The Wisconsin Credit Union League

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NEWS RELEASE

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WBA-backed bill proposes regulation that could prove costly to Wisconsin taxpayers

Pewaukee, Wis. – "There they go again," says Brett Thompson, President & CEO of The Wisconsin Credit Union League, the trade association for the state's not-for-profit financial institutions, referring to the Wisconsin Bankers Association's (WBA's) support for a bill introduced to the state legislature that would apply costly regulation to credit unions and jeopardize their ability to operate as member-owned, non-profit institutions. The bill is not expected to gain any traction; it has only one sponsor.

"Not one valid study points to a need for more regulation of credit unions," Thompson says. "So why propose a new regulation, along with the significant cost it would mean to taxpayers—just for the sake of regulation?"

The WBA-supported bill would apply regulation to credit unions similar to the Community Reinvestment Act (CRA), which was enacted to ensure that banks adequately meet the financial service needs of all segments of the communities from which they draw deposits. The law was never applied to credit unions – which save Wisconsin consumers $176 million annually in lower rates on loans, higher rates on savings and lower and fewer fees – because the member-owned co-ops exist to serve members, not make profits. A recent federal hearing, however, scrutinized banks' failure to satisfy the spirit of CRA.

Thompson suspects the bill has been introduced to deflect attention from that scrutiny on banks. However, statistics show that even though credit unions are not subject to CRA, they do a better job than banks in approving mortgages and providing basic services in low-income communities and to minorities. 2006 federal data shows Wisconsin's low-income mortgage borrowers' approval rate is 78.7% at credit unions compared to 48.5% at non-credit union lenders. For minority mortgage applicants, the credit union approval rate here is 84.6% compared to 55.4% at non-credit union lenders. Credit unions also operate 40 percent of all depository institution branches in the state's low-income census tracts. By contrast, 94 percent of all Wisconsin banks – including 12 of the largest 20 – have *no branches* there**.**

Moreover, according to the state-by-state breakdown in the very 2005 NCRC study WBA uses to support its position, Wisconsin credit unions outperformed Wisconsin banks over a three-year period in providing single family home purchase, refinance, and home improvement loans. And a recent study of state-chartered credit unions by the National Association of State Chartered Unions (NASCUS) concludes that not-for-profit credit unions are doing a good job of serving their members, typically offering services such as free checking with no minimum balance; free ATMs; small, low-cost, loans; financial education; and community involvement.

"Wisconsin credit unions have a great story to tell about how they serve their communities," Thompson says. "If appropriate, they would look forward to the opportunity to share that story again with the legislature."

Thompson also notes that the WBA's assertion that U.S. Rep. Barney Frank is seeking a Congressional hearing to expand the federal CRA to credit unions is misleading. Frank actually said that it would be unfair to exclude any institutions from a CRA review but said that if every financial institution were like a credit union, CRA would be unnecessary.

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Credit unions are cooperative financial institutions that are owned by their members and do not have stockholders. Because they are not-for-profit, they return earnings to members in the form of more competitive rates of return on accounts, lower interest on loans, lower fees and improved services. Around 2.1 million Wisconsin residents belong to credit unions, of which nearly half are open to the local community. People can find a credit union to join by looking in the phone book or by visiting www.creditunion.coop.