



Defend Public Deposit Holdings and Preserve Constitutional Integrity Oppose HB22-1277

Credit unions are seeking a change to allow them to accept deposits from government entities (e.g., cities, counties, school districts, water districts, etc.) and to make loans outside of their common bond. Presently, the Public Deposit Protection Act (PDPA) safeguards taxpayer funds with extensive protections. Public funds are deposited into a regulated bank, insured by the Federal Deposit Insurance Corporation (FDIC) and paying income taxes to the State of Colorado.

Credit union investments in low to moderate income businesses and agriculture loans are a fraction compared to banks' investments (see tables below) and yet they want to benefit from taxpayer deposits.

Credit unions are seeking to expand operations beyond their common bond to provide loans to non-members.

- ◇ This directly conflicts with the mission and intent of credit union charters as established by federal law.

The proposed legislation violates the Colorado Constitution Article XI, Section 2, No aid to corporations- no joint ownership by state, county, city, town, or school districts.

Credit unions are seeking to expand their unequitable business advantage.

Credit unions do not pay income taxes.

- ◇ Credit unions do not support local communities as banks invest in communities through the Community Reinvestment Act (CRA).
- ◇ Credit unions are allowed to target select clientele groups versus serving the public, agricultural communities and low income, underserved communities.

Taxes – Credit unions are tax-exempt entities (federal law & 11-30-123, CRS) and thus do not pay state or federal income taxes.

The lowest income Colorado resident pays more in income taxes than the largest credit union

- ✓ \$10,420 = Average Federal Income Tax Paid by Colorado resident.
- ✓ \$0 = Federal Income Tax Paid by credit unions.

Short term gains do not offset long term losses to the State – Credit unions argue that local governments and the State might benefit from a potentially higher interest rate on public funds. However, there are long-term impacts to consider.

- ◇ Because of credit union's privileged tax status, they would not pay the state or municipalities on income earned from whatever they profit off the taxpayers \$7.8 billion in public funds.
- ◇ A marginally higher interest rate in the short term will not offset the loss of tax revenue generated from banks holding public funds or the loss of investment in CRA or contributions to local communities.
- ◇ **Sub S** – Credit unions argue incorrectly that sub-S banks do not pay taxes. Sub-S banks are simply taxed a different way. The bank's income taxes are apportioned to the bank's shareholders who pay the tax the bank would normally pay, in addition to their own individual taxes.

Public funds invested in Colorado banks stay in Colorado.

Defend Public Deposit Holdings and Preserve Constitutional Integrity Oppose HB22-1277

Community Reinvestment Act (CRA) – Banks reinvest in Colorado and their local communities through loans and large charitable contributions. Banks help meet the needs of borrowers in all segments of their local communities, through loans to low- and moderate-income neighborhoods. Credit unions are not required to invest in their communities.

In 2019, Colorado banks invested in Colorado through direct small business loans and agricultural loans in low- and moderate-income neighborhoods.

- ◇ Small business origination and purchase loans statewide – 166,416 loans totaling **\$5.6 billion dollars**
- ◇ Small farm origination and purchase loans statewide – 3,828 loans totaling one-quarter of a billion dollars.

Banks are inclusive – credit unions are permitted to target the type of customer they want and stretch the “common bond” to enable the credit union to serve this group. Because of anti-discrimination laws and CRA requirements, banks must serve all customers and are not permitted to target a group based on income, level of education or any other identifying factor.

Banking is good business for Colorado- In addition to CRA, banks invest in the economy of Colorado and growth of our state.

- ◇ In the third quarter 2021
 - ✓ Banks outpaced credit unions 2.5 times on business loans to support Colorado businesses and grow the economy.

Agricultural Loans –In 2019, more than two million farms in the U.S. held nearly \$419 billion in debt, with about 83 percent of that amount split evenly between commercial banks and the Farm Credit System. (FDIC Community Bank Study Dec. 2020)

- ◇ Third quarter 2021, about 82 percent of all banks (4,036 banks) held agricultural loans, compared with the credit unions in which only 8% carried agricultural loans.

	Q3 2021	
	Banks	CUs
Total Number of FIs	4,896	5,055
Number of Institutions w/ Ag Loans	4,036	407
Total Amount of Ag Loans (\$000s)	174,495,178	3,913,273
Average Amount Per FI (\$000s)	43,235	9,615

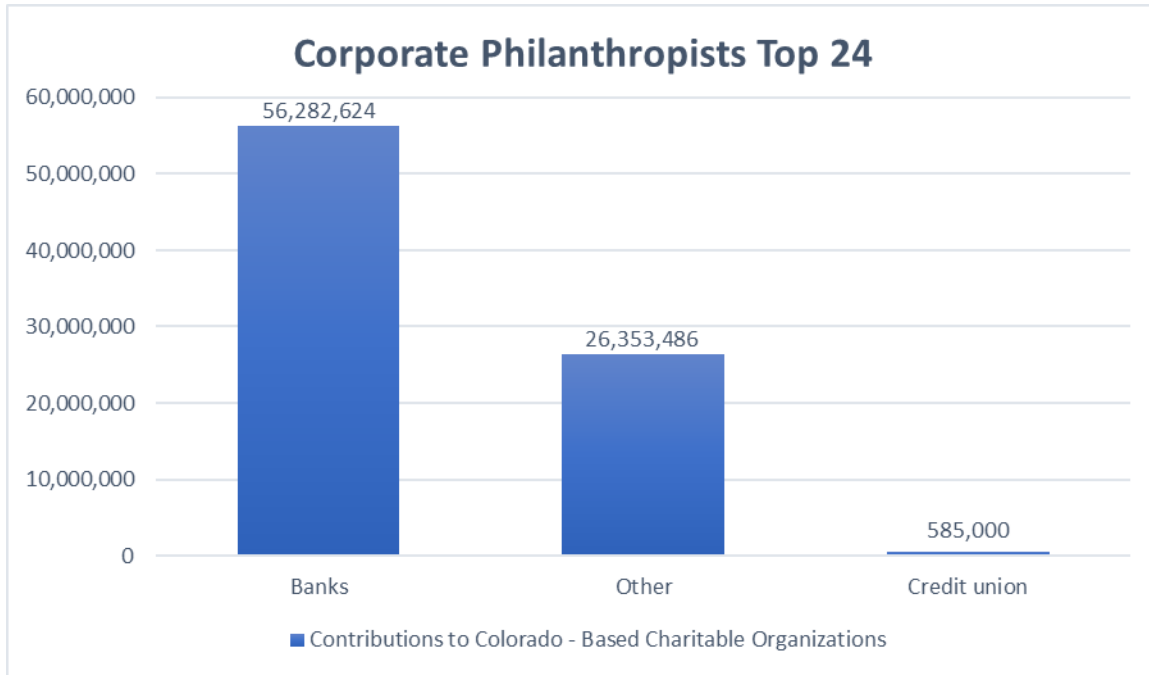
- ◇ Rural communities rely on banks, not credit unions, to fund agricultural production.
- ◇ As of 12/31/20 Colorado banks invested \$2.8 billion in farmland loans and another \$1.8 billion in farm loans.

PPP Loans – An SBA-backed loan that helped businesses keep their workforce employed during the COVID-19 crisis. Through May 2021, 11,823,594 loans were approved totaling \$799,832,866,520. Nationally, Americans turned to banks to navigate the PPP process.

- ◇ Of the 5,242 lenders involved in the Paycheck Protection Program:
 - ✓ 80% were Banks and Saving & Loans (S&L's)
 - ✓ Only 16% were credit unions
- ◇ The top 15 PPP lenders for 2020 and 2021 were banking institutions.
- ◇ In Colorado 87,088 PPP loans were issued totaling \$4,737,513,800.

Banks give back to Colorado: as reported in *Denver Business Journal Book of Lists, page 88 for 2020*; 10 of the 24 listed contributors were banks.

Defend Public Deposit Holdings and Preserve Constitutional Integrity Oppose HB22-1277



Division of Banking regulations – Banks must comply with extensive rules regarding the protection and preservation of public deposits.

- ◇ Pledging assets to protect up to 160% of the uninsured deposit beyond the first \$250,000 protected by the FDIC.
- ◇ Submitting to audits and examinations by the Division of Banking to ensure compliance with statutory rules and regulations to protect public deposits.

Ownership – Credit union members are its owners. It is not good public policy for government to own financial institutions available to a select clientele. Public entities would likely be the largest single shareholder in most credit unions.

COLORADO BANKS INVEST IN COLORADO AND THAT MONEY STAYS IN COLORADO

OPPOSE HB22-1277

CBA contacts:

Alison@coloradobankers.org
Jenifer@coloradobankers.org

IBC contact:

mvannorstrand@ibcbanks.org

Colorado Legislative Strategies contacts:

Melanie@lobby4co.com
Andrew@lobby4co.com
Garin@lobby4co.com

Capstone Group, LLC contact:

mmarchun@capstonegroupllc.com
jvanderburg@capstonegroupllc.com

JLH Consulting and Public Affairs contact:

Jason@jlhpublicaffairs.com