



Dear Congressman (or Senator):

I believe it is time that the banks be held accountable for their misrepresentations and half truths about the credit union movement. The most recent publication by the Community Bankers Association of Alabama is the latest in a continual stream of slanted propoganda that has one objective: to remove credit unions, essentially their last competitor, as a consumer option.

In their latest "Analysis of Credit Unions", which is less "analysis" and more mere opinion, the following points stand out:

- It is true that the 160+ credit unions in Alabama hold assets nearing \$10 billion. The analysis would have you believe that this growth occurred solely in the last few years, when in fact it has taken over 70 years to achieve. The bankers also fail to mention that the \$10 billion represents less than 20% of the individual assets of several of our state's larger banks.
- The banks also fail to mention that credit union total market share of 6% is unchanged over the past 20 years, or that banks nationally grew more in assets during 2003 than the entire credit union movement holds in assets. The reference that banks are being hurt by credit union success is clearly untrue.
- Any growth experienced by credit unions is a result of fulfilling their Congressionally mandated mission – to be a consumer-friendly alternative to the for-profit banking community. Congress has apparently been very pleased with credit union performance, as it overwhelmingly approved an expansion of the eligibility requirements in 1998. Rather than listening to the bankers and becoming concerned about credit unions, it is my suggestion Congress should be proud of their accomplishments, and pleased to have been part of creating an environment that encouraged them.

- The banking industry just concluded its 13<sup>th</sup> year of record profits in the last 14 years, disproving any claim that credit unions are having a negative effect on banks. In fact, research done by the Credit Union National Association indicates that banks actually do better when they have credit union competition – evidence that credit unions drive the banks to compete more aggressively (Source: NCUA and FDIC data).
- The assertion that credit unions have few restrictions is clearly false. The Credit Union Regulatory Improvements Act, currently before Congress, is the first proposed modernization of credit union law in two decades (please note that the banks are before Congress every year to expand their powers – to sell insurance, branch across state lines, Subchapter S eligibility, etc.). Credit unions have much more stringent limitations on investments, on who we can serve, more demanding reserve and capital requirements, limitations on member business lending, and restrictions on certain consumer services that we can offer (i.e. trust services
- The bankers allege credit unions don't "give back" to their communities when credit unions are truly local institutions. You don't hear about a credit union gathering deposits in one market to fund huge commercial loans in another. We give back by making loans to consumers in our community, within our fields of membership, that the banks won't even consider. And as for community involvement, credit unions are very involved with local charities, schools, and in support of our sponsor activities – we're just not required to account for it like the banks are. You see, credit unions are not subject to the Community Reinvestment Act, an act passed by Congress to rectify discriminatory practices by the banks, something that credit unions have never been accused of.
- Credit unions do pay taxes, despite what the bankers allege. State credit unions are subject to excise taxes, and all credit unions pay property taxes, ad valorem taxes, payroll taxes, and others.
- And while the banks urge taxation of non-profit credit unions, more and more community banks have taken advantage of the Subchapter S tax exemption, nearly 30 in Alabama at last count. And, in the ultimate contradiction, bank trade groups are before Congress now seeking an expansion of Subchapter S as it applies to banks.
- Much of the credit union growth that has occurred recently is due to field of membership rules passed by Congress in 1998 (H.R. 1151), not due to the easing of regulations by the NCUA, as the CBAA's analysis suggests.
- And the reference to the flawed GAO finding that credit unions serve a lower percentage of low income consumers has been soundly disproven

in several independent studies. Alabama Credit Union, for example, serves 28,000 members with average deposits of \$5,500 – certainly not indicative of an exclusive field of membership. In fact, we serve a cross section of Alabama society, from professors, to maintenance workers, to assembly line employees, to citizens in Fayette County, one of the most economically hard-hit areas in our state. I'd challenge any bank to compare their demographics to ours in terms of our commitment to serving the average consumer – the charge that Congress gave to credit unions a half century ago.

In sum, Congressman, I think you can easily see that the CBAA's arguments are unsound and clearly self-serving. It's not fairness they're after – it's increased profits on top of their already record profits. And who believes they'd return those extra dollars to consumers, or use them in community outreach programs? Instead, this windfall would likely be used to inflate salaries of senior bank employees and increase the payout to those few that own bank stock. Those same dollars at a credit union wind up in the hands of our members – through increased deposit rates, lower fees and loan rates, and improved services.

I hope you'll consider these comments the next time the banks stand before you with their self-serving arguments about "fairness". Perhaps they would be better served concentrating on providing "credit union – like" service to their customers so that they are less inclined to contribute to our success!

Thank you very much for your consideration. If you or your staff would be interested in discussing these issues in greater depth, please do not hesitate to call.

Very truly yours,

A handwritten signature in black ink, appearing to read "Steve Swofford". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Steve Swofford  
President