



June 1, 2016

RE: AN ACT to amend the banking law and the state finance law, in relation to credit unions.

MEMORANDUM IN OPPOSITION
A.774 (Rodriguez) / S.3616 (Funke)

This memorandum is submitted in opposition to the subject bill by the Independent Bankers Association of New York State, Inc. ("IBANYS") which exclusively represents the interests of community banks located throughout New York State. Community banks generate more than half of all small business loans and 90% of all the small agricultural loans in New York State.

This bill would permit credit unions to receive deposits of state funds under the Credit Union Deposit Program. This program is largely modeled after the Community Bank Deposit Program.

Credit unions pay no federal, state or local income taxes, negligible sales taxes, and no MTA mobility tax. State deposits used by credit unions would not result in taxes being paid on earnings from those assets as compared to a taxpaying bank or thrift institution. These funds, if used to make loans, would not generate any income taxes for the state from the credit union. Loans made by community banks not only aid the economy but result in taxes being paid by the bank on earnings from the loans.

Credit unions are created to operate for the benefit of their members as a private association. Loans are limited to their members and are not available to the general public.

Community banks use their deposits to fund small business, agriculture, and mortgage loans. They don't have restriction on their ability to loan funds, as credit unions do, to members only.

Credit unions gather deposits from their members and lend those funds to members. Credit unions are capped in their member business lending at 12.25% of their assets.

Credit unions, because of their tax-exempt status, have a significant advantage over tax paying banks in the marketplace. To provide state funds to credit unions which don't pay state income taxes is particularly egregious. Credit unions have not made a compelling case that additional funding is required for their member business lending, particularly since there is a statutory cap on their ability to make such loans. Increasing their capacity to make loans through this funding

mechanism bolsters their argument to lift the small business loan cap on the federal level. If credit unions want access to additional funding the alternative is to switch their charter to a mutual savings bank. This would provide more access to capital and enable them to pay taxes while maintaining a cooperative ownership structure.

If credit unions want to accept state and municipal deposits, they should assent to the payment of taxes on their earnings. To expand the scope of the credit union franchise at a cost to taxpayers should not be acceptable.

Credit unions continue to seek to expand their powers beyond their historical mission. Credit unions suffer from bank envy except when it comes to taxes and additional regulations.

Credit unions are not covered by the Community Reinvestment Act and do not need to be examined on their compliance as community banks do. Credit unions do not have to document their local commitment. Participation in the Community Bank Deposit Program requires a rating of at least satisfactory.

Based on the foregoing, it is respectfully requested that this legislation not receive favorable action.