The Wisconsin Credit Union League

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Contact: Chris Olson
(800) 242-0833, Ext. 3167
colson@theleague.coop
www.theleague.coop

Committee hearing testimony reveals banks' motives: fewer credit unions and costly regulation of the ones that remain

Pewaukee, Wis. - When bank supporters testified last week at a meeting of the state Assembly Financial Institutions Committee for a bill that would further regulate Wisconsin's not-for-profit credit unions, the "bait and switch" was on – comments by Wisconsin Bankers Association (WBA) representatives revealed that the bill is just another attempt to eliminate credit union competition in the financial marketplace.

"Banks control 91% of the assets held in Wisconsin financial institutions," says Brett Thompson, President & CEO of The Wisconsin Credit Union League, which represents the state's 260 member-owned cooperatives. "But it seems they want more, and now they've set their sights on the largest credit unions. This bill would regulate them more heavily and make it easier for banks to take them over."

AB 897 would require the largest Wisconsin credit unions, at great cost to all of the state's taxpayers, to provide annual reports of how they serve their communities. Banks already must do this under the federal Community Reinvestment Act (CRA) enacted 30 years ago after evidence surfaced that many banks were "redlining"– limiting or refusing financial services to residents in certain, often racially determined, areas. Credit unions have never been subject to the federal CRA because there has been no evidence they were discriminating or failing to serve their member-owners.

However, despite that lack of evidence, banks have found a single state legislator to sponsor AB 897 on the theory that some credit unions should be subjected to increased regulation because of their asset size. Regardless of how big credit unions' become, their mission remains the same – meet the financial needs of their member-owners in the same manner they always have.

Lengthy testimony provided by League representatives detailed how credit unions deliver $176 million to their members annually, chiefly through higher rates on saving, lower rates on loans and lower and fewer fees. It also showed how a variety of studies, including those cited by the bankers themselves, have proven that Wisconsin credit unions outperform banks in meeting the financial needs of their communities – essentially doing better *on their own* than banks have done under the regulation of CRA.

Credit unions' *self-initiated* REAL Solutions effort remains a powerful illustration of why CRA is unnecessary for credit unions. REAL Solutions is an initiative by Wisconsin credit unions to provide affordable services and wealth-building opportunities to their members and community, regardless of profit. Examples of these services include free checking with no minimum balance, free ATM access for members, loans as small as $50, alternatives to payday loans that cost far less than storefront lenders, credit re-builder programs, free financial education and more. Wisconsin credit unions received Governor's Financial Literacy Awards in 2006 and 2008 for improving the financial health of Wisconsin citizens through REAL Solutions.

Thompson says the WBA used the same flawed research and self-funded reports for its hearing testimony on AB 897 that it has used to push for a tax increase on the 2.1 million member-owners of Wisconsin's credit unions. He also noted that the bill did not even get a committee vote.

N25 W23131 Paul Road, Pewaukee, WI 53072-5779

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.