

# Economic Benefits of the Credit Union Tax Exemption to Consumers, Businesses, and the U.S. Economy

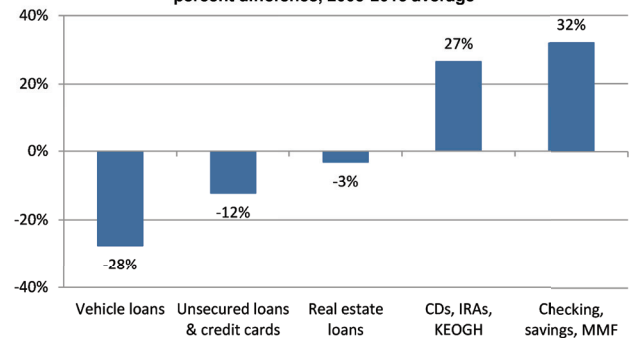
The National Association of Federal Credit Unions (NAFCU) commissioned a study to examine *what would happen to the U.S. economy if the presence of credit unions was reduced significantly as a result of eliminating the credit union tax exemption*. The authors of the study are Robert Feinberg, Ph.D., Professor of Economics at American University; and Douglas Meade, Ph.D., Director of Research at Interindustry Economic Research Fund, Inc.

Previous studies had demonstrated that changes to the credit union tax status in Canada and Australia led to a severe reduction in credit union presence. The resulting reduced competition for consumer financial services led to higher interest rates on consumer loans and lower interest rates on deposits for consumers in those countries. The results of the 2014 study indicate that similar impacts on consumers would be seen here in the United States should the credit union tax exemption be eliminated.

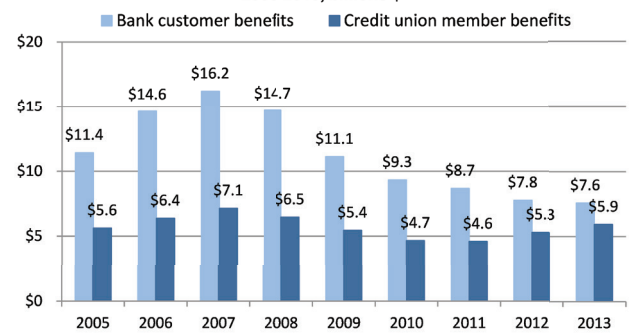
## Key Findings

- Removing the credit union tax exemption would actually cost the federal government \$15 billion in lost income tax revenue over the next 10 years. GDP would be reduced by \$148 billion, and 1.5 million jobs would be lost over the next decade as well.
- As shown in Chart 1, credit unions outperformed banks, with lower interest rates on loans and higher returns on savings and deposits.
- The direct benefits to credit union members of these better loan and deposit rates were estimated to range from \$4.6 billion to \$7.1 billion annually for the period 2005-2013. (Chart 2)
- A 50 percent reduction in the credit union market share would cost bank customers an estimated \$7.6 billion to \$16.2 billion per year in higher loan rates and lower deposit rates. (Chart 2)
- Total credit union member benefits over the 2005-2013 period were estimated to be \$51.5 billion.
- Bank customers benefitted from credit unions as well (due to the competition from credit unions) by an estimated \$101.4 billion over the 2005-2013 period.
- Credit union members benefitted most from lower interest rates on car loans, with \$29.1 billion in savings from 2005-2013.
- Bank customers benefitted most from lower rates on real estate loans, saving over \$41 billion during the nine year period of the study.
- The total benefit to U.S. consumers from the presence of credit unions in financial markets was \$153 billion over the nine-year period of the study, or \$17 billion per year.

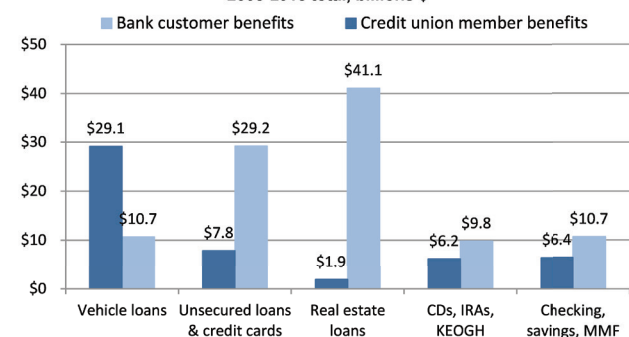
**Chart 1: Interest rate differences, credit unions vs. banks**  
percent difference, 2005-2013 average



**Chart 2: Credit union & bank consumer benefits by year**  
2005-2013, billions \$



**Chart 3: Credit union & bank consumer benefits by product**  
2005-2013 total, billions \$



**Table 1. Estimated benefits to credit union members and bank customers by state, 2005-2013**

In order to examine these effects on a state-level basis, these gains were apportioned on the basis of each state's share of total deposits. Credit union and bank consumers from larger states received substantial gains from the presence of credit unions in their markets. The largest consumer benefits amounted to \$17.9 billion in California, \$15.6 billion in New York, \$10.9 billion in Texas, \$7.3 billion in Florida, and \$5.9 billion in North Carolina.

Millions current \$	Total consumer benefits 2005-13	Bank customer benefits 2005-13	CU member benefits 2005-13	Bank customer benefits 2013	CU member benefits 2013	State pctg of bank deposits 2013	State pctg of CU deposits 2013
<b>U.S.</b>	<b>152,913.0</b>	<b>101,411.4</b>	<b>51,501.5</b>	<b>7,581.2</b>	<b>5,922.9</b>	<b>100%</b>	<b>100%</b>
Alabama	1,876.6	931.3	945.3	69.6	108.7	0.9%	1.8%
Alaska	372.1	109.5	262.6	8.2	30.2	0.1%	0.5%
Arizona	1,745.0	993.5	751.5	74.3	86.4	1.0%	1.5%
Arkansas	735.8	574.5	161.2	42.9	18.5	0.6%	0.3%
California	17,886.6	10,983.8	6,902.8	821.1	793.9	10.8%	13.4%
Colorado	2,198.8	1,143.0	1,055.8	85.4	121.4	1.1%	2.1%
Connecticut	1,665.0	1,158.3	506.7	86.6	58.3	1.1%	1.0%
Delaware	4,392.9	4,285.9	107.0	320.4	12.3	4.2%	0.2%
Dist. of Col.	1,101.2	394.4	706.8	29.5	81.3	0.4%	1.4%
Florida	7,345.3	4,771.1	2,574.1	356.7	296.0	4.7%	5.0%
Georgia	3,174.2	2,029.6	1,144.6	151.7	131.6	2.0%	2.2%
Hawaii	941.6	365.3	576.2	27.3	66.3	0.4%	1.1%
Idaho	516.7	218.8	297.9	16.4	34.3	0.2%	0.6%
Illinois	5,784.3	4,418.1	1,366.2	330.3	157.1	4.4%	2.7%
Indiana	2,170.8	1,137.8	1,033.1	85.1	118.8	1.1%	2.0%
Iowa	1,413.2	799.1	614.1	59.7	70.6	0.8%	1.2%
Kansas	1,040.0	698.2	341.9	52.2	39.3	0.7%	0.7%
Kentucky	1,166.0	762.8	403.2	57.0	46.4	0.8%	0.8%
Louisiana	1,525.7	1,011.4	514.3	75.6	59.2	1.0%	1.0%
Maine	704.5	408.2	296.3	30.5	34.1	0.4%	0.6%
Maryland	2,418.0	1,311.6	1,106.4	98.0	127.2	1.3%	2.1%
Massachusetts	4,579.3	3,119.2	1,460.0	233.2	167.9	3.1%	2.8%
Michigan	4,047.8	1,827.0	2,220.8	136.6	255.4	1.8%	4.3%
Minnesota	3,156.9	2,292.2	864.7	171.4	99.4	2.3%	1.7%
Mississippi	799.2	515.5	283.7	38.5	32.6	0.5%	0.6%
Missouri	2,158.3	1,628.8	529.5	121.8	60.9	1.6%	1.0%
Montana	424.1	215.1	209.0	16.1	24.0	0.2%	0.4%
Nebraska	803.4	596.3	207.1	44.6	23.8	0.6%	0.4%
Nevada	1,740.4	1,447.3	293.1	108.2	33.7	1.4%	0.6%
New Hampshire	649.6	305.4	344.1	22.8	39.6	0.3%	0.7%
New Jersey	3,764.7	2,988.7	776.0	223.4	89.2	2.9%	1.5%
New Mexico	718.4	293.7	424.6	22.0	48.8	0.3%	0.8%
New York	15,554.2	12,415.9	3,138.3	928.2	360.9	12.2%	6.1%
North Carolina	5,892.3	3,764.7	2,127.7	281.4	244.7	3.7%	4.1%
North Dakota	400.6	249.8	150.7	18.7	17.3	0.2%	0.3%
Ohio	4,014.1	2,790.2	1,223.8	208.6	140.7	2.8%	2.4%
Oklahoma	1,419.4	820.8	598.5	61.4	68.8	0.8%	1.2%
Oregon	1,537.2	633.8	903.4	47.4	103.9	0.6%	1.8%
Pennsylvania	5,369.8	3,410.7	1,959.1	255.0	225.3	3.4%	3.8%
Rhode Island	547.2	311.8	235.4	23.3	27.1	0.3%	0.5%
South Carolina	1,299.3	740.8	558.5	55.4	64.2	0.7%	1.1%
South Dakota	4,200.8	4,069.4	131.4	304.2	15.1	4.0%	0.3%
Tennessee	2,166.8	1,282.3	884.5	95.9	101.7	1.3%	1.7%
Texas	10,905.6	7,056.4	3,849.2	527.5	442.7	7.0%	7.5%
Utah	5,121.6	4,243.7	877.9	317.2	101.0	4.2%	1.7%
Vermont	287.1	127.0	160.1	9.5	18.4	0.1%	0.3%
Virginia	4,550.3	2,604.4	1,945.9	194.7	223.8	2.6%	3.8%
Washington	3,258.1	1,273.9	1,984.2	95.2	228.2	1.3%	3.9%
West Virginia	488.6	331.2	157.3	24.8	18.1	0.3%	0.3%
Wisconsin	2,632.5	1,403.0	1,229.5	104.9	141.4	1.4%	2.4%
Wyoming	251.2	145.9	105.3	10.9	12.1	0.1%	0.2%

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