



Maine Credit Union League

Testimony by Robert Caverly
In Opposition to LD 1645

*An Act To Establish Protections for Private Student Loan Borrowers and a Registry
of Lenders*

Committee on Health Coverage, Insurance and Financial Services

May 13, 2021

Good Afternoon Senator Sanborn, Representative Tepler, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services, my name is Robert Caverly. I am the Vice President of Governmental Affairs at the Maine Credit Union League and I am submitting testimony on behalf of the League in opposition to LD 1645, An Act To Establish Protections for Private Student Loan Borrowers and a Registry of Lenders. The Maine Credit Union League is the trade association for Maine's 54 credit unions and over 725,000 members statewide.

The primary basis for the League's opposition is founded in that LD 1645 would only have jurisdiction over state-chartered institutions. Of Maine's 54 credit unions, 12 have a state charter. This bill would create an unnecessary imbalance among the Maine credit union system by instituting a new regulatory framework within the state.

As currently drafted, the private education loans made by state-chartered credit unions in the state of Maine would be regulated by the Superintendent of Consumer Credit Protection, despite being outside the usual regulatory framework of financial institutions. A registry for Maine's credit unions is unnecessary as state-chartered credit unions are currently registered with the state of Maine and are highly regulated at multiple levels of government. Maine state-chartered credit unions are currently regulated by the Maine Bureau of Financial Institutions under the expert leadership of

Superintendent Lloyd LaFountain. In addition, all credit unions in Maine are regulated by the National Credit Union Administration (NCUA) as members of the Share Insurance Fund.

Charters for financial institutions are a choice. To impose a drastically different lending and liability scheme on state charters has the potential to damage the state charter system. Which could eventually encourage credit unions to convert their charter from state to federal. There are significant strengths to state chartered credit unions and the balance between the state and federal charter systems is essential for the health and competition of financial services in Maine.

The Student Borrower Protection Center cites this bill as necessary to halt unscrupulous loan servicers and to bring visibility to those who are lending money in the shadows. These are not credit unions. Credit unions were first formed in Maine at the turn of the 20th century to provide a savings and lending option for those who were not welcome at traditional financial institutions because of their socio-economic status, language, or religion. Credit unions are member-owned with an average share of under \$12,000. There are very few comparisons between credit unions and the targets this bill aims to address.

Under federal and state law, all Maine credit unions are subject to either the requirements of the Federal Truth in Lending Act (TILA)¹ or the Maine Truth in Lending Act² to protect and inform borrowers. The Maine TILA was enacted to provide for comparable rates and transparency in loans for consumers. In fact, in a case where large loan collection entities violated the federal TILA, a Bangor woman found relief in federal court under the provisions of TILA and the Fair Debt Collection Practices.³ Proving that

¹ 15 U.S.C. §§ 1601-1667f, <https://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title15-chapter41-subchapter1&edition=prelim>. Accessed May 13, 2021.

² 9-A M.R.S. §§8-501-8-511. <http://legislature.maine.gov/legis/statutes/9-A/title9-Ach8-Asec0.html>. Accessed May 13, 2021.

³ Judy Harrison, Maine woman sues to stop collection of student loans she says she doesn't owe, Bangor Daily News (May 22, 2016), <https://bangordailynews.com/2016/05/22/news/state/maine-woman-sues-to-stop-collection-of-student-loans-she-says-she-doesnt-owe/>. Accessed May 13, 2021.

current federal and state laws that govern and regulate credit unions do work and are effective.

During our research the League found a similar bill in Colorado that aims to achieve what the proponents here are looking to accomplish, while offering a full exemption to all credit unions.⁴ We would urge the committee to strongly consider such a measure here for LD 1645.

The League appreciates the underlying concerns brought forth by the sponsor and LD 1645's proponents. However, we believe it is not fair for this proposal to add additional burdens to a minority of Maine's credit unions, simply because they choose to be a part of the state charter system. Especially when credit unions are not the source of the problem that LD 1645 aims to address. For these reasons we would urge the committee to add an amendment to exempt state-chartered credit unions or reject LD 1645 altogether. Thank you for considering our industry's views and allowing the League to provide testimony to the Committee today.

⁴ [Private Lenders Of Student Loans Acts And Practices | Colorado General Assembly](#), Senate Bill 21-057. Accessed May 13, 2021.