

# **Bond Case Briefs**

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## **Utilizing Political Subdivisions As a Stable Funding Source.**

As the economic cycle continues to heat up, financial institutions are accessing additional deposit funding channels. From a deposit strategy, often overlooked sources of deposits are political subdivisions. Most credit unions have a relationship with their local school districts, municipalities, or other public entities such as park districts and libraries, but often stop there. Political subdivisions receive funding throughout the year and then invest to meet obligations. Funding is repeated on an annual basis, making political subdivisions reliable and consistent sources of deposits.

For some financial institutions, there are two perceived challenges with political subdivision deposits. Their balances are cyclical in nature and usually require some form of collateralization.

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by JAMES LUTTER, PMA FUNDING

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