Bankers laud state board’s decision regarding proposed bank purchase

DENVER – The Colorado Bankers Association on Thursday lauded the State Banking Board’s decision to disallow one of Colorado’s largest credit unions from purchasing a $121.7 million northern Colorado bank.

The credit union, many times the size of the typical community bank, attempted to circumvent Colorado’s statutory requirements. The State Banking Board, whose approval was required for the sale to be approved, found that the transaction didn’t meet the requirements of the law.

Had the transaction been approved, the state of Colorado would have lost out on income taxes it had previously collected from Cache Bank & Trust, as banks pay income taxes and credit unions do not. Those taxes are used to fund important programs including schools, roads and bridges. Elevations Credit Union – the fourth largest in the state – would have grown to $2.2 billion in assets and more than 141,000 members.

“The average Coloradan pays $5,800 in income taxes annually while every Colorado credit union – even $2 billion dollar institutions like Elevations – pays $0,” said Don Childears, CEO of the Colorado Bankers Association. “The state budget is already stretched thin trying to meet the needs of residents in Colorado and every dollar is needed.”

In Colorado, if credit unions were taxed like banks, the state could collect an additional $65 million in revenue, annually. On a national level, that lack of income tax deprives the U.S. Treasury of roughly $2 billion every year.

“We are pleased that the board viewed the proposal the same way we did: against Colorado statutory requirements,” Childears said. He was quick to point out that the banking industry had no quarrel with either Cache Bank & Trust or Elevations Credit Union; but that banks
continue to push for a fair and competitive free market in which all participants play by the same rules.

“We welcome the (sale) transaction between Elevations and Cache; Elevations simply needs to convert from a tax-subsidized credit union to a tax-paying bank,” Childears added.

Had the transaction been approved, other banks interested in making similar purchases would be at a competitive disadvantage because credit unions’ tax advantage allows them to out-bid a bank interested in buying a bank.

Purchases of banks by tax-exempt credit unions have been on the uptick across the country, draining government coffers of much-needed revenue. In 2019, credit unions purchased 20 banks in the U.S. This would have been the first one in Colorado.

“The justification for credit unions tax exempt status is that they are supposed to serve people with low and moderate incomes, or those who share a common bond, such as employment or residence. Growing to a big size doesn’t seem to fit that,” Childears said.

**About the Colorado Bankers Association**

*The Colorado Bankers Association represents more than 95 percent of the assets, offices and employees in the 135 regulated, traditional banks in Colorado, which have $142 billion in assets, 1,482 branches, and 21,000 proud professionals. CBA advocates for Colorado banks of all sizes and charter types before governmental bodies and the public. CBA proactively seeks to increase benefits for bank customers, improve value for shareholders, and grow a stronger business climate for banks and our local economies. CBA supplements its effective advocacy with superior industry-specific information and education for bankers. CBA focuses on creating a stronger economy and helping Coloradans realize dreams by building better banks.*

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