



HOUSE OF REPRESENTATIVES

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MEMORANDUM FOR RECORD

SUBJECT: LD 880, An Act Regarding Nondiscrimination in Financial Services

Committee Chair Senator Bailey, Committee Chair Representative Gramlich and distinguished members of the Joint Standing Committee On Health Coverage, Insurance and Financial Services,

1. Thank you for hearing me on this important bill, LD 880 An Act Regarding Nondiscrimination in Financial Services.
2. Currently, according to Fitch Ratings, more than sixty-seven percent of banks screen their corporate loan portfolios for Environmental, Social and Governance risks. But this bill is less about the lending practices of financial institutions that utilize Environmental, Social and Governance (ESG) risk assessments for loan portfolios of corporate customers. Individuals also often have their own personal ESG score. Many banks and credit systems, such as Merrill Lynch, Bank of America and Visa, already assign personal ESG scores to their customers.
3. ESG scores differ from credit scores because they create rankings on an arbitrary basis. While a credit score is based on a risk factor calculated on an individual and compared to a pool of similar individuals to determine the likelihood that the individual is able to handle a certain level of debt load, ESG factors are based on non-pecuniary factors that are based on the subjective 'morality' of certain activities or beliefs of the individual. The level of this 'morality' is based on any number of biases assigned to an individual by the financial entity and can include factors such as dietary choices, energy use, transportation habits such as how many miles one drives, attitude and outlook, sustainable clothing choices, environmental impact, purchasing of 'ethical' goods, recycling habits, carbon footprint, personal contributions to 'betterment', composting practices, social media activities, civic/political/religious group involvement, what companies one invests in, how much food one buys each month, how much cryptocurrency one owns, whether or not one buys alcohol, drug use and

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criminal justice involvement. All of these things have been included in creating personal ESG scores and to make matters worse, there is no one set of standards for creating a personal ESG score.

4. Such a system can't help but be rife with abuse. It is contrary to the First Amendment Right to Freedom of Assembly and it violates one of the four pillars upon which our free society was built, the guarantee of the Free Market.

5. I want to be very, very clear. What political party you belong to, what church you go to and how you exercise your constitutionally protected individual liberties should **NEVER** effect your ability to engage freely and equally in commerce. This should worry every American, of any party affiliation.

6. LD880 would require that all banking and credit transactions be based on pecuniary measures and not arbitrary metrics that could change like the direction of the wind, depending on the whim of the current political leader or some fashionable ideological trend.

7. I might offer two small friendly amendments to consider that deal with the specific niche that Credit Unions fill. Credit Unions often approve loans to customers with whom they have longstanding relationships but may be considered at a higher level of risk than normal. This may be contrary to the language in §245-2-B, specifically the word "impartial", and alternate language allowing the Credit Union to assume greater risk based on a discretionary decision may be needed. This would allow Credit Unions to still have individualized discretion and leeway in lending to valuable customers with whom they have built close relationships and are willing to accept a greater than normal degree of risk.

8. Additionally, eligibility requirements for membership in Credit Unions, are sometimes restricted by certain criteria outside of a general geographic area and specific language may be needed to address the Field Of Membership (FOM) requirements that may be impacted by the language proposed in §245-2-A.

9. I respectfully ask the committee to respect the rights of borrowers and our citizens and support this bill with a vote of 'Ought To Pass – As Amended'. I thank you for your time, will gladly answer any questions to my ability and will make myself available for any work session upon request.

Respectfully,



Rep. Chad R. Perkins
District 31

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