2021 LSCU Virtual Hike the Hill

Talking Points

IRS Reporting Requirements

- The Biden Administration's Fiscal Year 2022 budget proposes the creation of a new and comprehensive financial account information reporting regime. This is included as a pay-for in the Reconciliation Package.
- Credit unions support going after tax cheats and irresponsible actors; however, we believe this proposal creates undue harm on credit unions and our members.
- The new reporting requirements would force us to report to the IRS the gross inflows and outflows of accountholders (businesses and individuals) with a breakdown for cash, transactions with a foreign account, and transfers to and from other accounts with the same owner.
- This would apply to savings, transactional, loan, and investment accounts. A de minimis exception would exempt accounts with a gross-flow threshold of $600.
- Several concerns, including conflicting guidance on existing reporting and multiple different types of accounts, are just a few to highlight.
- There is also a major public element that could cause limitations on the trust in financial institutions, as this goes beyond basic Bank Secrecy Act compliance.
- There is a major element of data security that concerns us as well, and little has been said to address this issue.

Our "Ask" of Congress:

- ***Oppose the inclusion of the new IRS reporting requirements until there is a rigorous study of the public and private sector concerns for this action, while increasing funding for traditional IRS audits to identify tax cheats. Use the resources of the federal government, not financial institutions, to identify these bad actors.***

Supporting the ‘Expanding Financial Access for Underserved Communities Act’

- Credit unions are committed to changing the lives of our 127 million members by aiding them in achieving their financial goals and providing for greater financial well-being.
- The restrictive nature of the credit union charter creates complications in serving underserved, low-income and rural communities.
- Congress can remove some barriers to provide for greater inclusive and financial access.
- Because of their unique structure, credit unions have restrictive access or closed field of membership. An example is the Congressional Federal Credit Union, which congressional staff are eligible to join, but not just any member of the public.
- The decline of locally owned financial institutions has left a niche that credit unions are ready to fill in banking deserts and underserved communities.
- 7.6% of Alabamians, 3.8% of Floridians, and 7.4% of Georgians are considered unbanked. Nationally, the average is 5.4%.
- Credit unions have been working with the leadership of the House Financial Services Committee on a resolution to this issue. The solution: the *Expanding Financial Access for Underserved Communities Act*.
- A credit union’s community presence may have limited access to serve an entire community. There are 5,175 credit unions nationally, serving 127 million consumers and holding $1.9 trillion in assets (as of May 31, 2021).
- The proposal allows credit unions to add underserved communities to the definition of field of membership for all credit unions. The bill also allows for unlimited business lending authority in these areas, which is currently capped at 12.25 % of a credit union’s assets.
- The language defines underserved communities as: 1) an Investment Area as defined by the Community Development Financial Institutions Fund (CDFI); 2) subject to the IRS definition for the New Markets Tax Credit; and 3) is beyond 10 miles to the closest branch of a financial institution.
- This proposal has been heard by the House Financial Services Committee in hearings on May 19 and July 21.
- It has the support of the leadership of the House Financial Services Committee and GOP-invited witnesses.

- Representative Ed Perlmutter (D-CO), the chairman of the subcommittee on Financial Institutions and Consumer Protection, has agreed to author the bill. We are currently awaiting on the Republican co-lead to announce support.

Our "Ask" of Congress:

- ***Be on the lookout for "Dear Colleague" letters announcing the introduction of the Expanding Financial Access for Underserved Communities Act (Perlmutter).***
- ***Co-sponsor: vote "yes" and express support to Mr. Perlmutter's office for this reasonable solution.***

Credit Card Interchange Fees

- In the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, the infamous Durbin Amendment was attached regulating the cost of debit card interchange fees.
- These are fees paid by merchants for the privilege of accepting payment cards and receiving swift payment for services.
- The rates and pay-tables are set by the networks, Visa, MasterCard, American Express and others.
- The intention of the Durbin Amendment was to bring down consumer prices by regulating these fees, which were painted as a windfall for financial institutions.
- A Jan. 5, 2021 study by the Consumer Financial Protection Bureau assessed the impact of the Durbin Amendment and found that it failed to achieve its objective.
- Financial institutions remain responsible for fraud and data security losses that stem from breaches caused by retailers that do not secure their payment data.
- Interchange is designed to cover some of these costs.
- We are aware of a limited group of bipartisan Members of Congress from both the Senate and House examining the impact of interchange fees on credit cards.
- Credit cards are different from debit, as they are revolving short-term loans provided by a financial institution. They are also more likely to be subject to

theft given that they are often used for larger purchases. Out of these problems arise difficult challenges.

- To date, no legislation or print has been introduced or circulated.
- We hope Congress will oppose — or not advance — any conversation on credit card interchange, knowing the failures of the Durbin debit card law.

Our "Ask" of Congress:

- ***Please oppose any attempts to regulate credit card interchange fees, as we have seen the intention of the debit card regulation (Durbin Amendment) fail consumers.***

Other Credit Union Issues

Financial Well-Being and Inclusion

Credit unions provide accessible and affordable basic financial services to people of all means and encourage the equitable distribution of capital across all individuals, families, communities and small businesses. Our mission enables us to continue the work of improving our members' financial well-being and advancing the communities they serve. Congress can improve on this by removing operational barriers, modernizing the credit union charter, and eliminating archaic rules designed to exclude participation in a credit union.

Operations

Credit unions have always provided essential services since day-one of the initial COVID-19 shelter-in-place orders. That remains today. While some aspects of everyday life have returned, credit unions are open, serving their members and communities. Most credit unions have worked to resolve outstanding delinquencies, forbearances, and payment deferrals. As employment challenges and supply-chain issues continue to plague the nation, we continue to do our part to support our local economies.

Paycheck Protection Program (PPP)

Credit unions offered PPP loans for small businesses. We supported legislation to offer forgiveness and a new round for qualifying businesses. While not all credit unions were able to offer PPP loans, credit unions continue to meet the needs of our members working in Main Street businesses. Today, we continue to work on outstanding forgiveness issues and hope to resolve them as the programs continue to wind down.

Tax Status

Our concern is not a single bill to tax credit unions. We are concerned that when the time comes due to pay for the nation's economic response to the COVID-19 pandemic, the credit union tax status will look like an easy revenue generator. We are pleased to see that discussion on the reconciliation and bipartisan infrastructure package did not include taxing credit unions. We need Congressional leaders to continue to protect the credit union tax status and speak up for protecting our industry.

The "cost" of the credit union tax status amounts to five budget hours of running the U.S. government out of a whole calendar year. Meanwhile, credit unions return $18.9 billion annually to communities nationally each year. Regardless of size and scope, a credit union is a not-for-profit, cooperative financial institution, operated by volunteers and owned by those that use it.

- **Credit unions in Alabama represent a $2.4 billion economic impact while returning $268 million in total financial benefits to their communities.**
- **Credit unions in Florida represent a $9.3 billion economic impact while returning $635 million in total financial benefits to their communities.**
- **Credit unions in Georgia represent a $2.5 billion economic impact while returning $259 million in total financial benefits to their communities.**

Charter Bills

Credit unions understand the realities of legislating in this environment. We know there are large national priorities coming out of the pandemic, from the health care crisis to social justice issues. We want to be a solution and aid our communities. Supporting new charter bills will ensure credit unions can bring financial inclusion to new levels while ushering equitable financial well-being.

Postal Banking

To expand consumers' access to more banking options, credit unions adamantly support and are diligently working toward the goal of expanding banking access. However, we have grave reservations about proposals to leverage the United States Postal Service or create a public bank to achieve this goal.

Cannabis Banking

Providing financial services for cannabis-related businesses is a choice for each individual credit union, and only a few are offering these services until there is a change in federal law. Nationally, credit unions support the SAFE Banking Act, as well as the STATES Act, both which would take steps to provide a safe harbor on this product line.

Community Development Financial Institutions (CDFIs)

Credit unions continue to support an increase in the annual appropriations for CDFI funding. Traditionally, the range has been in the nature of $200 – $300 million. The stimulus package signed into law in December of 2020 allotted a one-time appropriation of $12 billion. We support continued expansion in this space, with the goal of serving low-income communities and people of modest means.