



Testimony in Support of HB 3079

Troy Stang, President and CEO, Northwest Credit Union Association

Pam Leavitt, Policy Advisor, Northwest Credit Union Association

February 22, 2021

The Northwest Credit Union Association represents the 57 state and federally chartered credit unions in Oregon, with over two million Oregonians as members. Credit unions are not-for-profit financial cooperatives, organized to meet the needs of their members. Community service, financial education outreach, and philanthropy are in the credit union “DNA,” and are evidenced in virtually every credit union branch and office. Credit unions in Oregon protect more than \$30 billion in assets — the life savings of their members who live and work in communities large and small, urban, and rural.

Oregon Credit Unions’ Response to the COVID-19 Crisis

Oregon’s credit unions serve those on the front lines — members who are working to keep others safe during the pandemic. Several Oregon credit unions have a primary field of membership that includes schools, healthcare workers, police, fire, transportation, utilities, and government employees.

Credit unions were founded during the Great Depression to serve those who were being overlooked by the traditional financial system. In full alignment with their “People Helping People” mission, credit unions have been providing special assistance to members since the very onset of the COVID-19 crisis. Such services included options for members to skip loan payments, mortgage forbearances, loan modifications, credit card payment deferrals, zero interest loans, flexible accommodations on existing loans, and new emergency loans. In fact, the NWCUA’s Community Impact Survey showed that between early March and the end of September, Oregon credit unions had already **waived more than \$4.4 million in fees**, to help their members through the pandemic.

Serving Small Businesses

When the state of Oregon asked Community Development Financial Institutions (CDFIs) to distribute emergency grants to small businesses, the hope was that very small businesses would be served: those with fewer than 25 employees, sole proprietorships, rural, and minority-owned businesses. Credit unions delivered. Four CUs helped 568 businesses to obtain \$2.8 million in lifeline funding that they will not have to pay back. The credit unions reported that **55% of the grants went to sole proprietorships, 35% to minority owned businesses, and 66% to women.**

Small businesses have been hit especially hard throughout the pandemic, and credit unions have been on their side. Since SBA Paycheck Protection Program funds became available last April 3, Oregon credit unions pivoted their teams to work night and day so that they could provide a lifeline to small businesses. By the end of 2020, credit unions headquartered in Oregon had funded 6,383 businesses with PPP loans, totaling more than \$237 million. **These forgivable loans were provided to very small businesses; the average loan amount was just over \$37,000.**

Idaho Office

2710 W Sunrise Rim Rd, Suite 100
Boise, ID 83705

Oregon Office

13221 SW 68th Pkwy, Suite 400
Tigard, OR 97223

Washington Office

18000 International Blvd, Suite 350
SeaTac, WA 98188

Phone Numbers

+ 1 800 995 9064 toll free
+ 1 877 928 6397 fax

Emergency Check Program

Another example of credit unions' partnership with the state to help Main Street was the Emergency Check Program. When Oregon legislative leadership established a \$35 million fund to help people bearing the brunt of COVID-19's financial impact, they turned to financial institutions — 80% of them credit unions — to get the job done. Within two-and-a-half days of the program's launch on Aug. 19, the state informed participating financial institutions that between branch walk-ins, pending scheduled appointments, and applications in the queue, all funds had been allocated. **Of the \$35M allocated for 70,000 eligible Oregonians, the eight participating credit unions had distributed \$30.2M to 60,575 Oregonians.**

Mortgage Assistance

The American Dream is home ownership, and Oregon credit unions are committed to helping their members achieve it. The pandemic put thousands of homeowners in peril when they lost their jobs or had to close their businesses. But credit unions did what they always do. They provided flexibility when the members needed it most. Credit unions understand the need for mortgage protection for consumers who are financially impacted by COVID-19 and continue to restructured loans that result in better terms for the members. Those services will continue as Oregonians exit forbearance and loan deferrals and seek other flexibilities from their credit union. As not-for-profit cooperatives, credit unions put the needs of their members first. When members experience financial hardship, their credit unions work with them and offer much more desirable services such as emergency, low- to no-interest loans and loan modifications. Credit unions exhaust **every possible option** before foreclosing. For example, in 2019, Oregon's credit unions had a total of nine completed foreclosures, and seven in 2018.

Diversity, Equity, and Inclusion

Diversity, equity, and inclusion is the Credit Union Movement's eighth cooperative principle. But it is not a new concept for credit unions. In fact, inclusion and service to consumers is part of our founding mission. The Northwest Credit Unions' Diversity, Equity, and Inclusion Task Force is working toward determining actionable strategies that will accelerate and enable the work of credit unions to be the best employers, financial services providers, and community partners.

Across the state, credit unions continue to work with community organizations that support people who historically have not been able to obtain critical services. A recent example is five Portland-based credit unions — Advantis, Consolidated Community, Point West, Rivermark, and Unitus Community — have collaborated with the Urban League of Portland to support their financial education and empowerment initiatives, with a goal of positively impacting services to BIPOC communities.

Answering the Call to Service

Even with the challenges social distancing presented to volunteerism, credit union employees figured out safe ways to contribute to their communities throughout COVID. The NWCUA's community impact survey finds that from the onset of the pandemic through September 2020, employees had contributed 36,000 hours of their time to volunteer organizations.

Credit unions are committed to looking after the financial well-being of Oregonians, in good times and in challenging times. Financial education is the bedrock of that mission. In the 12 months leading up to the pandemic, 27,000 kindergarten through 12th grade students received financial education from a credit union, as did 38,000 adults. This helps consumers to make better budgeting decisions throughout their lives.

Protecting the Tax Status

Credit unions are taxed differently – by design. It is the unique cooperative structure of credit unions that generates member benefits. Credit unions are not-for-profit institutions meaning there are no stockholders demanding a market rate of return on their investment. So, credit union earnings are passed along to member-owners. While credit unions don't pay state and federal income tax, they do pay other federal, state, and local taxes. According to CUNA's tax data report, in the 2018 tax year, Oregon credit unions and their employees paid an estimated \$94.8 million in state and local taxes; for example, property, payroll, license fees, severance, and personal income taxes. Critics argue that credit unions today are no different than banks. However, the defining characteristics of a credit union, no matter what the size and charter, remain the same today as they did when the *Federal Credit Union Act* became law in 1934: credit unions are not-for-profit cooperatives that serve defined membership, and cannot issue capital stock. Credit unions are restricted in where they can invest their members' deposits and are subject to stringent capital requirements. Credit union members each have one vote, regardless of the amount on deposit. Credit unions are fundamentally different than banks. ***It is the structure and mission of credit unions that is the bedrock upon which their tax structure is based. It has nothing to do with credit unions' membership size, financial assets, or products offered.***

HB3079

Modernizing the Oregon Credit Union Act will ensure not-for-profit, cooperative credit unions remain relevant to their members on Main Street. Here are the recommendations in HB3079:

1. Changes in Field of Membership

The FOM concept, created in the 1930s, is outdated and hampers credit unions in providing services to Oregonians. The way our constituents conduct their financial transactions has changed. The recommended updates in HB3079 will make important changes to the definitions of membership in a credit union by removing the word "local" in and updating the community charter section in ORS7123.173(3):

ORS723.172(3): Credit union membership may include: (a) One or more groups, each having a common bond of occupation or association; or (b) Persons who live or work in, or organizations located within, **a geographic field of membership area that consists of one or more** [a] well-defined [local] communities, neighborhoods, or rural districts.

Consumers deserve access to credit union membership. These changes will allow Oregon credit unions to apply for a community charter from the regulator that could include one county, four counties, or 36 counties; whatever best serves their membership. Credit unions' not-for-profit structure keeps them competitive in the marketplace, and provides benefits such as fewer fees, better returns on savings, lower interest rates on loans, and more importantly, decisions made in the best interests of members. Statutory limits on credit unions' ability to determine membership creates inefficiencies that often prevent access to credit union services in rural and underserved communities.

For example:

- Federal regulators, and regulators in other states, have taken actions to expand member access to credit unions. State-chartered credit unions in Oregon must choose to serve either communities, Select Employer Groups (SEGs), or associations. In Washington and other states, credit unions do not have to choose between communities, employee groups, or associations;

all may be served. The National Credit Union Administration has expanded member access to federally chartered credit unions over the past five years, and those updates withstood a Supreme Court challenge. The Oregon Credit Union Act should allow credit unions to determine whom they serve.

- If a credit union has to decline membership to a consumer based on where in the state he or she resides, the consumer may not understand that the reason is due to statutory limitations, and this could be harmful to the credit union's reputation.

2. Credit Union Service Organizations (CUSO's)

Across America, there are nearly 1,000 CUSOs that primarily serve credit unions. CUSOs allow credit unions a greater voice in determining their products and services. Credit Union Direct Lending (CUDL) is one example; CUDL helps more than 1,100 credit unions and nearly 15,000 auto dealers to process convenient, affordable vehicle loans to consumers. Investing in a CUSO can allow credit unions a greater voice in determining the products and services offered, however, Oregon is one of the only states that requires CUSOs be majority owned (51%) by credit unions in order for an investment to be made. Given the fact that many CUSOs have outside industry investors due to their service expertise — FinTech companies, for example — Oregon statute excludes credit unions from making investments in some CUSOs that might benefit the credit union and its members.

3. Emergency Mergers

On rare occasions, a credit union that faces an unsustainable future, may need to merge into a safe and sound credit union. In the past decade, Chetco Credit Union, and TLC Credit Union each merged into another financially healthy credit union (Chetco into Rogue Credit Union and TLC into Fibre Federal Credit Union) with the assistance of the federal and state regulators. In both cases, this resulted in seamless continuation of service to consumers in rural coastal communities.

Oregon statute currently requires credit unions to qualify the members of the dissolving credit union's field of membership into the merged credit union's field. While there is an exception for some emergency and assisted mergers, statute may limit mergers that are in the members' best interest. For example, a credit union located in Klamath County, Oregon, may be unable to merge into a credit union located in neighboring Siskiyou County in California, even though that may be the closest metropolitan statistical area. In addition, limiting the credit union's potential merger partners may prevent a merging credit union from partnering with a sympathetic credit union that would provide the best services and dividends to members.

4. Trigger Date in the Act's Federal Parity Provision

Periodically, we must update the "strike," or trigger date in the Act's federal parity provision. The law requires the Act to have a specified "as of" date for the powers granted by parity with the Federal Credit Union Act, to prevent unconstitutional delegation of legislative authority. Maintaining state-chartered credit unions' abilities to obtain parity with federal credit unions helps to ensure both charters remain relevant, and that a credit union's preference for a state charter remains intact. This "housekeeping" update would minimize requests to state regulators to invoke parity with federal regulations, which have been amended since the last amended strike date in the Oregon Act.

Thank you for the opportunity to provide this testimony and for your time today.