



strength in members.

**The New York Credit Union Association supports S.670
(Sanders)/ A.8289 (Fahy): Municipal Depository Choice**

**Allows credit unions, savings banks, savings and loan associations,
and federal savings associations to accept and secure deposits from
municipal corporations**

The New York Credit Union Association (the Association) **STRONGLY SUPPORTS** S.670/A.8289 empowering municipalities with depository choice.

Unlike the majority other states, New York State unjustifiably bans local governments from depositing municipal funds into credit unions. Effectively, for-profit banks — often based in other states — enjoy a monopoly of public funds while community-based, not-for-profit credit unions must refuse service to fire departments, villages, schools, and libraries. The Association, along with **New York State School Boards, the Association of Towns, and the New York Conference of Mayors, support S.670/A.8289**, a narrowly focused test program designed to minimize threats to banks.

New Yorkers deserve to have their tax dollars maximized. Depository choice will give **New Yorkers more out of their tax dollars** by lowering fees, receiving better yields, and keeping local funds local. Analysis performed in 2019 concluded that assuming credit unions in the state had the authority to accept public deposits, each \$1 million in **deposits in credit unions would produce \$3,238 more** than is earned on the same-size deposit in banking institutions. Though not-for-profits do not pay corporate taxes, the higher credit union 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, however, commercial banks are under no obligation to invest this money locally. Some **banks which accept municipal deposits are not even headquartered in New York**. This will ensure municipal funds can remain local and be redeployed in the community to spur economic development. This creates **parity, not competition, with community banks**.

Nevertheless, to address bank concerns, the bill is written as pilot program to sunset in 2027 at which time the Superintendent of the Department of Financial Services shall direct and issue a public report concerning the impact of accepting local deposits. Additionally, to **demonstrate their dedication to community reinvestment**, credit unions accepting municipal deposits in excess of \$300,000 agree to demonstrate 3.5% annual community reinvestment not to exceed \$100,000.

Aside from the economic benefits, allowing fire districts, school districts, and town boards to place their money in credit unions simply makes sense. As a result of the bank monopoly, local officials are forced to drive miles past local credit unions to find a bank. The restrictions mean that teacher credit unions cannot work with school district funds and credit unions representing firemen cannot work with fire districts. Allowing funds to be deposited in these communities would **finally empower municipal officials to deposit where it makes the most sense thereby streamlining operations.**

Credit unions are safe, member-owned, not-for-profit, financial cooperatives with a mission to promote thrift, provide access to credit for provident purposes, and help community members financially thrive. Unlike banks, which can issue stock to raise capital, credit unions can only grow organically, through member deposits. **Credit union** fate is intrinsically linked to the local communities to which they provide vital financial services **are never beholden to investors.**

New York's credit unions play an important role to more than six million credit union members, numerous local businesses, and the state's economy more generally. Now, more than ever, our overstretched municipalities and taxpayers **need cost-free mandate relief and help stretching tax dollars.** Allow New York's credit union to do what credit unions in the majority of states can do and **help local governments keep public funds local.** 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.