



# Maine Credit Union League

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In Support of LD 1921

## ***An Act to Amend the Laws Regarding State-chartered Credit Unions***

Committee on Health Coverage, Insurance and Financial Services  
January 23, 2023

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

My name is Ellen Parent, and I am the Director of Compliance at the Maine Credit Union League. The Maine Credit Union League is the trade association for Maine's 49 credit unions and over 725,000 members statewide. We respectfully submit the following testimony in support of LD 1921.

Maine credit unions are governed by either Title 9-B of state law or by the Federal Credit Union Act. The credit unions governed by the state law are commonly referred to as state-chartered credit unions. Of the 49 credit unions headquartered in Maine, 12 are state-chartered. State chartered institutions may customize their bylaws and thus have more flexibility to meet the needs of their specific members. They also have the Maine Bureau of Financial Institutions as their primary regulator, rather than the National Credit Union Administration (NCUA), the regulator for federally chartered credit unions.

The changes proposed in LD 1921 are designed to provide greater parity between financial institutions – both with federally chartered credit unions and banks operating within the state. Many of the changes listed in the bill are somewhat minor language modernizations, but we would like to highlight three pieces.

Section 2 of the bill refers to the number of board meetings required. Banks are currently required to hold 6 board meetings per year. Credit unions, whose boards are comprised solely of unpaid volunteers, are currently required to hold monthly board meetings. Not only does this require a great deal of preparation from staff, it can involve significant travel and time committed by board members. This is especially challenging for credit unions during the winter as holidays and inclement weather can affect boards' ability to have a quorum due to absences, power outages, or road closures.

In light of this unequitable burden, Congress is currently considering legislation that would reduce the meeting requirements for federal chartered credit unions to 6 meetings per year. We expect that the majority of credit unions would not reduce their meetings below 10 per year, but they would appreciate the flexibility Section 2 of this legislation provides and are hopeful a reduced board meeting commitment could ameliorate the challenge of recruiting board members in more rural areas.

Section 3 of LD 1951 outlines a process by which a credit union may expel. Unfortunately, credit unions across the country have experienced an increase in threats and dangerous behavior toward their staff and in their branches from members of the credit union. We ask the committee to include this language in statute that makes it clear that behavior that threatens the safety and welfare of credit union staff is grounds for expulsion from membership of the credit union and establishes a clear process by which credit unions may expel such members.

Finally, we also would like to ask the committee to consider an amendment to the bill. Our proposal deals with the process through which credit unions expand their field of membership. Credit unions are only open to those who fall into the credit union's defined field of membership. Field of memberships may be either centered around a common bond that members share, such as an employer or a place of worship, or they may be based on the community that the credit union serves. All expansions of field of membership must be approved by their primary regulator, either the NCUA or the Bureau.

In existing law, for state charters, this process requires a public notice and comment period. For federally chartered credit unions, the NCUA only holds notice and comment periods for expansions of over 2.5 million members and outside of a single political subdivision. Banks are not required to have any public comment period for expansion, since they have no restrictions on who they may have as customers. For less than one-third of Maine's credit unions, if they wish to expand operations, their competitors have the opportunity to comment against the expansion as part of the state approval process. This provides competitors advance warning of business changes.

We are aware that the Bureau has some language that they would like to see adjusted, we are happy to work with them to develop language that they find more effective and to provide that to the committee as you consider the bill.

Thank you for the opportunity to offer testimony on this important topic. If the League can be of any assistance during the deliberations of this bill or others similar, please do not hesitate to contact us.

## **§814. Membership requirements**

**1. Field of membership.** "Field of membership" of a credit union means those persons, including nonnatural persons, having a common bond of occupation or association; multiple groups of such persons, each group having a common bond of occupation or association within that group; residence or employment within a well-defined neighborhood, community or rural district; employment by a common employer or by employers located within a well-defined industrial park or community; membership in a bona fide fraternal, religious, cooperative, labor, rural, educational or similar organization; and members of the immediate families of such persons.

A. When determining whether a credit union's proposed field of membership meets the requirements of this section, the superintendent shall consider all relevant guidelines established by the National Credit Union Administration that address the issues of common bond, overlapping fields of membership, expansions or conversions of field of membership and the documentation required for amending a field of membership, except that the superintendent is not required to adhere to those guidelines. [PL 2003, c. 36, §1 (AMD).]

A-1. Notwithstanding any federal law or guideline established by the National Credit Union Administration, the superintendent is authorized to permit a credit union that converts its field of membership to become a community-chartered credit union to retain in its field of membership, after such conversion, one or more groups or portions of groups that were included in the credit union's field of membership prior to the conversion. The superintendent may adopt rules in accordance with section 251 to implement this section. Rules adopted pursuant to this paragraph are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A. [PL 2003, c. 36, §1 (NEW).]

~~B. The superintendent shall provide notice to interested parties of a bylaw amendment sought by a credit union that proposes a change in field of membership. [PL 1995, c. 101, §2 (NEW).]~~

C. For purposes of this section, "nonnatural person" means a corporation, partnership, joint venture, trust, estate, unincorporated association, fraternal organization or voluntary association that is:

- (1) Specifically listed in a credit union's bylaws as a member;
- (2) With respect to a community-chartered credit union, located within the geographic limits of the credit union's field of membership; or
- (3) Composed principally of individual persons within the credit union's field of membership and the credit union's field of membership includes organizations of such persons. [PL 2001, c. 211, §16 (NEW).]

[PL 2003, c. 36, §§1, 2 (AMD).]

### **2. Limited members.**

[PL 2001, c. 211, §17 (RP).]

#### SECTION HISTORY

PL 1975, c. 500, §1 (NEW). PL 1995, c. 101, §§1,2 (AMD). PL 1999, c. 218, §25 (AMD). PL 2001, c. 211, §§16,17 (AMD). PL 2003, c. 36, §§1,2 (AMD).