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FOR IMMEDIATE RELEASE**Contact: Bruce E. Spitzer**
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617-523-7595**CREDIT UNION STUDY CITES UNRESTRICTED GROWTH;
NEGLIGIBLE BENEFITS FOR MASSACHUSETTS CONSUMERS****Lack of Consumer Benefits and the Impact on the Competitive
Landscape Do Not Warrant Expanded Powers**

BOSTON, May 16, 2016 – A major new study focusing on the credit union industry in Massachusetts has produced results that indicate key aspects of the performance of credit unions in the Bay State do not provide justification for the industry's regulatory exemptions and state and federal corporate tax subsidies.

The independent study, produced by PolEcon Research, is an indictment on large credit unions in Massachusetts that claim broad benefits for their "members," but by many metrics do not deliver and, in fact, underperform compared to the Commonwealth's banks.

"This study clearly indicates that credit unions lag in terms of their claims to benefit consumers and communities. In fact, the study shows that despite their tax subsidy, the difference in deposit and loan rates between Massachusetts credit unions and banks is especially small. Overall, the continued growth of large, bank-like credit unions will negatively impact Massachusetts in the years ahead," said Daniel J. Forte, president and CEO of the Massachusetts Bankers Association.

The study, titled "Credit Unions in Massachusetts: Growing, Consolidating, and Increasingly Exempt from Regulations," indicates that the number of "low-income" designated credit unions in Massachusetts has risen from just 11 in 2012 to 57 in 2016, including four of the state's largest credit unions, each with more than \$1 billion in assets. The industry has achieved this status, among other ways, by counting the many college students, who have little income, within their footprints.

The low-income designation exempts nearly 40 percent of the credit union industry (by assets) from many federal regulations, including limits on business lending and membership eligibility, suggesting the rise in low-income credit unions will continue to be a preferred strategy for credit union growth.

“This “low-income” designation is a significant loophole that could become a greater risk if these institutions are allowed to expand exponentially with no limits on commercial lending or membership,” said Forte.

The PolEcon study also states that the exemption from federal and state corporate income taxes was originally granted to credit unions primarily as an incentive to serve the needs of individuals of modest means. However, many credit unions in Massachusetts receive this corporate tax subsidy without having to document their service to low- and moderate-income individuals.

Credit union growth in Massachusetts is increasingly occurring at federally-chartered credit unions, meaning a larger share of the credit union industry – more than 50 percent of total assets -- is now exempt from the Commonwealth’s Community Reinvestment Act (CRA) requirements as well as reviews designed to ensure that financial institutions serve low- and moderate-income individuals. There are no CRA requirements for any federally chartered credit unions, including 12 of the largest 25 credit unions in Massachusetts.

“The most disturbing result is the fact that the largest credit unions are expanding market share unabated and unchecked at the expense of consumers, taxpaying community banks and even smaller credit unions,” said James Lively, president and CEO, Bridgewater Savings Bank and chairman of the Massachusetts Bankers Association. “The growth and concentration in this industry is not only largely without benefit to consumers, the corporate tax subsidy gives the credit unions power to expand without any requirement to serve low- and moderate-income communities.”

Since 2002, Massachusetts’ banks have received higher CRA ratings for meeting the needs of lower- and moderate-income individuals than have Massachusetts’ credit unions, while Massachusetts’ largest credit unions are more profitable than are Massachusetts’ banks.

The PolEcon study also cites data from the federal Home Mortgage Disclosure Act (HMDA) that shows that banks and credit unions serve customers of similar income levels, even with the credit union industry’s stated and historical goal to serve individuals of modest

means. In fact, the four largest “low-income” credit unions in Massachusetts had the highest percentage of home purchase loans to upper income applicants and the lowest percentage to low-income borrowers.

The picture is different for the Commonwealth’s smaller credit unions. In 2001 there were 279 credit unions headquartered in Massachusetts and by early 2016 that number was down to 177. The independent report states that industry consolidation contributes to a widening gap between two distinct groups of credit unions: the large, bank-like credit unions that are aggressively pursuing market share in the state and the smaller, traditional credit unions, which are still greater in number and provide more limited financial services to a distinct consumer market consistent with their original mission. The 10 largest credit unions in Massachusetts hold 50 percent of the industry’s assets, and the five largest hold 35 percent. The largest, Digital Federal, holds 19 percent of all the industry’s assets. The largest Massachusetts bank holds just 7.5 percent of all assets held by banks headquartered in the Bay State.

“Clearly one of the biggest problems, particularly among the Commonwealth’s largest credit unions, is that many of them have strayed from their original mission of serving members with a ‘common bond,’” said Gilda Nogueira, president & CEO of East Cambridge Savings Bank and vice-chairman of the Massachusetts Bankers Association. “They offer membership to just about anyone, anywhere and at the same time are looking to expand their powers even further. We are encouraging state and federal lawmakers to look closely at the industry’s record before granting any additional powers.”

The entire PolEcon Research study can be viewed [\[here\]](#).

The Massachusetts Bankers Association represents approximately 165 commercial, savings and co-operative banks and savings and loan associations located in Massachusetts and elsewhere in New England.

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