



Testimony in Support of HB5510

Joint Ways and Means Subcommittee on Transportation and Economic Development

April 12, 2021

Submitted by Pam Leavitt, Northwest Credit Union Association

Co-Chair Beyer, Co-Chair Gomberg, and Members of the Committee, I am pleased to appear before you in support of the Department of Consumer and Business Services' budget request, HB5510. I am here on behalf of the 21 state-chartered credit unions regulated by the Oregon Division of Financial Regulation.

Credit unions are not-for-profit cooperatives, owned by their members. Credit unions reinvest their earnings in members through direct benefits such as fewer fees, dividends, lower interest rates on loans and credit cards and more. When those benefits are spent in local communities, the ripple effect helps the entire economy.

ECONorthwest measured the impact of member benefits, credit union jobs and other factors in its analysis. Economists also documented credit unions' significant community impact including volunteerism, financial education provided to adults and students and services such as first-time homebuyer loans.

In addition to documenting credit unions' economic contribution to the state's economy, ECONorthwest measured the extraordinary services delivered by credit unions during the COVID-19 pandemic. While other industries closed, reduced services or laid off workers, credit unions hired additional employees to serve their members. According to the analysis, credit unions also made a higher volume of loans available to members and served as safe havens for consumers who deposited stimulus and unemployment checks to save for emergency needs. During this difficult time, credit unions waived \$4.4 million in fees. Oregon credit unions also stepped up to help the state distribute more than \$30 million in emergency payments to 60,575 Oregonians. More than 80% of the funds the state set aside were distributed by credit unions. Oregon credit unions also assisted the state in distributing \$2.8 million to 568 truly small businesses left behind by other government relief programs – lifeline loans they will not have to repay.

In addition to the 20 state-chartered credit unions that represent 2.25 million-member owners, there are an additional 35 federally chartered credit unions headquartered in Oregon. It is very important that we preserve a strong state charter, and thus a strong dual charter system (both Federal and State) enabling credit unions to choose the charter that best meets their members' needs. Thanks to the Oregon Legislature and a progressive regulator, the state charter has proven nimbler than the Federal Charter, enabling more responsive and responsible updates to our State Credit Union Act. This has resulted in the conversion of three federal charters to an Oregon state charter in the past few years alone. Oregon's credit unions strive to preserve a legislative climate that recognizes their unique structure and mission.

The Northwest Credit Union Association would like to share our perspective of the good work being done by the Division of Financial Regulation, a Division of DCBS. The Division is committed to the safety and soundness of credit unions and works closely with all of us to ensure compliance with regulations. They

conduct comprehensive examinations of every credit union within a 2-year period, and many exams are conducted every calendar year, based on asset size. They have a proven record of accomplishment as there has not been a single failure of a state-chartered credit union overseen by the Division in the past 20 years. Here are a couple examples from 2020:

1. As the COVID pandemic unfolded, the state regulatory agency regularly communicated with credit unions assessing the impact of COVID on our operations, the health and safety of our employees, and the financial condition of our credit unions. They encouraged us to work with members and to take the steps necessary to ensure members financial health and well-being were supported. The agency demonstrated compassion and took responsible actions. For example, as record deposits from the economic aid packages resulted in downward pressure on net-worth ratios state regulators recognized that these low-cost deposits did not by themselves pose a significant risk to credit unions financial condition. Today, as we emerge from the pandemic, credit unions remain strong with low delinquency, strong earnings, and very little risk of default on loans.
2. Northwest credit unions were impressed with states' ability to adapt and transition to an effective offsite examination process. Our State regulator is fair, with an emphasis on safety and soundness, ensuring state-chartered credit unions are well run, and focused on responsibly serving their members. From the perspective of NWCUA's member credit unions, examinations are viewed as an opportunity to partner with the regulator to identify ways in which they can better serve members, while operating in a safe and sound manner.

The collaborative nature of how they approach their work with state-chartered credit unions is very evident, and indicative of the importance they place in being communicative and transparent. From our perspective, it reinforces the collaborative nature of how our regulator approaches their oversight of state-chartered credit unions.

It is our hope that the Division continues to have the resources needed to continue to do the good work they have been doing. Credit unions and members across Oregon depend on a strong regulator who works well with those they regulate.

Thank you.