

Issue Update

Today's credit unions operate far beyond their original mission – serving broad commercial interests while benefiting from outdated tax exemptions. More than 90 years ago, Congress enacted the Federal Credit Union Act, giving credit unions a mission to provide basic consumer financial services to those of modest means connected through some common bond within a well-defined community, such as employees of a company or parishioners of a church. This mission limited credit unions' potential membership and together with their not-for-profit status and cooperative structure, justified an exemption from federal corporate taxes and certain reporting requirements.

The credit union industry has evolved drastically over the past few decades, with America's entire population now eligible for membership. The expansion of the common bond and field of membership – largely a result of the Credit Union Membership Access Act of 1998 and subsequent actions taken by the National Credit Union Administration (NCUA) – have pushed credit unions away from their mission and eliminated the justification for their preferential tax and regulatory treatment. In recent years, dozens of community banks have been acquired by credit unions, a trend that underscores the need to reassess whether their activities remain consistent with their original mission and tax-exempt status.

Why It Matters

Justifying Tax Subsidy. The \$2.48 trillion credit union industry receives a \$3.95 billion per year tax subsidy to provide basic consumer financial services to under-resourced groups and communities. Unlike most tax-exempt non-profits, however, federal credit unions do not file IRS Form 990, leaving little accountability for their use of taxpayer resources.

Community Reinvestment Accountability. Community Reinvestment Act (CRA) requirements historically did not apply to credit unions because membership limits confined them to the specific groups they were chartered to serve. Although NCUA-approved expansions now permit nationwide membership, the exemption remains, creating a mismatch that affects community investment outcomes and has led some states to impose CRA requirements on state-chartered credit unions.

Recommended Action Items

- **Reassess Credit Union Tax Treatment and Require Form 990 Reporting.** Congress last held a hearing on credit unions in 2005; it should renew oversight to assess whether 21st-century industry activities, including bank acquisitions, remain consistent with credit unions' tax treatment. In addition, Treasury should require federal credit unions to file IRS Form 990.
- **Mandate Credit Union Community Reinvestment Reporting.** Congress should assess whether credit unions fulfill their statutory mandate in a robust, demonstrable way and whether expanded fields of membership warrant community reinvestment reporting or comparable accountability measures. 

Credit Unions

Robert Flock | rflock@aba.com | 202-663-7552

September 2026

- **Reject Proposals that Expand Credit Union Powers.** Congress should oppose legislation that would further expand credit union powers and strengthen oversight of credit union service organizations to ensure these entities do not further blur the line between tax-exempt credit unions and taxpaying banks.