). These regulations were applied to banks in the 1970s because they were caught "redlining" – limiting or refusing financial services to residents in some racially determined areas. Credit unions have never been subject to CRA because there has been no evidence they were discriminating or failing to serve their member-owners. But here's what else is wrong about bankers' arguments for applying CRA to credit unions:

■ **Credit unions – including the large ones – are not "just like banks."** Banks are for-profit institutions owned by a few shareholders. Every decision made by the hand-picked, paid board of directors of a bank seeks to maximize profits for those shareholders. Credit unions, on the other hand, are financial cooperatives – locally owned by their members – whose mission is to serve working people, not make profits. And because credit unions are not-for-profit they return any earnings to members in the form of lower rates on loans, higher rates on savings, and lower and fewer fees. Last year, Wisconsin credit unions – including the largest ones – returned $176 million to members!

■**Credit unions' mission is not limited to serving only lower-income people.** Wisconsin law says a credit union exists to "encourage thrift among its members, create a source of fair credit at a fair and reasonable cost, and provide an opportunity for its members to improve their economic and social conditions." In short, credit unions should serve all members regardless of their income. And they're doing a great job of it as part of their self-initiated REAL Solutions effort that emphasizes service, not profits (see below).

■**Credit unions don't need to justify their tax exemption no matter how large they grow.** Because as not-for-profit cooperatives returning earnings to members, they're already fulfilling their purpose under the existing laws that govern them.

Subjecting credit unions to more regulation isn't necessary, and in fact, will only cost the state and taxpayers more money. Banks – which raked in $1.3 billion in profits in 2007– control 91% of the state's financial institution assets, but they want more: they want to kill off the credit union competition that provides choices for Wisconsin's citizens and keeps banks' own rates and fees in check. If Wisconsin loses its member-owned, not-for-profit financial co-ops, we'll all pay more for financial services.

Credit unions' self-initiated REAL Solutions initiative helps Wisconsin

As part of their REAL Solutions effort, most Wisconsin credit unions offer free checking with no minimum balance requirements; free ATMs; small, low-cost loans and free financial education. Others offer loans as small as $50 to help members make ends meet, credit re-builder programs to help people denied loans by banks, savings certificates with minimums as low as $500, rebate checks paid back to members on loan interest, courtesy calls to members before assessing overdraft fees (or much reduced fees), and alternatives to payday loans that steer consumers to lower rates over time. The latter service alone has saved consumers more than $1 million.

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