



2026 MCUL STATE ISSUE BRIEFS



Credit Union Difference and Not-For-Profit Tax Status

- Credit unions are not-for-profit co-ops owned by their members.
- Credit unions do not pay corporate income tax because of their not-for-profit co-op business structure, as opposed to for-profit banks. Credit unions pay all other applicable taxes, like payroll and social insurance, real estate, UBIT, sales (state charters), etc.
- Banks can raise capital for the equity and bond markets. Credit unions can only raise capital through retained earnings.
- Credit union profits are shared with members through higher savings returns, lower loan rates, fewer and lower fees, low-cost or free products and services and financial literacy programs.
- More than half of credit union-originated mortgages go to borrowers earning middle incomes or less.
- Credit union business lending is growing dynamically to support our communities and businesses.
- 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.
- This important structural difference, as well as credit unions' commitment to serve the unique needs of the underbanked and local economies, has contributed to the bi-partisan support for the federal and state corporate income tax exemptions.
- Credit unions focus on financial education for youth and adults.
- While the consumer and business services provided by credit unions may look and feel similar to banks, it's the not-for-profit co-op business structure that drives the credit union tax status.
- Credit unions make up 50% of the state's headquartered CDFI institutions, leveraging grant and other financial resources to multiply positive community impacts to address consumer needs, community development and small business lending.

Interchange Defense

- In 2024, the Illinois Legislature passed the Interchange Fee Prohibition Act (IFPA). This Act prohibits financial institutions, payment networks and others from collecting or charging interchange fees in Illinois on the tax or tip portion of any transaction (debit or credit).
- In February 2026, the Court in Illinois issued a decision that found for the financial services industry on one claim but upheld the biggest issues with the IFPA the interchange piece. The court held that the IFPA's prohibition on the charging or collecting of interchange fees in Illinois on the tax or tip portion of a transaction was not preempted by federal law because the banks/credit unions weren't the ones setting the fees. The original IFPA was set to be effective on July 1, 2025. Due to the legal challenge the Illinois Assembly granted an extension of compliance to July 1, 2026.
- MCUL is actively educating legislators and coordinating with partners to defeat this effort, which would erode the resources credit unions rely on to serve members — an effort made more urgent by the recent Illinois interchange court decision favoring retailers.
- MCUL has been very active in ensuring that we prevent the introduction and passage of this bill by educating legislators on the detrimental impact such legislation could have on the credit union industry.

MCUA Updates

- MCUL is working on a number of significant updates to modernize our credit union act
- American Share Insurance: legislation that will allow credit unions the option to opt into private share insurance as an alternative to the insurance provided by the NCUA. MCUL currently has a bipartisan bill package of five bills that are expected to be introduced in the House soon.
- Estate Accounts: Allow estate accounts to be opened at a credit union if the decedent was eligible for membership prior to their death and the personal representative a/o beneficiaries are members
- Subscription Services: Allow the placement and enforcement of security interest in subscription services made in connection with secured vehicle loans.
- Assumed Names: Address issues related to assumed name usage in advertising and public-facing materials.

Small-Dollar Loans by Payday Lenders

- Credit unions have long opposed payday lending in general and the expansion of authority for payday licensees into this space. Our members are too familiar with the negative effects and cycle of debt that many borrowers experience when using high-cost, short-term credit.
- Many credit unions offer alternative products to help borrowers avoid these types of loans, provide free financial counseling and will work with members in their individual situations when they need help. The triple-digit APR of this proposed product dwarfs Michigan usury caps, allowable rates for alternative loans and the rates of legitimate alternative products offered by credit unions.
- The legislature should carefully consider the impact of any new lending products, especially those offered to challenged borrowers that are at their most vulnerable. We should be actively looking at appropriate ways to foster affordable emergency consumer lending that will actually help people and build their credit.

Financial Literacy/Financial Education

- Legislation was enacted last session which created a new half-credit requirement for students to take a personal finance course prior to graduating high school.
- Currently, the Michigan Department of Education (MDE) is working on implementing this new law for rollout starting in 2024.
- Our team continues to engage MDE on the implementation process and encourage them to utilize financial institutions' expertise in this space when building out the requirements for this half-credit course.

UCC & Emerging Technology

- Proposed amendments have been brought forward in 2022 by the Uniform Law Commission to make updates to the Uniform Commercial Code (UCC). These updates would allow the UCC to do the following:
 - Governing commercial transactions involving digital assets such as cryptocurrency and stablecoins.
 - Defining Controllable Electronic Records (CERs) as a new form of intangible property.
 - Enabling electronic signatures for wire transfers.
- MCUL has identified a primary bill sponsor for our updates to the Uniform Commercial Code(UCC). Currently working with the office on cosponsors

Appropriations

- MCUL applauds and appreciates the continued support of the CDFI program totaling over \$100 million in the last four years. MCUL urges the legislature to continue funding these imperative programs so we may continue to deliver critical needs to diverse communities across the state.
- MCUL supports continued funding in FY26 for the Michigan Saves green lending program, funded again at \$5.5 million in FY24.
- Credit unions across the state of Michigan have access to \$20 million from the Greenhouse Gas Reduction Fund specified in the Inflation Reduction Act to provide grants in energy efficiency. MCUL is engaged with the Department of Environment, Great Lakes and Energy (EGLE) to finalize program and allocation requirements.
- The legislature provided \$2.5 million in grant funding for a state-run alternative lending grant program. Upon approval, credit unions will be able to provide short-term loans up to 36% APR to consumers. MCUL is currently waiting for DIFS to provide guidance.
- Finally, MCUL would like to explore the possibility of additional funding for a loan loss reserve as well as a program structure to support affordable small-dollar installment loans as an alternative to more expensive and predatory options.