OREGON CREDIT UNIONS

Not-for-Profit. Cooperative. Local. Trusted.

Oregon credit unions are not-for-profit financial institutions and are different than for-profit banks. We ask that you oppose SB781.

SB781 would require credit unions to pay state taxes on loans and services provided to businesses when a bank chooses to sell assets to a local not-for-profit financial cooperative.

<u>Diving into the Truth – Credit Unions & Bank Assets</u>

There are only 3 of these transactions taking place in Oregon! One completed and two pending.

By the numbers:

- Banks have closed 333 branches in Oregon, a 31% reduction, over the last 10 years.
- Out-of-state banks hold 77% of bank deposits in the state of Oregon.

Credit unions play a vital role in providing **affordable** and **accessible** financial services to Oregonians, particularly in underserved communities. If credit unions are disincentivized from considering the purchase of bank assets, consumers may experience reduced access to services. Fewer options could lead to higher fees, less personalized service, and diminished financial inclusion, particularly in rural areas where credit unions are often the only financial option.

Average Asset Size of Banks Sold to Banks is Roughly 4X Larger Than Banks Sold to Credit Unions

2012 to January 2025 - by Type of Acquiring Institution

Assets in Millions.
Sources: FDIC. NCUA. America's Credit Unions

At a time when banks in Oregon and nationally continue to close branches and reduce people's access to financial services, **SB 781 would hurt Oregonians, lead to the potential for more banking deserts, and negatively impact Oregon's economy**.

Credit unions that purchased banks in the last decade were more likely to:

- Keep the bank's existing branches open.
- Protect employees' jobs.
- Maintain a community-focused approach.

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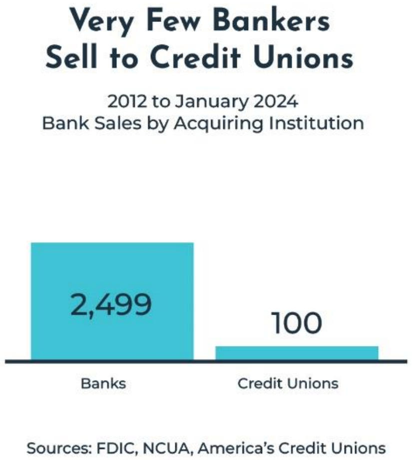
No bank is ever forced or required to sell its assets to a credit union. In some rare and unique circumstances, **a small local community bank has made the decision to sell its assets and liabilities to a member-owned credit union instead of a for-profit bank**. In fact, small community-focused banks have chosen to actively pursue credit unions as buyers, since there is more alignment on community focus and investment, and interest in protecting jobs.



- Since 2012, a total of **2,499 banks have sold to other banks** in the United States.
- During the same period, a total of **100 banks have chosen to sell their assets to a credit union,** representing 0.6% of the total assets.

When selling, banks are choosing partners with a history and mission of serving underserved communities.

How are credit unions different than banks?

Credit unions are member-owned cooperatives, so the financial benefits are returned to the members who live and work in this state, as opposed to profits in banks that are maximized to benefit Wall Street investors.

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 membership size, financial assets, or products provided. Just like all not-for-profit cooperatives, credit unions reinvest in their members. For credit unions, this is through benefits such as dividends, fewer fees, lower interest rates on loans, or higher returns on savings. When those benefits ripple out into the economy, everyone benefits.

By selling assets and liabilities to a credit union, more people become owners of their financial institution and enjoy the benefits that come with it.

Oregon credit unions delivered $229 million in direct financial benefits to the state's 2.3 million credit union members *in 2023. At a bank, those funds would go to Wall Street profits instead of Oregon residents.*

Banks and consumers benefit by having options.

According to a comprehensive annual survey from the Conference of State Bank Supervisors, **community bankers do not see credit unions as their primary competitor in any of the nine main product categories they serve** and even reported credit unions were competing less for business loans than in past years.

The reality is most of these transactions are initiated by banks in order to make the best business decision for their customers and their community.

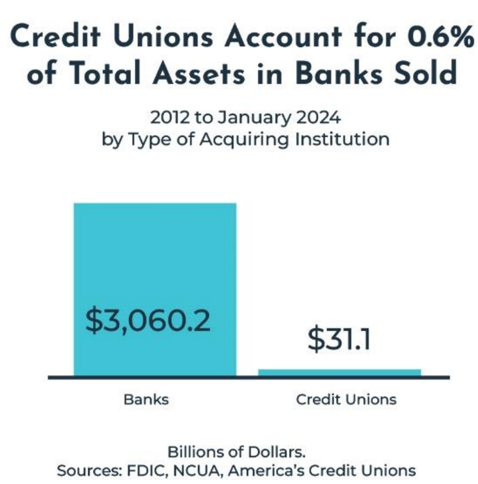
- **Credit unions step in when no one else will**
  In many parts of Oregon, especially in rural or low-income communities, big banks are leaving. Credit unions are often the only ones willing to keep services going. This bill could mean fewer places for people to get loans, open accounts, or manage their money.

- **This bill hurts regular people who cooperatively own credit unions**
  Credit unions aren't big corporations. They're member-owned, not-for-profit cooperatives. When they pay more taxes, it's everyday Oregonians who feel it—through fewer services, higher fees, or less access to credit.

- **This bill goes against Oregon's values**
  Oregon has always supported local, community-based solutions, and credit unions are part of that tradition. This bill puts barriers to access to financial services, instead of helping credit unions support more people and communities.

- **There's no clear benefit**
  There's no evidence that this bill will help our economy or bring in significant new revenue. But we do know it will make it harder for credit unions to serve the public and more challenging for banks to find an exit plan.

- **Potential for expanded banking deserts**
  In 2024, 6% of census tracts in Oregon were banking deserts and 6% could become a desert if a branch closes. The banking deserts are 28% rural, 64% suburban, and 8% urban, and 16% also have limited access to broadband. In 2% of banking deserts and 3% of potential banking deserts, most residents are people of color.
  * https://fedcommunities.org/data/banking-deserts-dashboard/



- **Very few banks sell to credit unions**

From 2012 to 2024, there were 2,499 bank acquisitions by another bank, and 78 bank sales to a credit union. That's less than 3% of total bank acquisitions. These are community-preserving acquisitions, not aggressive expansions.

Further, credit unions account for 0.6% of total assets in banks sold – in the same timeframe, $3.1 trillion in assets were acquired by other banks, just $31.3 billion was acquired by a credit union.

The bigger question Oregon lawmakers should investigate is why small local banks are selling in the first place as large, out-of-state banks continue to dominate the financial services landscape.

- **Economic Impact**
  Oregon credit unions delivered $229 million in direct financial benefits to the state's 2.3 million credit union members in 2023. In banks, those funds would go to Wall Street profits instead of Oregon residents.

Please vote no on SB 781. *Reject SB 781's attempt to punish small not-for-profit member-owned credit unions and community-based banks.*

Let's keep financial services accessible, especially for the people and places that need them most.

Submitted by Pam Leavitt, pleavitt@gowest.org