



# Maine Credit Union League

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In Opposition to  
**LD 880: An Act Regarding Nondiscrimination in Financial Services**  
Committee on Health Coverage, Insurance and Financial Services  
*March 18, 2025*

Good Afternoon, Senator Bailey, Representative Gramlich, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is Krista Simonis and I am the Director of Governmental Affairs at the Maine Credit Union League. The Maine Credit Union League is the trade association for Maine's 48 credit unions and over 750,000 members statewide. We respectfully submit the following testimony **in opposition to LD 880.**

During the 131<sup>st</sup> Legislature you saw LD 880 presented as LD 1546. We testified in opposition to this proposal at that time, along with three of our member credit unions, the Maine Bankers Association, the Bureau of Insurance, the Bureau of Financial Institutions, and the Department of Professional and Financial Regulations. After hearing testimony, the committee reported a unanimous Ought Not to Pass report. It is our hope that the committee will make that same wise decision today.

While there have been slight changes to LD 880 since the last time it was before you, it remains substantively the same bill. It is purporting to be a solution to a problem that does not exist in Maine. Even if it did, this bill would not be the solution, as it contains conflicting provisions and would cause more harm than good.

The strength of our community financial institutions lies in our relationships to our community. By prohibiting the use of "nonfinancial, nontraditional, or subjective criteria," LD 880 seeks to erode this strength and force credit unions into a "one size fits all" decision making criteria based solely on credit scores or income. Currently, credit unions may consider other factors in a person's life, often accepting letters from church communities or statements from employers in lieu of complete formal credit histories.

The Federal Housing Act and Fair Lending laws already prohibit discrimination in financial services. LD 880 is unnecessary and harms the ability of those less fortunate to access credit. We urge the committee vote Ought Not to Pass.



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In Opposition to LD 1546  
***An Act Regarding Nondiscrimination in Financial Services***  
Committee on Health Coverage, Insurance and Financial Services  
April 27, 2023

Good Afternoon, Senator Bailey, Representative Perry, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is Krista Simonis, and I am the Director of Governmental Affairs at the Maine Credit Union League. The Maine Credit Union League is the trade association for Maine's 50 credit unions and over 725,000 members statewide. We respectfully submit the following testimony in opposition to LD 1546.

Credit unions are community-based, member-owned, financial cooperatives. Part of serving our communities means accounting for factors that affect our community's health. When considering whether to provide financial services, these factors and many more all inform lenders. Maine's credit unions support efforts to eliminate discrimination for individuals accessing financial services; however, LD 1546 fails to appropriately proscribe bad conduct or prescribe sensible remedies. Instead, it admonishes credit unions who attempt to serve the good of their communities.

As financial cooperatives, credit unions are limited in extending financial services only to their membership. Many of these fields of membership extend geographically, however not all. LD 1546 requires credit unions to extend services "to each person in the geographic market." For credit unions who do not have a geographic field of membership, this requirement would conflict with their charters, creating a catch-22 wherein they would be in violation of the law.

**Apart from the unworkability of various sections of the bill, the penalties outlined are egregious relative to the potential ills. For example, the bill requires that adverse action letters be printed in bold 14-point font. A violation would result in a \$10,000 fine for the offending institution.**

Credit unions are already prohibited from discrimination under the Federal Housing Act and Fair Lending laws. In Maine, our lenders take care to make sure they examine the profile of the whole individual and their place in the community. Often, credit unions engage in relationship-based lending and decision making, wherein an individual's relationship and payment history with the credit union is weighted more heavily than other measures of debt. Sometimes bad things happen to good people, and a positive relationship with your financial institution can help make the difference in surviving hard times.

Limiting credit unions' decision-making abilities will lead to the most restrictive lending practices, resulting in fewer loans for individuals and businesses in need. Effectively, this legislation will stymie business development and the availability of credit to individuals in Maine.



The things that are good for people and communities are good for businesses. Credit unions need to be able to account for all factors when making loans. This bill makes it sound like the goal is to protect individuals — but the reality is that it would cause harm to all levels of Maine’s communities. We need to demonstrate the same trust in credit unions that they place in the people they lend to by allowing them to make their own business decisions.

We thank the committee for hearing our testimony and urge you to vote Ought Not to Pass on LD 1546.



In Opposition to LD1546  
***An Act Regarding Nondiscrimination in Financial Services***  
Committee on Health Coverage, Insurance and Financial Services  
*April 27, 2023*

Good Afternoon, Senator Bailey, Representative Perry, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is Joann Bisson and I am the President and CEO of Oxford Federal Credit Union. Oxford Federal Credit Union serves anyone who lives, works, worships, or goes to school in Androscoggin, Cumberland, Franklin, Kennebec, Knox, Lincoln, Oxford, Sagadahoc, Somerset, or York counties. We have over 18,000 members and hold nearly \$308million in assets. I am testifying in opposition to LD 1546 because I believe it would significantly harm our ability to provide services to our members.

Like many financial institutions, we have loan approval guidelines that follow debt to income limits. For us however, this is a guideline, and we often account for an individual's circumstances outside of quantitative factors. For example:

A couple that were long-time members of ours were applying for a vehicle loan but had a higher debt ratio than we would normally approve. One of them had recently retired, and was not yet eligible for Social Security benefits. Because of their longstanding relationship with us, we were able to approve the car loan.

A young person who had only recently established credit applied for a car loan. Despite not having a significant credit history, and becoming self-employed in 2022, we were able to take into account how he worked in the same field through high school and had a down payment and approved his vehicle loan.

Some people might jump to the conclusion that by approving loans with a higher debt to income ratio, we are putting the borrower in a situation where they may be over leveraged. However, we can take into account other information, like past history or future employment in seasonal work or social security that gives us assurances that the borrower will be able to make their payments. These are not quantitative factors that can be measured through strict guidelines.

Our concern with this legislation is that not only would it prevent us from approving these sorts of relationship-based loans, it would tie us into strict matrices. If, as a credit union we would face penalties for not relying strictly on numbers, we would likely automate our underwriting process and would say no to people automatically, without hearing their stories.

I've worked for a bank, I hated saying 'no' to reasonable requests or not supporting situations that made sense due to the circumstances. I love working in this industry where we figure out how to say yes. I hope the committee will factor in the people behind these decisions when considering this legislation. Thank you for hearing our testimony.



In Opposition to LD 1546  
*An Act Regarding Nondiscrimination in Financial Services*  
Committee on Health Coverage, Insurance and Financial Services  
April 27, 2023

Good afternoon, Senator Bailey, Representative Perry, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is Amanda Piper and I serve as the President and Chief Executive Officer of Milestones Federal Credit Union. Milestones has nearly 1,800 members and holds \$28 million in member assets. The majority of our members are employees of the municipalities of Lewiston and Auburn and their family members. For nearly 80 years, our credit union has served Maine residents within our field of membership with a focus on fulfilling the credit union industry's long-standing philosophy of "People Helping People" as a true not-for-profit financial cooperative by providing products and solutions that support the members' lives and financial goals.

I am testifying in opposition to LD 1546 because it would impair our ability to serve and provide essential services to our membership.

Our credit union loan policy provides clear structure and underwriting requirements, but it also includes a number of "guidelines" to allow for flexible underwriting within prescribed thresholds in order to best serve and support the members. Traditionally, underwriting for lending was based on "5 C's of lending": character, capacity, capital, collateral, and conditions. Historically, credit unions generally had small and often closed fields of membership and were thus uniquely positioned to use the character and conditions factors to meaningful effect.

As traditional underwriting made way for automated underwriting, the focus increasingly shifted to quantitative factors. This shift in focus seems logical in a theoretical application and for routine loan applications; however, each numerical value has its own shortcomings and relying solely on quantitative data would lead to reductive lending that fails to recognize the whole person and their unique circumstances.

Loan-to-value ratios seem simple to calculate quantitatively: they are based on the collateral's value as compared to the value of the loan. There are multiple resources for a consumer and/or a financial institution to determine the value of collateral for the purpose of borrowing/lending. However, each of the valuation resources define and use their own factors and algorithms, often resulting in a wide range of values for the same item. For example, when looking at vehicles, each valuation system may or may not consider zip code or region, add-on accessories, mileage, and the timing of the model year turnover, all of which can have a significant impact on the calculated purported value at the time of the loan application.

Another factor in the calculation of loan-to-value is the external factors which are evaluated and adjusted independently by each of the valuation resources. Over the past 24-months, the values for used automobiles spiked and then subsequently dropped by approximately 25% in a period of 3-6 months late last year. These swings in values can have a significant impact on consumers —not just on the affordability of a loan, but sometimes they can actually prevent an application from being approved.

Credit scores have similar problems in terms of differing model valuations. While they are an easy quantitative factor to obtain and document, there are multiple credit reporting agencies each using varying ranges of credit scores, varying definitions and weight assigned to each credit factor (examples include utilization, age of oldest account, delinquencies), and geographical regions with each of these variations having a significant influence on the data reporting and resulting consumer credit scores. Credit reporting agencies independently determine the algorithms used and they can be altered at any time without input from consumers or financial institutions.

Credit scores are also affected by incomplete and inaccurate reporting; for example, many institutions do not report their consumer data to all of the credit reporting agencies, so an individual moving to our area likely won't have all of their tradelines / credit history reported to the most commonly used agency in our region for consumer lending.

Underwriting with strictly quantitative factors would result in consumers in entirely different circumstances with the same credit score being approved or denied based on the score itself. For example, the following three consumer profiles would likely have a credit score of about 600: one may have very limited credit history with no credit bureau tradelines older than 6 months, another might have always paid their bills on time until they had an accident resulting in excessive medical bills some of which went unpaid, or someone may have a small business that struggled during the pandemic, but they're back on track present day. Each of those applicant profiles presents a distinct level of lending risk to the institution. While using a consumer credit score in underwriting can be one legitimate consideration, it does not at all adequately calculate or analyze the risk associated with an application profile.

A key element of service and a central function of being a financial cooperative would be lost if underwriting were required to be strictly quantitative in nature and we were unable to take all known factors into consideration in the underwriting process.

The segment of Maine residents who would be most adversely affected by this legislation are the very consumers who are the most in need of flexible financial opportunities based on both quantitative and qualitative factors.

Established potential borrowers with traditional employment, some personal assets, and who haven't suffered a detrimental significant life event typically easily qualify in any lending program regardless of the underwriting criteria. However, potential borrowers with limited credit experience (often young adults who do not have any options for a co-signer for a loan), no or minimal personal assets, and/or life events such as non-traditional, seasonal, or tip-based employment, divorce, out-of-pocket medical expenses, small business ownership, the loss of a primary income, or the death of a family's primary wage earner need alternatives to traditional lending with quantitative underwriting criteria. Financial institutions like ours have both the willingness and the resources to provide these necessary opportunities to these potential borrowers who are in the most need of a financial relief through a hand-up, rather than a hand-out from government programs and/or non-profit charities.

For these reasons and our commitment to our mission, our Loan Officers frequently consider qualitative factors in addition to traditional, quantitative, risk-based underwriting standards in order to accommodate a wide range of circumstances and financial situations members are faced with and in doing so, we are able to provide essential, often life-changing support to the members. This approach has served our membership and our institution well for these nearly 80 years as evidenced by both our loan growth and our far lower-than-peer ratios for delinquency and charge-offs.

We have innumerable examples of individual borrowers who benefited from our combined qualitative and quantitative approach to underwriting.

One of our members was unemployed for a year and as a result had experienced multiple charge-offs and delinquencies. The member procured a job offer from an out-of-state employer but he didn't have reliable transportation for the long daily commute. Because of the negative credit activity resulting from his year of unemployment, he was unable to obtain a car loan under strictly quantitative underwriting guidelines and without a reliable vehicle, he would have had to turn down this life-changing opportunity. His long-term relationship with the credit union and a new, clearly defined personal budget offset the quantitative risks and we approved the loan. Today, two years later, the member continues to make timely payments, commute daily with the vehicle, and he has turned things around for his family. This is just one example of the many members who have faced compounding financial challenges and needed help that required taking the full scope of their circumstances and the associated risks into consideration, rather than only quantitative metrics such as a credit score and collateral value.

Another member was faced with simultaneously dealing with a divorce, her student loans coming out of deferment, and a car accident that resulted in her vehicle being totaled with a deficiency balance on the car loan after the insurance company's claim payment was applied to the loan. When the member reached out to apply for a car loan, her credit score had dropped to under 500, meaning she was ineligible for a loan at many institutions based on the credit score alone. However, our Loan Officers reviewed the application and member's circumstances in their entirety including her long-term relationship with the credit union which until that period of time had included consistent deposits, timely loan payments, and stable employment. Given these additional factors, we were able to approve a used car loan to replace her totaled vehicle and she was able to retain her employment and she now has nearly paid the loan in full.

The inclusion of qualitative factors in our underwriting process creates the opportunity for our institution to provide a financial bridge from where people find themselves in need of an opportunity to successfully getting back on their feet by taking the entirety of their circumstances into consideration. Loan-to-value ratios and credit scores are not objective, standardized scores, and they fail to take into account the unique needs of our members and individual Maine residents.

I would be remiss to not include a note about the significant adverse impact this legislation would have on our credit union as a small business in Maine, if it were to pass. This legislation would not only inhibit our ability to fulfill our mission and serve our members, it would also adversely affect our ability to operate. Every day we make lending decisions that simultaneously focus on the serving our members and align with our mission of people helping people. LD 1546 would harm our ability to do this, negatively impact our members, our credit union, and our community.

Thank you for the opportunity to testify on this bill, and I urge the committee to vote Ought Not to Pass on LD 1546.

Sincerely,



Amanda Piper  
President & Chief Executive Officer



In Opposition to LD 1546  
***An Act Regarding Nondiscrimination in Financial Services***  
Committee on Health Coverage, Insurance and Financial Services  
*April 27, 2023*

Good Afternoon, Senator Bailey, Representative Perry, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is April Gleason and I am the Chief Loan Officer for University Credit Union (UCU). UCU serves the members and families of the University of Maine System as well as several other organizations. We represent more than 28,000 members and \$459 million in assets. We are submitting testimony today in opposition to LD 1546.

LD 1546 seeks to legislate our credit union's decision-making process in an attempt to provide "fair access to financial services." It is always our goal to provide fair access to financial services for our members, and we are governed by Federal Fair Lending Laws that require we do so. By forcing us to reduce our members to "financial criteria" only, many loans would be denied, and our members left underserved. The advantage of using nonfinancial criteria is that we can extend loans to many when other institutions can not and help fill in the gaps.

For example, we had a new member who was referred to us from a local community bank. It was November, and the furnace in their new home was failing. They had good payment and job history, but a fairly high debt to income ration that disqualified them from receiving a loan through the community bank or Efficiency Maine. By requiring direct deposit, we were able to make an \$8200 loan, allowing the new homeowner to replace the furnace in time for winter.

Often, we see members who have a high debt to income ratio, but have been making payments. While on paper, many of these people would not qualify for loans to consolidate their debt, we are able to look at the entire situation and realize that if they are making higher monthly payments, they will be able to make lower payments. It's not just about the numbers, it's about who people are and what their situation is. By having flexible guidelines in our lending, we're able to find solutions where others cannot.

People and businesses are more than numbers. They are community members. LD 1546 would restrict our ability to treat them as such, and we urge the committee to vote ought not to pass.