New York Bankers Association
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New York, New York 10016

Michael P. Smith
President & CEO

December 10, 2019

The Honorable Andrew M. Cuomo
Governor
State of New York
Executive Chamber
State Capitol
Albany, NY 12224

RE: **Opposition of S.727A (Montgomery)/ A.3320 (Zebrowski)**

Dear Governor Cuomo:

The New York Bankers Association ("NYBA") strongly opposes this legislation that would expand the Banking Development District ("BDD") program, which currently is only available to taxpaying banks and savings institutions, to allow federal and State-chartered credit unions to participate in BDDs. While NYBA supports the BDD program, we urge that the bill be **disapproved**. NYBA is comprised of community, regional, and large banks and savings institutions across every region of New York State. Together NYBA members employ nearly 200,000 New Yorkers, safeguard $2 trillion in deposits, and extend nearly $70 billion in home and small business loans, and pay over $1 billion in State income taxes alone.

Credit unions were originally formed in 1934 for the limited purpose of serving people of modest means who were tied by common bond – such as an employer, church or association. The original common bond requirement for credit unions also gave them significant benefits, such as near complete tax relief, less capital requirements, and relaxed regulatory regimes, premised on the notion that a small credit union organization would have a mission to serve its members through simple deposit taking and loan making. In recent years credit unions have diverged from their original "mom and pop" mission into a $1.5 trillion industry, which, evidence shows, largely serves only middle- and upper-income households, while maintaining the original benefits from their establishment in 1934 along with less stringent regulatory requirements.

All banks and savings institutions in New York are subject to strict capital and safety and soundness requirements, and are examined thoroughly by State and federal regulators while fulfilling Community Reinvestment Act ("CRA") requirements. These CRA requirements mean that critical resources are returned back into the community and put to work for homebuyers, families, schools, hospitals and emergency services. Credit unions are not subject to CRA, and thus are not required to lend in their communities, nor are they held accountable on community investments through annual examinations.

Furthermore, many of New York's community banks and savings institutions are smaller than the largest credit unions in every region in New York State. With the morphing of credit unions into large financial institutions, these community banks and savings institutions are competing head-to-head with CRA exempt credit unions.

Allowing credit unions to participate in the BDD program would also therefore allow such institutions to receive deposits of State taxpayer funds. Credit unions pay no federal, State or local income taxes, no sales taxes, and do not pay the MTA surcharge. In New York State, commercial banks and savings institutions paid more than $1 billion in recent years in State income taxes alone, hundreds of millions more in other State and local income and sales taxes and the MTA Payroll tax. The credit unions paid virtually no taxes. For every dollar removed from a bank and placed in a credit union, a dollar in earning assets must be extinguished. Deposits withdrawn from local community banks and savings institutions reduce the tax revenues on which New York's local governments depend, as those tax dollars deposited in a bank ultimately grow into revenue for the State and local governments. Significant percentages of local government budgets, particularly for schools, roads and health care, are provided by the State of New York. All of those funds come from taxes paid by New Yorkers, including the local community banks whose earnings are taxed. None come from credit unions.

For these reasons, the New York Bankers Association strongly opposes this legislation and urges that it be **disapproved**.

Sincerely,

Michael P. Smith

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cc: Niall O'Hegarty, Esq.