



Memo in Support

Municipal Deposits in Credit Unions

- **Current law.** The current law restricting municipal deposits to commercial banks is an anachronism, stemming from the days when commercial banks were the most secure option for these types of investments. Allowing savings banks, savings & loans and credit unions to accept municipal deposits would be beneficial to the communities they are serving by offering a competitive alternative to commercial banks, who are often a large corporate entity with no real affiliation or commitment to the community they serve.
- **Municipalities would save.** By allowing credit unions to accept municipal deposits, municipalities may receive better rates of return on their tax dollars. For local leaders facing tight budgets, every dollar saved counts. If credit unions were allowed to work with your local governments unlimited, they could save taxpayers \$18 to \$24 million.¹
- **The Opposition?** Commercial banks say that credit unions should not serve local government because of they “don’t pay taxes.” Not true. Credit unions do pay property taxes and employer taxes, and their member-owners pay taxes on dividends. Credit unions’ tax exemption lies in their not-for-profit structure, including cooperative ownership and volunteer leadership –not because of the types of services they provide. Even without the banks’ Community Reinvestment Act requirements, credit unions’ reinvest in their communities. Credit unions are 100% locally-owned, and as not-for-profit financial cooperatives, they return all profits back to their members. Access to municipal deposits would allow credit unions to further reinvest in their local communities, via loans to members and local small businesses.
- **Credit unions play a vital role in the New York State economy- allow them to help local governments keep public funds local.** Credit unions’ total economic impact on the gross state product is in excess of \$4.5 billion, and they create more than \$610 million in taxable wages. Credit unions employ 9,000 –and growing. Credit unions’ not-for-profit structure leads to savings for their 4.2 million members –one in five New Yorkers.² Allowing credit unions to serve local governments will help credit unions deliver more resources to their members, savings to taxpayers, and increased reinvestment in the local economy.

The Association will continue to forge alliances with several trade associations representing municipalities (counties, cities, towns, school districts, etc.) in an effort to promote credit unions as safe, viable depositories for public funds.

For more information please contact Amy Kramer, at 800-342-9835, X8122

¹“Municipal Cash Deposits in New York State Credit Unions, by Brian P. O’Connor, Ph.D., 2006

²“The Role of Credit Unions in New York State,” *Economic Impact Study*, by Ridgewood Economic Associates for the Association, 2004.

(Revised 02/09)