2025 Federal Issue Briefs

Updated on 9/8/25

2025 Congressional Tax Debate

Credit Union Ask:

- *Proactively defend the credit union not-for-profit tax status during the 2025 tax debate.*

- Michigan credit unions serve **over 6 million members** throughout the state.
- Michigan credit unions are important job creators across the state, **employing 19,000 people.**
- **The number of credit unions headquartered in each congressional district and the number of members they serve:**

  1st Congressional District
  36 credit unions | **507,000** members

  2nd Congressional District
  16 credit unions | **228,000** members

  3rd Congressional District
  21 credit unions | **692,000** members

  4th Congressional District
  11 credit unions | **752,000** members

  5th Congressional District
  14 credit unions | **466,000** members

  6th Congressional District
  6 credit unions | **351,000** members

  7th Congressional District
  8 credit unions | **690,000** members

  8th Congressional District
  20 credit unions | **734,000** members

  9th Congressional District
  2 credit unions | **5,000** members

  10th Congressional District
  10 credit unions | **296,000** members

  11th Congressional District
  14 credit unions | **661,000** members

  12th Congressional District
  10 credit unions | **528,000** members

  13th Congressional District
  11 credit unions | **106,000** members

- Any changes to the not-for-profit tax exemption would represent a significant tax increase on credit unions and members.
- Credit union members are concerned about any proposal that would negatively impact the not-for-profit tax exemption.
- Credit unions are communicating with their members about the ongoing threat to the tax exemption and lawmaker positions on the exemption.
- Reducing or eliminating the not-for-profit tax exemption would have the following consequences for members and non-members
  - Higher interest rates on loans, lower rates on savings accounts and CDs, higher mortgage and home refinance rates, and an increase on credit card interest rates and fees.
  - Many credit unions offer free checking and those accounts would start to disappear.
  - In addition, because the exemption allows credit unions to invest their profits in their communities via grants, scholarships, special programs/services and financial literacy efforts, a loss of the exemption would significantly and negatively impact their work in communities.
- Michigan's not-for-profit, consumer-owned credit unions delivered over $1 billion in benefits in 2023 to both members and non-members.
- Credit unions represent a growing, but small segment of the state's financial sector
  - **Banks control 77% of deposits in Michigan.**
  - **Out-of-state banks control 64% of total bank deposits in the state, a share that has increased by 31.7% over the past two decades.**
- Nationally, 2 U.S. banks (JP Morgan Chase and Bank of America) individually control more assets than the total assets of all 4,600 U.S. credit unions.
- Collectively, our nation's banks have a near-monopoly presence in the market with a **91.2%** market share of total financial institution assets at the end of the 3rd quarter 2024.
- Credit union contributions in revenue accounted for a total of $36.3 billion in taxes in 2023 ($23.3 billion in federal taxes and $13 billion in state/local taxes).

Continued on pg. 2

2025 Congressional Tax Debate *(Continued)*

- The 2017 Tax Cuts & Jobs Act (TCJA) granted banks enormous tax breaks that dwarf the credit union tax exemption. From 2024-2033, foregone Treasury revenue from the credit union tax exemption is anticipated to be **$36 billion** while tax cuts for banks will result in $**447 billion** in foregone revenue.
- Established by Congress nearly 90 years ago, credit unions have a strong, positive reputation as member-owned, community-centered financial cooperatives.
- Congress designated credit unions as not-for-profit organizations because of their unique structure and mission within the financial service industry. Banks were created and operate under their own distinct structure with a mission different from credit unions.
- Congress has long recognized that different structures necessitate different tax treatments, not only in the financial service sector but throughout other areas of our economy.
- Banks can raise capital for the equity and bond markets. Credit unions can only raise capital through retained earnings.
- Credit union boards are drawn from members, elected by the members and serve as unpaid volunteers. Banks can provide stock options and ownership to their boards, executives and staff. Credit union directors and officers are focused on service as opposed to benefiting from stock appreciation.
- These important structural differences, as well as credit unions' commitment to serve the unique needs of the underbanked and local economies, has contributed to the bipartisan support for the federal and state corporate income tax exemptions.

Credit Unions Saving Jobs and Keeping Your Money Local

Credit Union Ask:

- *Members of the delegation have most likely heard from the bankers about credit unions "buying banks." Any suggestion that credit unions purchasing banks should result in a change to a credit union's tax status should be rejected. We also ask that members oppose any future legislation that would restrict the practice.*

- When a credit union decides to purchase the assets of a bank, it is typically because the credit union will keep jobs and money in the local community.
- No one forces a bank to sell to a credit union, rather the conversation is usually initiated by a bank because they view a potential sale to a credit union as the best business decision for everyone involved: the bank's customers, the community, the employees and investors.
- Bank CEOs surveyed cite these reasons for selling to credit unions:
  1) Keeping branches open (50%)
  2) Preserving focus on the community (50%),
  3) Retaining employees (89%)
  4) Fair price (100%)
- The bank board must approve the sale.
- Every bank sale to a credit union is subject to corporate taxation, averaging 24.5% of the purchase price.
- Despite banker efforts to push the perception that credit unions are disproportionately acquiring banks, since 2012 only **100** banks have sold their assets to credit unions compared to **2,499** sales to other banks.
- Over 80% of bank-to-credit-union transactions involved low-income-designated credit unions. This ensures the consumers most affected by banking deserts retain access to a local financial institution.
- Credit unions only account for $2.2 trillion in all financial assets, while the four largest banks each hold more in assets.
- From 2012 until 2023, banks closed some **19,000** branch locations across the country whereas credit unions opened nearly **1,400** branches.
- Credit unions are owned by individuals in the community and dedicated to staying and serving their communities.

Interchange

Credit Union Ask:
Oppose changes to existing credit card interchange system.

- Interchange fees are vital to credit unions as they help credit unions recoup the growing costs associated with credit card fraud detection, credit monitoring and, importantly, they allow credit unions to shield members **AND merchants** from fraudulent charges via zero-liability protection policies when bad actors strike.
- Increasing fraud and the possibility of reduced interchange fees pose a real threat to data security.
- Under the current interchange system, merchants benefit substantially through an increased number of transactions and larger transaction amounts as consumers spend more often and in higher amounts when using cards vs. cash.
- U.S. Senators Dick Durbin (D-IL) and Roger Marshall (R-KS) are pressing hard to move their Credit Card Competition Act (CCCA) in 2025, including seeking to add the bill to the National Defense Authorization Act (NDAA). The CCCA would decimate a credit card payment system that is efficient and effective, and is designed around both protecting consumers and their personal information and giving retailers a fast, reliable and guaranteed method of payment that protects them from fraudulent payments, bounced checks and the significant costs and inherent risks that come from dealing with large sums of cash.
- The CCCA would encourage retailers, whose primary goal is to maximize profits, to choose cheaper card networks that haven't invested in the latest security technology. As a result, sensitive consumer payment data will be vulnerable to bad actors and foreign networks.
- In addition to reduced revenue, recent Federal Reserve data shows that credit unions and community banks also face higher costs as a result of these price controls.
- Small financial institutions are harmed even with the $100 billion exemption that's likely to be in the bill. Changes to any part of this ecosystem will cause substantial ripple effects throughout the card network because the cost of running the card program will only increase, and those costs will be passed down to other system participants. This means those with the least bargaining power (e.g. credit unions, community banks, small businesses and consumers) will be greatly impacted.
- **Bottom line is the current system works and shouldn't be touched. Consumers win with access to easy-to-use credit; merchants win with guaranteed payments; and financial institutions win by being able to recoup the significant costs associated with providing safe and secure products to consumers.**
- While the CCCA has little chance of passing as a stand-alone bill, supporters are currently seeking to add it onto the NDAA and if that fails they will seek to have it added onto a different must-pass bill.
- Michigan credit unions urge members of the Michigan delegation to oppose all attempts to add the CCCA onto must pass legislation and to oppose any other changes to the current interchange system that might be proposed. Furthermore, we are asking our delegation to call on leadership in both chambers to reject attempts to add the bill or any other interchange modifications to must-pass legislation.

Federal Lawmaker Positions on Interchange

Supports MCUL position:

U.S. Sens. Gary Peters and Elissa Slotkin and Reps. Jack Bergman (1st), John Moolenaar (2nd), Hillary Scholten (3rd), Bill Huizenga (4th), Tim Walberg (5th), Debbie DIngell (6th), Tom Barrett (7th), Kristen McDonald Rivet (8th), Lisa McClain (9th), John James (10th), Haley Stevens (11th), Rashida Tlaib (12th) and Shri Thanedar (13th)

CFPB Structural and Accountability Reforms

Credit Union Ask:

- *Congress must require the CFPB to right size regulations so the Bureau takes into account, among other things, the size, structure and unique needs of a financial institution.*
- *Credit unions urge Congress to pass H.R. 3445, the Bureau of Consumer Financial Protection Commission Act.*
- *We urge Congress to pass legislation that brings transparency and accountability to the Bureau.*

- H.R. 3445 would change the structure of the Bureau from a single director led agency to one where authority is provided to a 5-person bipartisan commission in order to provide more consistency in regulatory efforts.
- Subject the Bureau to the full congressional appropriations process.
- Michigan credit unions urge Congress to take action which:
    - Subjects the Bureau to the congressional appropriations process
    - Ensures the CFPB follows all applicable laws and procedures and
    - Clarifies the Bureau's Unfair, Deceptive or Abusive Acts or Practices (UDAAP) authority to ensure it is within the law's intent and is not inappropriately expanded or applied in rule makings and enforcement.
- Ensure the CFPB follows all applicable laws and procedures.
- Clarify the Bureau's unfair, deceptive or abusive acts or practices (UDAAP) authority to ensure it is within the law's intent and is not inappropriately expanded or applied in rulemakings and enforcement.

Modernizing the Federal Credit Union Act & Other Important Reforms

Credit Union Ask:
Co-sponsor credit union-supported legislation and urge leadership to pass the bills.

- Advancements in technology have significantly altered our society and how financial institutions do business, but the FCUA and implemented regulations have not kept pace.
- Consolidation continues to increase the average size of credit unions.
- For-profit financial institutions continue to close brick-and-mortar locations in both rural and urban areas in search of more profitable locations.
- From 2012-2023, banks closed 19,000 branch locations while credit unions opened nearly 1,400 branches.
- Updating the FCUA has become necessary to ensure federally chartered credit unions have the powers and flexibility to be competitive and serve the underserved.
- We are asking members of the delegation to cosponsor the Veterans Member Business Loan Act (S.110/H.R. 507) that would exempt business loans to veterans from the member business lending cap. The arbitrary government imposed cap on business loans is set at 12.25% of a credit union's total assets and applies to loans over $50,000.
- Exempting loans to veterans from the cap would free up capital for veterans as they start up and grow their small businesses.
- The Credit Union Board Modernization Act (H.R. 975) was re-introduced in the U.S. House in early February and was quickly passed by the chamber.
- The Senate version (S.522) of the CU Board Modernization Act was also introduced in early 2025 but the chamber has yet to move their bill and the Senate has not taken up the House passed version either. We are calling on the U.S. Senate to pass the House version of the bill and send it to the President for his signature.
- Under the bill, boards of federal credit unions in strong financial standing would be required to meet at least six times per year, at least once per fiscal quarter, instead of on a monthly basis as currently required.
- The Expanding Access to Lending Options Act (H.R. 4167) was introduced in June. The bill would allow federal credit unions to offer non-mortgage loans (eg. student loans, agricultural loans and other business lending products) with a maturity limit of 20 years. Currently, federal credit unions are prohibited from offering many types of loan products with maturity limits beyond 15 years, which suppresses consumer choice.
  - MCUL is asking members of the delegation to co-sponsor the bill and urge leadership to pass it.
- H.R. 1799, the Financial Reporting Threshold Modernization Act, would raise the Currency Transaction Report (CTR) threshold from $10,000 to $30,000 and adjust the threshold every 5 years for inflation.
  - The current $10,000 CTR level was established in 1972 (53 years ago) and is severely outdated.
  - The CTR threshold would currently stand at $75,000 if it were to be accurately adjusted for inflation since 1972.
  - The outdated CTR threshold results in millions of common transactions, like used car purchases and small business cash deposits being reported which was not what Congress intended.
  - H.R. 1799 would also raise the Suspicious Activity Report (SAR) threshold from $5,000 to $10,000.
  - The SAR threshold has not been adjusted since 1992.
  - Adjusting the SAR threshold, along with the CTR threshold would prevent routine transactions from being flagged as "suspicious" without cause.
  - In 2020, the GAO recommended raising the outdated SAR threshold to reduce the flood of low-value reports that provide little value to law enforcement.
  - A modest increase of the CTR threshold would reduce the number of CTR filings by nearly 80%, dramatically easing unnecessary compliance workload.

Federal Lawmaker Support for FCUA & Other Reforms

S.110/H.R. 507

Currently, Rep. Shri Thanedar is the lone member of the Michigan delegation co-sponsoring the bill.

S.522/H.R. 975

U.S. Sens. Gary Peters and Elissa Slotkin have both co-sponsored S. 522.

H.R. 4167

Currently, no members of the Michigan delegation are co-sponsoring the bill.

H.R. 1799

Currently, no members of the Michigan delegation are co-sponsoring the bill.

Community Development Financial Institutions (CDFI) Fund

Credit Union Ask:

- *Co-sponsor and support the passage of legislation that modernizes the CDFI Fund and improves program transparency, accountability and oversight.*
- *Support full funding of the program at $330 million in FY26 and include bill language that requires the Treasury to disburse funding.*
- *Call on the Administration to disburse FY25 program funds.*

- The CDFI Fund has long been regarded as a successful bi-partisan supported program that efficiently leverages small amounts of public funds with private dollars to promote access to capital and local economic growth.
- The program brings innovative banking and lending solutions to areas that otherwise have limited access to capital, including rural, low-income and otherwise underserved/underbanked communities.
- In 2022, credit unions in Michigan and across the country experienced problems applying for CDFI certification or seeking recertification.
- Several credit unions in Michigan lost certification due to not meeting both target market thresholds of the Fund.
    - The target market thresholds is one area MCUL believes should be looked at by Congress to gauge whether it remains valid and look to modernize the threshold if it does not.
- The U.S. Department of Treasury launched a new CDFI application process in December 2023. The new application process and agreement language do not include a system to ensure that CDFIs receive adequate notice of possible decertification or receive information outlining what steps are needed to address the reason(s) for decertification.
- The lack of notification and information can create significant confusion and problems for CDFIs facing decertification without suitable recourse and negatively affect the communities that depend on CDFI efforts.
- The Administration is currently withholding the disbursement of FY25 program funds. MCUL is urging members of the delegation to call on the Treasury Department to disburse funding to FY25 awardees and to include language in FY26 appropriations legislation that ensures awardees next year receive funding.

Digital Assets/Cryptocurrency

Credit Union Ask:

- *Congress must ensure credit unions maintain parity with fintechs and other financial institutions when it comes to the stablecoin and broader digital asset markets.*

- Credit unions and other traditional financial service institutions continue to gain interest in cryptocurrency as credit union members and the public at large become more comfortable with it and crypto matures.
- According to America's Credit Unions, 94% of household decision- makers are aware of cryptocurrency and 33% own crypto.
- 18% of households have indicated they're likely or very likely to switch financial institutions based on crypto services.
- Globally, crypto's worldwide market capitalization was estimated to be approximately $1.1 trillion in August of 2023. The number of cryptocurrency wallets grew from 82 million in 2022 to approximately 92 million in 2023.
- According to a 2021 Deloitte study, three quarters of global financial executives believe failing to provide digital asset services will harm them competitively. These services include holding keys for members, trading on mobile devices or online banking, creating rewards programs and issuing stable coins.

Data Security and Privacy

Credit Union Ask:
Work with and urge leadership to pass comprehensive legislation that includes strong data security and privacy standards and holds all entities that collect, use or share personal data accountable.

- Since 2005, over 12 billion records have been breached due to lax data security standards.
- The retail industry's self-policing and lack of meaningful security standards is woefully inadequate.
- Breaches have cost credit unions, banks and the consumers they serve hundreds of millions of dollars, and they have compromised the consumers' privacy, jeopardizing their financial security.
- Financial institutions are forced to assume the costs related to card replacement, fraud control, member communication and most, if not all, of the fraudulent transaction cost.
- Laws like the Gramm-Leach-Bliley Act (GLBA) and the Health Insurance Portability and Accountability Act (HIPPA) were once considered the gold standard in privacy and security but are no longer enough to keep data private and secure.
- It's time for Congress to act; patchwork efforts by the states aren't enough.
- Any new privacy law should include both data privacy and data security standards. Congress should enact robust data security standards to accompany and support data privacy standards.
- The new law should cover all businesses, institutions and organizations that collect, use or share personal data.
  - Any new law should preempt state requirements to simplify compliance and create equal expectation and protection for all consumers.
  - Breach disclosure and consumer notification are important, but these requirements alone won't enhance security or privacy.
  - The law should provide mechanisms to address the harms that result from privacy violations and security violations, including data breach.