



Date: April 28, 2025

To: Chair and Members of Senate Finance and Revenue Committee
From: Scott Bruun, Oregon Bankers Association
RE: Testimony in support of SB 781 / Community Bank Acquisitions

Chair Meek and Members of the Committee,

My name is Scott Bruun, and I am the President and CEO of the Oregon Bankers Association and Community Banks of Oregon. Together, we represent the FDIC-insured banks and trust companies operating in Oregon. We also work and advocate to improve the overall business climate in Oregon because every business issue is also a banking issue.

Thank you for the opportunity to testify in support of SB 781. You have already heard what this bill would do: If a credit union acquires a commercial bank in Oregon, then that credit union would be responsible going-forward for paying state excise and CAT taxes on that bank's revenue and income.

Protecting Oregon Communities

Pretty simple. But this bill is also about Oregon's communities, it's about equity, and it's about some much needed and much overdue transparency around the changing business model of credit unions.

But first, banks: There are 14 Oregon-chartered community banks. Two decades ago, there were 50. Why the huge decrease? Well, a few banks consolidated, and a few others have just gone away. That's all normal. But what's not normal is that since 2007, not a single new bank has started in Oregon.

One reason that no new bank has started is the much more stringent regulatory environment following the 2008 financial crash. Regulations since have made it much harder and much more costly for small banks to do business.

But the biggest reason that no new bank has started since 2007 is that it doesn't pencil. New banks don't start in Oregon because taxpaying banks must compete head-to-head with taxpayer subsidized, tax-exempt credit unions. And today, everything has flipped: Of the ten biggest financial institutions headquartered in Oregon, nine are credit unions.

Credit Unions Have Changed

In Oregon, credit unions—because they are taxpayer subsidized—can offer their customers higher interest rates on customer deposits, and lower interest rates on customer loans. Because credit unions are tax-exempt, their cost of capital and their cost of doing business is significantly less than banks. Is it any wonder, then, why we have fewer community banks?

Committee, credit unions are an incredibly important piece of the financial services puzzle. They were started by congress in the 1930s as not-for-profit financial cooperatives designed to serve people of modest means who shared common bonds. Think teachers credit unions, for example, or credit unions organized around a place like Oregon State University.

But over the years, many credit unions have drifted far from their original tax-exempt mandate by largely ignoring common-bond membership rules and aggressively growing their commercial lending operations. As a result, many credit unions now look, smell, and operate just like commercial banks, and compete directly with commercial banks, while avoiding the same regulatory and tax obligations.

And now we have a situation in Oregon where not only have credit unions drifted well past their mandate, but are also now actively acquiring community banks.

Now Acquiring Oregon Banks

Last year, Spokane Teachers Credit Union acquired a community bank in eastern Oregon. And just two weeks ago, it was announced that Maps Credit Union of Marion County would be acquiring Lewis & Clark Bank of Clackamas County.

Normally, banks acquire other banks. But that has slowed, while credit union acquisition of banks have exploded nationally, including these two in Oregon. Some have said this is happening because tax-exempt credit unions have much more tax-free cash on hand and can pay much higher prices for these banks.

So, who cares? Well, we all should. Oregon's community banks provide vital deposit and commercial lending services across our state for small businesses. And like credit unions, Oregon's community banks provide good jobs, they provide millions in charitable contributions, and their employees volunteer thousands of hours every year to good causes.

But unlike credit unions, Oregon's banks are also required to invest directly into the communities they serve under the federal Community Reinvestment Act, and then be evaluated and held accountable for those investments.

And finally, unlike credit unions, Oregon's banks are required to support Oregon's public services by paying state excise and corporate activity taxes just like every other business. That is the crux of SB 781.

Mr. Chair, Committee, there is a larger conversation that this legislature should have, starting at this committee, around transparency for credit unions. It includes asking if the old rules, including tax-exemption, should still apply to a dramatically different industry.

But again, that's not what 781 does. 781 changes nothing going forward, except, if a credit union acquires a bank, then that credit union would pay excise and CAT taxes on those bank's assets—just like the bank had to. And if credit unions play by the rules that they are given tax exemptions to play by, then this bill would never cause them to pay a single cent of new taxes.

Thank you, Mister Chair. I'm happy to answer any questions.

Contact: sbruun@oregonbankers.com