



STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL  
AND FINANCIAL REGULATION  
BUREAU OF FINANCIAL INSTITUTIONS  
36 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0036

Janet T. Mills  
GOVERNOR

LLOYD P. LAFONTAIN III  
SUPERINTENDENT

**131st Maine Legislature, Second Session**

**The Joint Standing Committee on Health Coverage, Insurance, and  
Financial Services**

**Testimony of Gordon Laurendeau, Bureau of Financial Institutions**

**In support of LD 1921**

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

**Tuesday, January 23, 2024**

**Senator Bailey, Representative Perry, and Members of the  
Committee:**

**My name is Gordon Laurendeau and I am the Attorney for the Maine  
Bureau of Financial Institutions. On behalf of the Bureau and the  
Administration, I am here to testify in qualified support of LD 1921, An Act  
to Amend the Laws Regarding State-Chartered Credit Unions.**

**The proposed bill would amend provisions of Title 9-B, the Maine  
Banking Code, applicable to state-chartered credit unions. As written, the  
bill seeks to:**

- Modify terminology used for negotiable instruments sold by  
credit unions;**
- Reduce required credit union board of director meetings from  
12 to 6 times per year;**
- Delineate the various grounds for expulsion of credit union  
members and update the related appeals process for expelled  
members; and**

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- Expand the ability of state-chartered credit unions to lend to credit unions in other states.

Further, the Bureau is aware of the Maine Credit Union League's proposed amendment removing the public notice requirements for bylaw amendments that modify a credit union's field of membership (FOM).

The Bureau generally supports the intent of the legislation to modernize the credit union statutes, and we find most of the proposed changes acceptable. However, we would like to highlight several items requiring the Committee's attention.

- Frequency of credit union board of director meetings: given economic conditions and the increasing complexity of the financial services industry, the Bureau advises against reducing the number of required board of director meetings from monthly to not less than 6 per year. Data as of April 2023 indicates that individual Maine credit unions hold anywhere from approximately 77 million to 600 million in assets, demonstrating that these are not small entities. Board oversight of credit union operations is vital for ensuring that the financial institution is operating in a safe and sound manner and in compliance with applicable law. If the Committee wishes to provide some flexibility to the meeting process, the Bureau suggests alternative language based on standards applicable to banks, as follows:

“the board of directors of a credit union shall meet at least monthly. The superintendent may approve fewer meetings for good cause shown.”

“Good cause shown” for skipping or reducing the number of required meetings may include satisfactory examination ratings or inclement weather events, among other considerations.

- Lending to out of state credit unions: the proposed change will not accomplish the proponent's objective of allowing Maine credit unions to lend to credit unions located outside of the State. Because the section uses the defined term “credit union,” the section only refers to state-chartered credit unions located in Maine. We would be willing to work with the League on acceptable language.

- Member expulsion process: the legislation is intended to follow National Credit Union Administration (NCUA) guidelines for member expulsion and indicates that grounds for expulsion include a member's "dangerous, threatening or abusive behavior, as defined in rules adopted by the [NCUA]." We note that the standard as defined in the NCUA's Sample Bylaws is "dangerous and abusive behavior," and that the language difference could cause confusion. Further, the NCUA has not adopted rules to define that standard, so any reference to the NCUA should clarify where the federal definition is found.
- Removal of public notice for changes to a credit union's FOM: It is the Bureau's view that the Superintendent's approval of a bylaw change modifying FOM is a final agency action affecting the rights of credit union members. As such, the public should be notified and have the opportunity to comment. For this reason, the Bureau does not favor the amendment.

Thank you for the opportunity to testify before you today. I would be happy to answer any questions either now or at the work session.