MAINE BANKERS
Association

January 23, 2024

Testimony to the 131st Maine Legislature
Committee on Health Coverage, Insurance, and Financial Services

Good afternoon, Senator Bailey, Representative Perry, and honorable members of the Committee. My name is Josh Steirman and I am here on behalf of the Maine Bankers Association. We are testifying today regarding L.D. 1921, *An Act to Amend the Laws Regarding State-chartered Credit Unions*. We have no objections to a majority of the bill, but respectfully oppose a particular amendment which proposes to remove a requirement in state statute obligating credit unions to complete a public comment process in order to amend their field of membership.

Bankers are enthusiastic about expanding the availability of financial services to Maine consumers – but we sincerely hope this happens on a regulatory level playing field. Credit unions compete directly with banks for commercial customers and have grown into large, modern, sophisticated financial service providers. They should be regulated as such. Yet despite comparable business practices, credit unions enjoy tax-free status and significantly less supervision when compared to banks of similar size and characteristics. Growth itself is not problematic, but should be accompanied by proportionate oversight.

The contrast is striking: banks pay taxes, but credit unions do not (and notably the majority of Maine banks are mutually owned, without stockholders). Banks are required to comply with corporate good citizenship requirements such as the Community Reinvestment Act, but credit unions are exempt. And banks are regulated by notoriously demanding supervisory agencies such as the FDIC and Federal Reserve, while the National Credit Union Administration has been cited as a "cheerleader for the industry" rather than its responsibilities as a regulatory watchdog. Similar business models should have similar supervision: growth and added complexity have made credit unions functionally into banks, but while bank supervision has evolved and become ever more strenuous, credit union supervision remains stuck in a past century.

Credit unions in their original format were an innovative and useful concept to provide secure deposit services and small loans to tight-knit, under-served communities, such as congregants of a church parish, or workers at a particular mill. But today credit unions have grown far beyond their original community roots: the largest credit unions in Maine accept membership for anyone living or working in a geographic range across many counties, or the entire state. This reality is a far cry from neighborhood mutual aid.

Any changes which make it easier for credit unions to expand their field of membership, without providing supervision commensurate with an increasingly sophisticated financial services footprint, will exacerbate our concerns about regulatory mismatch. Therefore we must oppose these provisions of the bill.

We thank the Committee for its consideration and are happy to answer any questions.

Respectfully Submitted,
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Director of Government Relations

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