# 2025 GAC Talking Points and Topics

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## Tax exemption

* This is the single most important issue to credit unions, who stand ready to mobilize membership in defense of the income tax exemption.
* Credit unions don’t have profit in the traditional sense of profit from one group enriching another group.
* Credit unions are cooperatives. As the word implies, credit unions are formed when people get together to cooperate with a common goal in mind.
* Their common goal is to help each other with their saving and borrowing needs. So, they pool their deposits and then make loans to each other with those deposits.
* All credit union income is used to benefit members.
* A tax on credit unions is a tax on their 140 million members [13 million in CA; 800k in NV]
* Credit unions have a duty to protect the pooled deposits of their members – taxing credit unions adds stress to the cooperative system.
* A tax on credit unions will force credit unions to increase prices to protect their members’ deposits and offer products that benefit their communities.

Details

* History:
  + Congress passed a bill in 1937 exempting credit unions from income tax. In the official congressional record, Rep. Robert Luce, R-Mass. Said, “The system has no element of profit making whatever.”
  + The tax exemption really began 20 years earlier, when the US Attorney General Thomas Watt Gregory gave a legal opinion. He said, “Credit unions... being in substance and in fact the same as ‘cooperative banks ... organized and operated for mutual purposes and without profit’ ... are exempt from taxation.”
* Structure:
  + Nothing has changed about the credit union structure in the intervening 100 years.
  + From the smallest to the largest, every credit union is cooperatively owned by those who use its services—the member owners.
  + As not-for-profit cooperatives, credit unions represent a unique mashup of business and consumer interests.
  + This structure ensures that credit union decisions prioritize consumers.
  + The tax exemption is tied to the credit union structure.
* In a credit union, there is income, but no profit.
  + As businesses, credit unions earn income from its member owners.
  + The income covers the cost of operations.
  + Any funds left over are plowed back to the benefit of the members through:
    - Lower interest rates
    - Higher savings yields
    - Special emergency financing (covers disasters, government shutdowns, labor strikes, etc)
    - Free financial counseling and educational opportunities
* Any tax imposed on credit unions will require the credit union to raise prices on members.
  + A tax on credit unions is a tax on the 140 million consumers who belong to credit unions.
* Credit unions are on a mission to improve financial lives of consumers.
  + They want to broaden their reach and serve more people. This allows them to offer services more efficiently to existing members, and to better more consumer lives.
  + Taxing credit unions will slow that effort.

Questions Members of Congress may ask:

* What do you prefer – preserving the credit union tax exemption or regulatory flexibility?
  + The CU tax exemption is our top priority and is core to our mission.
* Why do some credit unions buy banks? Why not be taxed?
  + When a credit union purchases a bank, taxes are paid on the liquidation of stocks and on the purchase of the bank. Bank customers must opt into becoming a credit union member. Community banks typically have a portfolio focused on commercial loans – when a CU buys a community bank, new CU members may have increased access to consumer products.
* Why would a credit union want to engage in marketing opportunities, like buying naming rights to a stadium? Why would it want to get bigger?
  + Credit unions purchase naming rights to stadiums and other community venues as a form of marketing that also creates community support.
* Are credit unions worried about their tax exemption?
  + With tax reform on the horizon, credit unions remain vigilant in our advocacy and have a steadfast mission to stay out of the base bill on tax reform. If you’re not at the table, you’re on the menu – and we want to ensure we can continue to offer community benefits through the preservation of our tax exemption.

Questions for CUs to consider and talk about

* How does your credit union prioritize your members in decision making?
* If you were for-profit bank, how would your CU’s operations be different?
* What do you do that reflects the unique credit union structure?
* Do you have a member story you can share that may resonate with the Member of Congress? Be sure to check out the Congressional Playbook to learn about the offices you’ll be visiting.

Questions for CUs to consider asking the Member of Congress:

* If the Member of Congress says, “I love credit unions!” You may consider following up with, “Are you a Member of a credit union?” or “What do you love most about CUs?”
* When do you think tax reform will be considered on the floor?
* How can credit unions support constituents in your district?
* Have you heard any colleagues in Congress encourage leadership to eliminate the tax exemption?

## Credit Union Modernization (Senate Only – S. 522)

Meeting requirements

* Sen. Bill Hagerty and Sen. Blunt Rochester introduced a bill, S. 522, that modifies the requirement that credit union boards meet once a month to not less than six times per year.
* And thanks to the House of Representatives for passing this legislation unanimously.

Questions for CUs to consider asking the Member of Congress:

* Do you believe it's vital to offer flexibility and meet people where they are to enhance diversity on leadership boards?
* What steps can credit union supporters take to help advance the bill and ensure that it receives bipartisan support and consideration in the legislative process?

Questions for CUs to consider and talk about

* How would this bill help your credit union board?
* Would it help older board members with health issues to stay on the board?
* Might it attract younger board members with busy work schedules and families?

## Community Financial Institution Definition Expansion

* We expect a bill to be introduced that will add credit unions and CDFIs to the definition of a community financial institution (CFI) under the Federal Home Loan Bank (FHLB).
* The bill will also increase the maximum size of a CFI to $10 billion, from $1 billion.
* This would make it easier for some credit unions to access FHLB membership and additional liquidity.
* The current definition excludes credit unions because they are not insured by the FDIC.
* Credit unions are insured by the National Credit Union Administration (NCUA), an agency of the federal government, in similar fashion to banks’ insurance by the FDIC.
* Being part of the FHLB gives credit unions greater access to sources of liquidity.
  + Without a CIF designation, credit unions must secure borrowings from the FHLB with only residential mortgage loans and mortgage-backed securities
  + With CFI designation, credit unions could also secure loans from the FHLB with small business and agricultural loans
* Greater access to sources of liquidity allows credit unions to make more loans to consumers without fear of a liquidity crunch.

Questions for CUs to consider asking the Member of Congress:

* Do you believe access to liquidity is important for financial institutions?
* What steps can credit union supporters take to help advance the bill and ensure that it receives bipartisan support and consideration in the legislative process?

Questions for CUs to consider and talk about:

* How would this bill help your credit union?

## CFPB overhaul

* Governance:
  + The CFPB, while well-intentioned, suffers from a flawed governance structure.
  + With a single-person head, appointed by the president, the CFPB experiences institution whiplash each time the president’s office changes parties.
  + A multi-person board—three or five people—would reduce the extreme swings in regulator philosophy.
  + Our legislative team will flag when the Consumer Financial Protection Commission Act is reintroduced and ask for your cosponsorship.
  + In the meantime, please cosponsor HR 654, which would subject the Consumer Financial Protection Bureau to appropriations process and rename it the “Consumer Financial Empowerment Bureau.”
* Funding:
  + Right now, the CFPB is funded by the Federal Reserve. This reduces accountability to the American people and Congress.

Questions for CUs to consider asking the Member of Congress:

* Do you anticipate CFPB reform will pass in the House and Senate?

Questions for CUs to consider and talk about:

* How has the CFPB’s one-director structure created uncertainty in the market?

## Congressional Review Act & Overdraft: [H.J.Res. 59](https://www.congress.gov/bill/119th-congress/house-joint-resolution/59); S.J.Res. 18

* Each new regulation causes credit unions to spend member dollars on compliance with the regulation.
* Many regulations are aimed at very large banks, but end up putting substantial burden on every credit union, from the smallest to the largest. The se costs to members often outweigh the benefits to members.
* Many regulations reach beyond Congress’s intent and should be reviewed to ensure they do not overstep the intended bounds and purposes.
* A resolution of disapproval through the Congressional Review Act is a tool that empowers Congress to repeal certain regulations.
* Credit unions support a resolution of disapproval introduced to stop the CFPB’s overdraft rule, which caps overdraft fees at $5.
* Here is the resolution number: [H.J.Res. 59](https://www.congress.gov/bill/119th-congress/house-joint-resolution/59); S.J.Res. 18

Questions for CUs to consider asking the Member of Congress:

* Do you anticipate this CRA has a good shot at passing in the House and Senate? What is the timeline you anticipate?

Questions for CUs to consider and talk about:

* How would the CFPB’s overdraft rule impact your credit union? Would market pressures impact your overdraft pricing?

## Fraud Prevention

* Fraud is a rising cost, and indirect tax on consumers and credit unions.
* Over the past ten years, fraud rates have doubled.
* According to the Federal Trade Commission, more than $10 billion was lost to fraud in 2023.
* Credit unions are monitoring bills that may be introduced related to fraud, such as Rep. Jay Obernolte’s American Cybersecurity Literacy Act, which creates a campaign to educate the American public about the best practices to identify cybersecurity risks.
* Overall, credit unions support legislators that empowers financial institutions to better communicate after a fraudulent incident, and/or authorize law enforcement agencies to share information on fraud with financial institutions.

Questions for Members of Congress:

* Have you, or a member of your family, ever been impacted by fraud or identity theft?

Questions for credit unions to consider and talk about:

* How many full-time employees are focused on fraud-related issues at your credit union or spend on fraud-prevention?
* Does your credit union offer fraud workshops?

## Interchange

* Debit and credit payment systems have made life dramatically easier for both consumers and businesses by enhancing transactional commerce.
* The operation of payment systems has costs — including a significant burden of fraud.
* Merchants, who want to change the system, generally do not bear the cost of fraud.
* Changing the system will result in higher costs to consumers.
* 95% of consumers support the current interchange system AND say data security is a top priority.

Details:

* Interchange covers the costs of operating payments systems, and allows for modest profits on that product.
* Despite robust security practices, a considerable amount of fraud takes place using payment systems. The issuer — the credit union — is usually stuck covering those fraud costs. Interchange covers those ever-increasing costs.
* Interchange helps the credit union provide some services for free, such as mobile apps, home banking, free checking, and branches.
* Merchants want to pay less in interchange, but it’s been proven that such savings is not passed on to the consumer.
* Various proposals have been raised to change the system:
  + Fix the pricing of transactions.
  + Require additional network options for merchants.
  + Exempt sales tax and tips.
* All proposals will result in increased costs to consumers. Additional network options will reduce security.

Questions for Members of Congress

* Have you (or someone you know) ever been affected by credit card fraud?
* Have you ever paid a surcharge fee to use a credit card?
* Have you ever been to a store that rejects certain card networks like Mastercard, American Express, Discover or Visa?

Questions for CUs to consider and talk about

* How has your credit union responded to credit card data breaches?
* How were your members affected?
* How much does it cost to replace a credit card?