When meeting with credit union executives this week, we suggest the following topics of discussion.

1. There has been a surge of credit union acquisitions of community banks. There have been 35 such acquisitions since 2011 and nine in the past year. In nearly every case, the acquiring credit union is significantly larger than the acquired community bank. A recent National Credit Union Administration rule change will strengthen this trend. It is one thing for credit unions to grow organically, one customer at a time within a defined field of membership. But this abuse of the tax subsidy is exacerbated by an order of magnitude when a credit union acquires a community bank and all of its deposits and removes the bank's earnings and activities from the tax base. Moreover, the National Credit Union Administration has established bureaucratic obstacles and roadblocks to credit union conversions and mergers that make it significantly more difficult for a bank to acquire a credit union than vice versa.

   Suggested Questions

   - Do you support the rights of banks to acquire credit unions on the same terms and with no more regulatory barriers than apply to credit unions that acquire banks?
   - Do you believe that it's appropriate for a credit union to multiply the cost subsidy of its tax exemption by acquiring a taxpaying bank and removing it from the revenue base of the federal government as well as the state and locality?

2. The National Credit Union Administration is considering a proposal that would allow credit unions to raise supplemental capital from outside investors, allowing those investors to leverage the credit unions' tax exemption. Credit unions have always been cooperative institutions funded exclusively by member deposits. Their cooperative ownership one of the reasons for their tax exemption under the Federal Credit Union Act.

   Suggested Question

   - Does the pursuit of supplemental capital jeopardize your status as cooperatives and undermine the basis of your tax exemption?

3. In March 2018, National Credit Union Administration Chairman Mark McWatters responded to a letter from then-Senate Finance Chairman Hatch saying, "elimination of the credit union tax exemption would almost certainly have a detrimental effect on the credit union system and increase losses to the Share Insurance Fund, which could ultimately fall to U.S. taxpayers," unless it were accompanied by eliminating field of membership restrictions, member business lending restrictions, and other restrictions imposed by the Federal Credit Union Act.

   Suggested Question

   - Do you agree with Chairman McWatters' assertion that the viability of the credit union model is dependent on a tax subsidy? It should disturb all taxpayers that the survival of a $1.4 trillion industry is dependent on both (i) a tax subsidy and (ii) increasing growth of membership, deposits, and assets that in turn fuel growth of the tax subsidy.

It is incumbent upon the Congress to ask the tough questions regarding credit unions' strategies to increase their unbridled and reckless growth. The "grow at all cost" model being deployed by the largest and most growth-obsessed credit unions will have a detrimental effect on taxpayers and the greater financial system. The time for Congress to intervene is now.