from a former communist republic to a democracy would not happen overnight, it has been seven years since Croatia declared itself an independent democratic nation, and little progress has been made in implementing democratic reforms. This was recently reaffirmed by the State Department's Country Reports on Human Rights Practices for 1997. In its report, the State Department makes the finding that in Croatia ''the continuing concentration of power within the one-party central government, makes Croatia's nominally democratic system in reality authoritarian.''

Most print and broadcast media continue to be owned by the Croatian government resulting in considerable restriction on freedom of the press. Journalists who criticize the government face harassment and even prosecution. the Association of Electronic Media Journalists was established in October 1997, and issued a manifesto (''Forum 21'') with 21 points calling for professional and open electronic media. The State Department found ''13 of members who worked for state radio and television, came under immediate pressure and threats from the HDZ [President Tudjman's party] and the state-run media to curtail these outside activities.'' The State Department further reported ''The Government maintained an unofficial campaign of harassment of the independent media throughout the year.''

In August 1997, the Croatian government brought charges against two prominent human rights activists, Ivan Cicak, longtime President of the Croatian Helsinki Committee, and politician Dobroslav Paraga, President of the Croatian Party of Rights 1861. The government alleged that both men had violated the Criminal Code by disseminating false information with the intent of causing political instability in the country. According to the State Department Report, ''. . . the same and similar statements had been made by these individuals—with no ensuing public disorder—several years previously and that similar sentiments were expressed by others.'' The charges were brought against these men within days of their meeting with the investigators from The Hague War Crimes Tribunal in which they turned over documentation involving allegations against several high government officials.

In addition, the Organization for Security and Cooperation in Europe (OSCE) found the presidential election in June of 1997 to be ''fundamentally flawed'' and came to a similar conclusion with regards to the parliamentary and local elections in April 1997. The President's ruling party was given an overwhelming advantage in coverage by the state-owned electronic media throughout the election year. Furthermore, there is a disturbing trend over the past few years by the Croatian government to use administrative courts to replace heads of democratically elected parties. The method is simple, the party is registered as being headed by someone who is favored by the ruling party.

The judicial system continues to be heavily influenced by the Croatian Administration. In 1997, the Chief Justice of the Supreme Court, Krunislaw Olujic, was dismissed. Three members of the State Judiciary Council were witnesses against him while at the same time they also decided his fate. The OSCE reported that Olujic's dismissal ''put in question the separation of powers provided for by the Constitution.''

Mr. President, we believe it is well past the time for Croatia to hold fair and free elections based on election laws which do not favor the ruling party over the opposition. The government should return democratically elected leaders of Parliamentary parties who were removed by administrative measures. There must be multi-party control of the election process. An independent media must be allowed to report without fear of reprisal, and the judiciary must be independent from any political influence. We therefore urge you to increase the pressure on the Croatian government to come in line with internationally recognized democratic principles through all means at your disposal, including the disbursement of U.S. assistance.

Sincerely,

Tom Lantos, Tom Campbell, Tony P. Hall, John Edward Porter, Martin Frost, Henry J. Hyde, Benjamin A. Gilman, Luise V. Gutierrez, William O. Lipinski, Edolphus Towns, Jesse L. Jackson Jr., Joel Hefley.

VOICE OF AMERICA—AMERICAN CONGRESSMEN REQUEST OF PRESIDENT CLINTON THAT HE INCREASE THE PRESSURE ON THE REPUBLIC OF CROATIA TO BECOME A DEMOCRATIC COUNTRY

(By Bojan Klima)

A group of very influential American Congressmen recently sent a letter to President Bill Clinton and submitted a resolution to the U.S. Congress. The lawmakers wanted to increase the pressure on the Croatian government to come in line with fundamental democratic principles. The Congressmen urged the American President that he use all means at his disposal, including disbursement of U.S. assistance. Among the many distinguished cosponsors and signatures are influential Benjamin Gilman, Chairman of the International Relations Committee, Congressman Tom Lantos, a member of this Committee, and Congressman Henry Hyde. What is the reason for this contact with President Clinton?

INTOLERANCE TOWARD FUNDAMENTAL POLITICAL FREEDOMS

The lawmakers expressed deep concern regarding the Croatian government's continued pattern of intolerance toward the basic freedoms of political expression. In these documents the Congressmen spoke of freedom of expression, freedom of media and several violations against civil rights of individuals. For example, they wrote that the government has control of most of the electronic and print media. Journalists who criticize the government face harassment and even persecution. One example, the American State Department found thirteen journalist, who worked for State radio and television and who are members of Forum 21, received pressure and threats because they are members of this independent group.

MEDIA IS UNDER THE CONTROL OF THE GOVERNMENT; CASES CICAK, PARAGA AND OLUJIC

In the letter to the President the U.S. Congressmen quoted two cases, Ivan Cicak and Dobroslav Paraga, who were charged in August for violating the Criminal Code by disseminating false information with the intention of causing political instability in the country. The Congressmen wrote in the letter to President Clinton that charges were brought against these men within days of their meeting with investigators from the Hague War Crimes Tribunal to whom they had turned over documentation involving allegations against several high government officials. U.S. lawmakers quoted some other examples of the non-democratic nature of the political system in the Republic of Croatia. Media presentation of the electorial campaign during the last presidential election was so non-objective that the Organization for Security and Cooperation in Europe (OSCE) proclaimed the election ''unfair.'' Furthermore, there is a disturbing trend by the Croatian government to use administrative courts to replace heads of democratically-elected parties. Instead of the democratically-elected heads, the party is registered as being headed by someone who is favored by the ruling party. And the judicial system continues to be heavily influenced by the ruling party. The U.S. Congressmen cited the dismissal of Krunislav Olujic, the President of the Supreme Court of Croatia and referred to the report of OSCE that Olujic's dismissal put in question the separation of powers provided for the Constitution.

SEVEN YEARS SINCE INDEPENDENCE, THE REPUBLIC OF CROATIA HAS MADE VERY LITTLE PROGRESS TOWARD DEVELOPING DEMOCRACY

The American Congressmen wrote the American President that while they had not expected that democracy would happen overnight in a former communist republic, they found it regrettable the Republic of Croatia has made very little progress toward democracy development in the last seven years. They urged President Clinton to increase pressure on the Croatian government to carry out several demands: first, that Croatia should hold fair and free elections based on election laws which do not favor the ruling party over the opposition; second, the government must return democratically-elected leaders of Parliamentary parties who were removed by administrative measures; third, their must be multi-party control of the election process; and fourth that journalists and judges must be allowed to function without fear of reprisal or political repression. Finally, these very influential American Congressmen requested of President Clinton that he increase the pressure on the Croatian government to come in line with internationally-recognized democratic principles. The Congressmen requested that President Clinton use all means at his disposal, including U.S. economic assistance.

SUPPORT GROWS FOR CREDIT UNIONS

HON. PAUL E. KANJORSKI

OF PENNSYLVANIA

HON. STEVE C. LaTOURETTE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 17, 1998

Mr. KANJORSKI. Mr. Speaker, my colleague, Mr. LATOURETTE and I wish to state that support for H.R. 1151, the Credit Union Membership Access Act, continues to grow. Below are ten of the more than 100 editorials from newspapers all across our nation which support giving consumers the right to chose a non-profit, cooperative, credit union for their financial services.

Surveys have consistently shown that consumers strongly support the value and services they receive from their credit unions. That is why the Consumer Federation of America endorses H.R. 1151, the Credit Union Membership Access Act.

A bipartisan group of more than 190 Members from all regions of our country, and all parts of the political spectrum, are now cosponsoring the Credit Union Membership Access Act. We should pass it quickly so that credit unions can stop worrying about their future and return to serving their members.

[From the USA Today, Mar. 4, 1998]

COURTS SLAP AT CREDIT UNIONS HURTS CONSUMERS

Consumers seeking bank services want low costs, higher returns and convenience. Last week, the Supreme Court struck a blow against all three.

In deciding by a 5 4 vote that multiemployer credit unions were, in effect, illegal, the court put a halt to credit unions' rapid growth, up 12 million members since 1990.

Current multiemployer credit unions are expected to be allowed to continue. But the ruling threatens to reduce competition for banks by preventing millions of other Americans from joining them.

Nonprofit credit unions are mostly employer sponsored and employee run. To be financially viable, each needs 500 members—more than most small businesses have. If they can't jointly sponsor credit unions, their workers must do without.

This suits bankers fine. They claim credit unions offer higher interest on savings and lower rates on loans because they don't pay income taxes. That's OK, they said, if membership is strictly limited. But opening credit unions to a wide array of people, as multiemployer ones do, damages banks and robs taxpayers, they argue.

There's only one problem with that reasoning. History shows it to be false.

Federal regulators urged small credit unions to merge 15 years ago to prevent them for going under, which could have hit taxpayers the way savings and loan failures did. And despite their rapid growth since, they've hardly hurt banks.

Credit unions' share of the nation's financial assets is struck at 2%. Only 1% of their loans go to commercial ventures, where banks make their big money. And even in consumer lending, at which credit unions excel, they haven't made big inroads. A federal study last year found banks' share of family debt climbed from 29% to 35% between 1988 and 1996 while the share owed credit unions rose from a mere 3.3% to hardly awesome 4.2%.

Meanwhile, bank profits are at record highs, with fee income rocketing.

Those fees, on everything from counter service to ATMs, added $50 billion to banks' bottom lines last year. Banks say they're needed to cover the $250 annual cost of maintaining an account. But they're also high enough to force 13% of families out of banks and into the hands of costly check cashing outlets and pawnshops.

Even professionally managed credit unions still have policies set by member elected volunteer boards. They strive to keep services affordable, so fees average 40% below those of banks. At most, people eligible to enroll can open accounts with $25 or less. Try doing that at a bank.

Congress recognizes the need. It is considering legislation to preserve that access.

Doing so won't hurt banks. It will cost taxpayers nothing. It only ensure consumers have the choices they deserve.

[From the Los Angeles Times Editorials, Feb. 27, 1998]

NEW CREDIT UNION LAW NEEDED

There are a lot of angry members of credit unions across the country, grousing with good reason about the Supreme Court's decision to restore limits on who can join these nonprofit cooperatives. Going back to a strict reading of an old law, the court ruled 5 to 4 that credit union members must be individuals within a single company, community or occupation.

Congress needs to act to reverse the ruling, a major setback for credit unions although there will be no immediate effect on current members. The organizations have greatly expanded their memberships since 1982 when federal regulators relaxed the membership rules to allow a credit union to accept individuals from outside the group it was originally chartered to serve. This ''multiple group'' policy helped employees of small companies join credit unions chartered by larger ones and allowed credit unions at downsized companies to diversify to stay in business.

Federally chartered credit unions date back to the Depression, when banks were unwilling or unable to make small loans to workers. And consumers still want and need a choice beyond conventional banks, which hardly put out the welcome mat for small accounts.

The original Federal Credit Union Act of 1934 said members must be part of ''groups having a common bond of occupation of association'' such as employment in the same company or membership in the same church. After regulators relaxed the rules, banks mounted court challenges claiming that credit unions were building conglomerates and had unfair tax advantages as nonprofit corporations.

Anticipating the Supreme Court's ruling, credit unions have been at work in Washington on legislation to change the law to ease its restrictions on membership. Attention is focusing on HR 1151, a bipartisan bill introduced by Rep. Paul E. Kanjorski (D-Pa.) and Rep. Steven C. LaTourette (R-Ohio— that has 136 co-sponsors. Committee hearings on credit union membership begin week after next.

What lawmakers will hear is that credit unions have attracted 71 million customers because of lower fees, fast emergency loans and better rates on loans and savings. Credit unions hardly pose a threat to banks, which, according to LaTourette, hold 93% of all savings and deposits and 94% of all loans. Consumers deserve alternatives; credit union membership restrictions should be amended.

[From The Record, Mar. 2, 1998]

SUPPORT FOR CREDIT UNIONS

In ruling in favor of the banking industry in its fight to stop credit unions from expanding, the U.S. Supreme Court probably made the right legal decision last week.

But Congress should write into law the practices invalidated by the court. Credit unions offer consumers choice and affordable services, and they encourage people to save who probably wouldn't otherwise. That's good for everyone.

By a 5–4 vote, the court ruled that the federal government went too far in 1982 when it allowed federally chartered credit unions to recruit members who weren't linked by occupation or location. The 1934 federal law that authorized credit unions had limited their membership to groups with a ''common bond.''

Justice Clarence Thomas wrote that the government's interpretation of the law made it permissible ''to grant a charter to a conglomerate credit union whose members would include the employees of every company in the United States.'' That wasn't the intent of the law.

But now that the court has ruled against credit unions, the situation for 20 million customers who joined after the government relaxed membership requirements is uncertain.

Federal lawmakers can end this limbo with legislation allowing credit unions to continue to operate under the more flexible rules established by Washington.

Such a move has bipartisan support, but don't expect the powerful banking lobbyists to lie down and allow it to become law. Banks complain the credit unions are competitors who are allowed to play by a different set of rules. Credit unions don't have to pay federal taxes or abide by fair-lending laws.

But credit unions aren't as much of a threat as the banking industry would have us believe. According to the New Jersey Credit Union League, the assets of the average commercial bank are nearly 30 times that of a credit union. And if people are opting for credit unions instead of banks, it's because of the lower fees and interest rates.

A study by the Consumer Federation of America showed that credit union fees are about 40 percent lower than bank fees. That's a problem banks can address without squashing credit unions. Changing the law to allow credit unions to continue to expand memberships within reason would be a victory for consumers.

[From the Birmingham Post-Herald, May 7, 1997]

GIVING CREDIT TO CREDIT UNIONS

Credit unions, which have been helping people with their financial needs for more than six decades, are themselves in need now. They need to win a legal fight and, failing that, they need some political help from Congress. If they don't get it, the credit unions themselves may no longer be available for millions when they come knocking, and American consumers, especially those of modest means, will have reason to grieve.

Congress established credit unions as nonprofit cooperatives in 1934 chiefly for poorer people left out of the loop by banks. It required that members have a ''common bond,'' such as being employees of the same company.

The formula worked fine until the late 1970s, when the disappearance of large manufacturing plants and other economic changes began robbing the credit unions of members. A federal agency then said a credit union could include a multitude of groups in its membership in order to maintain a sufficiently large operational base.

The commercial banks yelped. What's more, they sued. They maintained that the federal agency, The National Credit Union Administration, had misconstrued the law and a federal judge said the commercial banks were right. The Supreme Court has agreed to hear the case either late this year or early next.

If the high court concurs with lower court rulings, some 10 million people will no longer be members of credit unions, and millions more may never get the chance.

That would be a shame because credit unions normally pay higher rates of return on deposits and charge less interest on loans than banks. They tend to be easy and friendly to deal with, partly because the directors are likely to be the consumer's fellow workers.

Banks say the competition from the credit unions is unfair because they don't pay taxes. It's true that as nonprofit organizations the credit unions don't have profits to pay taxes on. Their members do pay income taxes on any dividends.

If the credit unions lose in court, Congress could quickly come to the rescue with just a slight change in the 1934 law's wording about ''common bonds.'' There is some bipartisan support for the amendment, though not exactly a groundswell yet. You would think, at first blush, that there would be more interest. After all, 70 million Americans belong to credit unions, and that's a lot of voters.

It's possible, of course, that another number speaks more loudly in the legislative ear: 4.4 trillion, which is the accumulation of dollars the banks have in assets, and more than 12 times the assets of credit unions. The banks would not seem to be at much of a disadvantage economically, after all, although the credit unions may be at a disadvantage politically.

[From the Wilmington Morning Star, Feb. 28, 1998]

GIVE SOME CREDIT WHERE IT'S NEEDED

About 650,000 Tar Heels are members of credit unions. A Wednesday ruling by the U.S. Supreme Court threatens to take away some of their choices and force them to pay more for financial services.

The fight now shifts to Congress, where support is building to protect credit unions from being overwhelmed by big banks.

Credit unions got started during the Depression, when some banks refused to lend money to many Americans, particularly those of modest means.

As Justice Sandra Day O'Connor put it in a dissent to the court's ruling in this case, ''Credit unions were believed to enable the general public which had largely been ignored by banks, to obtain credit at reasonable rates.''

Federal regulators in 1982 allowed many credit unions to expand their memberships beyond the original employees or associations that they were established to serve.

It is that expansion that bankers challenged in this lawsuit which arose in North Carolina.

The banks claim credit unions have an unfair advantage, because they are exempt from federal taxes and have grown to offer a wide range of financial services that make many larger credit unions virtually indistinguishable from banks.

Credit unions reply that they must be allowed to grow as they compete with bigger banks for customers. And credit unions still offer incentives to customers with smaller amounts—the types of customers many of the growing mega-banks shun by charging them higher fees and interest rates.

After winning in the Supreme Court, the banking industry said it only wants to prevent future expansion of credit unions and won't try to force current members out. But since many credit unions have a large turnover in customers, the need a steady flow of new customers to survive.

The decision was barely filed before lobbying began for a bill already prepared in Congress.

It would change the 1934 law that created credit unions, allowing them to include members from several businesses or associations, instead of just one.

There seems no other way to preserve financial institutions that have helped so many families of modest means.

[From the Miami Herald, Feb. 28, 1998]

BANKING ON LAWMAKERS

In the latest battle between banks and credit unions, the banks won and consumers lost. A divided U.S. Supreme Court ruled this week that a federal agency erred in 1982 when its broad interpretation of a 1934 law let credit unions substantially expand their membership.

Granted, the law's language seems vague enough to lend itself to varied interpretations. It says that federally chartered credit unions' membership shall be limited to groups having a common bond of occupation of association, or to groups within a well-defined neighborhood, community, or rural district.''

Construed liberally, a ''common bond of . . . association'' could even be interpreted to include persons freely associating in order to open a credit union. For years, though, most credit unions were restricted to employees of a single firm or to members of a single labor union.

In 1982, however, the national Credit Union Administration sensibly ruled that credit unions could accept members from multiple employers. The ruling helped credit unions expand.

Healthy credit unions are vital for consumers in an era when America's over-consolidating banks are gouging their customers with ever-higher fees—and when job growth is fastest at businesses that employ fewer than 50 workers each. Such businesses obviously lack the critical mass to sustain a credit union all by themselves. Yet courts are concerned with what the law says, not with how an interpretation might affect the marketplace.

So it's therefore hard to fault this ruling on legal grounds. Indeed, the 5–4 majority joining in Justice Clarence Thomas's majority opinion cut across the court's usual ideological fault-line to include Justice Ruth Bader Ginsburg, a Clinton appointee. And the dissenters merely argued that the banks had lacked the standing to sue.

Although the court decided who won this battle, Congress and the states will decide who wins the war. On Capitol Hill, House Speaker Newt Gingrich is pushing a bill to let credit unions do what the court's ruling says the anachronistic 1934 law won't let them do.

Meanwhile, in the state capitals where federally chartered credit unions have been rechartering with state regulators, the banks and credit unions will be slugging it out again on membership rules and, in some states, on taxation issues.

How these battles turn out will be an interesting test of whether a broad interest favorable to lots of voters—the credit unions—can defeat a powerful banking lobby that provides lots of politicians with wads of campaign cash.

[From the Atlanta Constitution]

KEEP CREDIT UNIONS STRONG

House Speaker Newt Gingrich (R–Ga.) has decided to join some 160 cosponsors of a bill to strengthen credit unions, adding important momentum to congressional efforts to overturn a Supreme Court ruling favoring banks over financial cooperatives.

The bill embraced by Gingrich would allow federally chartered credit unions to continue to include diverse groups in their memberships. Last week, the Supreme Court ruled 5-4 that only a single group with a ''common bond'' can form a credit union. In other words, a credit union would no longer be allowed to welcome employees from several different companies.

That ruling could represent a significant financial setback for the 62 million Americans who depend on the nonprofit cooperatives for low-cost loans and other banking services. The need for credit unions has grown as banks continue to merge and enlarge themselves, leaving many consumers facing higher fees and less personalized service.

Because credit unions do not generate profits for shareholders, they can pass along earnings to members in the form of better rates and services. Although credit unions make up less than 6 percent of the consumer financial-services market, they put enough pressure on banks to help hold down fees for everyone.

When credit unions were created by federal law in 1934, members generally shared a ''common bond,'' such as employment in a large factory. But in recent years, sprawling factories have been closing, leaving more people employed by small companies. In Georgia, for example, 62 percent of the people employed in the private sector work for companies with fewer than 500 employees.

But a credit union needs at least 500 members to generate sufficient business to cover costs. The only way to survive is to have one union serve the employees of several small companies, a move that the National Credit Union Administration has allowed since 1982.

Bankers sued the credit unions to stop that practice, saying the 1934 law was being stretched too far. The Supreme Court agreed that membership should be restricted under existing law.

Congress can ensure the continued health of credit unions by updating the law to fit today's economy, with its profusion of small businesses. Bankers oppose the bill, saying credit unions have an unfair advantage because of exemptions. But credit unions don't pay federal income taxes because they don't generate income; they are simply groups of people pooling funds to help one another.

By allowing credit unions to continue to grow, Congress can help the ''little guy'' combat rising bank fees, high loan rates and occasionally rude service.

[From the Boston Globe, Mar. 2, 1998]

WHERE CREDIT IS DUE

Congress owes American consumers swift action to reverse the effect of a Supreme Court decision potentially restricting access to credit unions. Credit unions, beyond providing direct services to ordinary savers and borrowers, perform a valuable function for everyone with competitive deposit and loan rates that would be diminished were the decision's effects to stand for long.

The court's 5–4 decision was based on a strict reading of federal enabling statutes that govern eligibility for joining credit unions. The law stipulates that credit unions may serve groups of people with common bonds of association or occupation, but regulators have permitted very loose interpretation of what constitutes that commonality.

This loose interpretation has, in turn, permitted growth of credit unions that are essentially indistinguishable from ordinary banks in their depositor and borrower customer profiles.

Despite expansion, credit unions are scarcely a dominant force in banking, having only 6 percent of assets even though the number of individual credit unions—11,591—slightly exceeds the number of commercial and savings banks.

The history of the credit union movement, in which Massachusetts has played a leading role, dates to a time when conventional banking practices were far less accommodating to potential customers with limited means. Credit was often difficult to get, and even depositors might be dismissed as trivial nuisances. In that world, the development of credit unions played an important role in providing financial services to groups that might otherwise have been left out.

More recently, credit unions have taken on the trappings of conventional banks and have competed successfully with savings banks and savings and loan associations. Too successfully, some bankers say, blaming the tax advantages some credit unions enjoy—an issue that also needs addressing.

For now Congress can avoid confusion and unnecessary dislocation by authorizing what has become a financial reality: Credit unions are significant and valued players in a vital field.

[From the Startribune, Mar. 9, 1998]

CREDIT UNIONS—CONSUMERS DESERVE GREATER ACCESS

The American Bankers Association won a round against the little guys last month when the U.S. Supreme Court ruled that federal regulators have made it too easy for the nation's credit unions to expand and compete with the Citibanks of the world. You can't fault the justices; they read existing law correctly.

But this week, Congress will take up legislation to rewrite the law and restore a broader customer base for credit unions. That

would serve the nation's consumers and invigorate competition in the nation's financial markets.

At issue is a concept called ''field of membership.'' When Congress created credit unions in 1934, it gave consumers the power to band together and form low-cost alternatives to banks. But Congress said such groups must have a common bond, such as working for the same employer. In 1982 the federal agency that regulates credit unions, the National Credit Union Administration, greatly expanded that concept, allowing a credit union to combine multiple employers or communities within a field of membership. Today, about half of federally chartered credit unions have these conglomerate memberships. Some, like the IBM Employees Credit Union in Rochester, Minn., have tens of thousands of members. It was this policy that the Supreme Court struck down last month.

But there was good reason for the NCUA to loosen the reins on credit unions. The financial squeeze that swept across America in the early 1980s restructured the U.S. economy, wiping out many of the venerable mid-sized manufacturers that had sustained credit unions. Meanwhile, a new industry of micro-service firms sprang up, with the result that the average size of American employers has shrunk and shrunk. Today, fewer than half of Americans work at companies big enough to sustain credit unions on their own. They simply have no access to this attractive financial alternative.

If credit unions posed a genuine threat to banks, it might be right to go back to an older set of rules. But they don't. Although they have some 70 million members, they represent scarcely 2 percent of the financial services market—just enough to serve as a good competitive check on banks in an era of rapid financial consolidation.

Bankers have a second gripe, which might get attention from Congress. Credit unions are exempt from the federal corporate income tax, and thus have a modest cost advantage over banks. There is a rationale for this special tax status. Credit unions are member-owned cooperatives that earn no profits and have no stockholders. But modern credit unions resemble banks in other important respects; they're professionally run and highly computerized. It's hard to argue that they need what amounts to a subsidy from taxpayers, especially at a time when Congress is trying to squeeze loopholes out of the tax code.

Credit unions aren't for everybody. Many consumers want the heft and convenience of a full-service bank that offers a broad line of loans, multiple branches and even investment advice. But credit unions, with volunteer management and no-frills infrastructure, typically offer basic checking and lending services at more competitive fees and interest rates. Choice is good in competitive markets, and this is a choice that should be available to more Americans.

[From the Chicago Tribune, Apr. 28, 1997]

CONSUMERS WILL BE THE BIG LOSERS IN BANKS' ATTACK OF CREDIT UNIONS

(By John McCarron)

God bless the Navy Federal Credit Union.

If it wasn't for the credit union, I couldn't have bought that used Toyota Corona back in 1971. And if it wasn't for that Toyota, things might not have turned out so well.

Back then, my new bride needed a car so she could move out of her parents' house in New Jersey and take a ''dream'' job as a visiting nurse near Newport, R.I., where my oil tanker was based. We were a year out of college with no savings and a credit sheet full of outstanding student loans.

That didn't bother the Navy Federal Credit Union. It was used to lending money to freshly-minted ensigns with strange-sounding addresses like: ''USS Mississinewa (AO–144), FPO, New York.'' And the office workers knew exactly where to find the union's members. They also knew, what with so many shipmates belonging to the same credit union, from the captain to the cook, that for a junior officer to default on a loan would be, well, not a good career move. More like a keel-hauling offense.

So NFCU okayed that thousand bucks by phone, right there at the car dealership, and my new bride and I drove off to our new careers, wedded bliss, kids, a mortgage and all the rest.

Truth be told, we haven't borrowed much from our credit union since those early years. Except for our mortgage we've been fortunate enough to avoid buying-on-time or paying those unconscionable 18 percent bank credit card rates. Still we're faithful ''members-owners'' of the NFCU. I keep more than the minimum balance in our ''share savings account'' for a couple of reasons. You never know when you'll need a competitively-priced consumer loan; and besides, I believe in what credit unions stand for.

And what they stand for, to my way of thinking, is that people of modest means have a right to form their own not-for-profit cooperatives rather than do business with for-profit companies owned by distant powers-that-be. That's also why I choose to insure my house and car through a mutual insurance company and why I got my first mortgage from a savings and loan association. And it's why I was saddened when my S&L was gobbled up—as so many have been—by a mega-bank that's listed on the New York Stock Exchange and pays its CEO more than $3.6 million a year in salary and bonuses (not including stock options.)

Then again, most people don't care whether their lender or insurer is mutual, co-op or stock. Likewise, most people probably think Frank Capra's ''It's a Wonderful Life,'' was a movie about Christmas, not the tension between mutuals (George Bailey's S&L) and for-profits (Mr. Potter's commercial bank.)

Mr. Potter, you may recall, didn't have much use for the dirty-fingernail types who financed their cottages through their own S&L. So when the opportunity arose to pull the plug on the little people (after Uncle Bailey misplaced a bank payment) the greedy Mr. Potter moved in for the foreclosure kill.

Capra's populist allegory was heavy-handed, to be sure, the product of Depression era angst over the lot of working people. The movie's plot seems outdated now that so many of us are middle-class with stock portfolios of our own.

But guess what? The spirit of Mr. Potter is alive and well. It throbs within the silk suits of American Bankers Association, which is on a crusade to stop the growth of my NFCU and the 12,000 other member-owned credit unions in these United States.

Turns out more and more consumers are discovering it pays to save and borrow at their own co-ops rather than at banks that need to churn out profits for stockholders and big salaries for bank officers. Even though they hold 93 percent of all the nation's savings, bankers say they are ''concerned'' about the growth of credit union membership.

So the ABA has been suing the federal agency that regulates credit unions, claiming the unions ought to confine their membership to savers with a single ''common bond'' (like employment in the Navy.) In an era of rapid consolidation among all types of lenders, they especially want to stop larger credit unions from merging with smaller ones whose members don't have the same bond.

The bankers argue that overly permissive federal rules make it possible for the general public to join credit unions. This is an outrage, they say, because unlike banks, credit unions don't pay income taxes and therefore have an unfair competitive advantage. (An $800 million ''government subsidy,'' according to ABA publicity materials.)

What the bankers don't say is that credit unions disburse virtually all their profits to members in the form of dividends, which are, in turn, taxed as personal income.

Maybe that last point was lost on the federal appellate judges who last July overturned lower-court rulings and sided with the banks. If the Supreme Court concurs, some 10 million credit unionists will see their memberships voided.

Unless, of course, Congress amends the 1934 Federal Credit Union Act so as to liberalize the definition of ''common bond.''

Which is precisely what Congress should do, though I'm not going to hold my breath. Money talks in Washington, and the $5 trillion banking industry talks louder than a credit union sector one-sixteenth that size.

It's a shame, because I don't think Mr. Potter would have made that loan on our used Toyota.