



## MUNICIPAL DEPOSITORY CHOICE

### S.670 (SANDERS) / A.8289 (FAHY)

#### **Allows Credit Unions to Accept and Secure Deposits from Municipal Corporations**

The New York Credit Union Association (the Association) **STRONGLY SUPPORTS** S.670/A.8289, which allows credit unions, savings banks, savings and loan associations and federal savings associations to accept and secure deposits from municipal corporations.

Federal law permits credit unions to accept public deposits, but in New York State local governments are not authorized to make deposits of municipal funds into credit unions. As a result, large commercial banks enjoy a monopoly over the deposit of public funds. Credit unions routinely receive deposit requests from municipalities including fire departments, villages, schools, and libraries and have to turn them away. The Association joins with School Boards and Towns in support of S.670/A.8289, which would allow local governing bodies to make deposits into credit unions, giving municipalities a depository choice and an opportunity to save taxpayer dollars by incurring lower fees and taking advantage of the best possible return on deposits.

New York tax payers deserve to have their tax dollars earn the best return possible. By allowing municipalities to deposit money with credit unions, New Yorkers will get more money out of their tax dollars. In fact, an analysis performed in 2019 concluded that, assuming credit unions in the state had authority to accept public deposits, each \$1 million in deposits in credit unions would produce \$9,813 in interest revenue for public entities. That's \$3,238 more than is earned on the same-size deposit in banking institutions. Credit unions are exempt from income taxes so would pay no state taxes on the income they earned on those deposits. But the higher average credit union deposit yields produce total net benefits to the state that exceed the total net benefits delivered by banking institutions by nearly \$2,300 per million deposited (\$9,813 vs. \$7,544).

Local tax dollars should remain with local communities, but under existing law public funds are required to be deposited with commercial banks which are under no obligation to invest this money locally. In fact, some banks which accept municipal

deposits aren't even headquartered in New York State. This legislation is necessary to ensure municipal funds can be deposited in New York credit unions, so these funds remain in local financial institutions and can be redeployed in the community to spur economic development. This would create parity, not competition, with community banks.

Credit unions are locally-owned, not-for-profit financial cooperatives that exist to promote thrift and provide access to credit for provident purposes. Their mission is to help people in their communities get to a better place financially. Unlike banks, which can issue stock to raise capital, credit unions can only grow organically, through member deposits. Thus, credit unions are never beholden to investors. Their fate is tied to the local communities to which they provide banking services.

Aside from the economic benefits offered by Municipal Deposits, allowing fire districts, school districts and town boards to place their money in credit unions simply makes common sense. As a result of the bank monopoly, there are local town officials who have to drive miles out of their way to put money in banks when a credit union is down the street. In addition, the current restrictions mean that there are teacher credit unions which can't accept school district funds and fire districts which can't place money in credit unions that represent firemen. Allowing funds to be deposited in these communities would simply allow public officials to place their money where it makes the most sense to do so.

Credit unions play a vital role in the New York State economy. Allow them to do what credit unions in the majority of states can do and help local governments keep public funds local. On behalf of more than five million credit union members and more than 14,000 employees, the New York Credit Union Association **STRONGLY SUPPORTS** this legislation and urges its passage without delay.

*For further information on this legislation, please contact Henry Meier, General Counsel and Senior Vice President of NYCUA at (518) 437-8144 or via email at [henry.meier@nycua.org](mailto:henry.meier@nycua.org).*