



Testimony in Support of HB3079A
Senate Labor and Business Committee
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The Northwest Credit Union Association represents the 57 state and federally chartered credit unions in Oregon, with over two million Oregonians as members. Credit unions are not-for-profit financial cooperatives, organized to meet the needs of their members. Community service, financial education outreach, and philanthropy are in the credit union “DNA,” and are evidenced in virtually every credit union branch and office. Credit unions in Oregon protect more than \$30 billion in assets — the life savings of their members who live and work in communities large and small, urban, and rural.

Thank you for considering our bill which is an update to the Oregon Credit Union Act. I want to give you a quick update on Oregon’s credit unions.

Oregon Credit Unions’ Response to the COVID-19 Crisis

Oregon’s credit unions serve those on the front lines — members who are working to keep others safe during the pandemic. Several Oregon credit unions have a primary field of membership that includes schools, healthcare workers, police, fire, transportation, utilities, and government employees.

Credit unions were founded during the Great Depression to serve those who were being overlooked by the traditional financial system. In full alignment with their “People Helping People” mission, credit unions have been providing special assistance to members since the very onset of the COVID-19 crisis. Such services included options for members to skip loan payments, mortgage forbearances, loan modifications, credit card payment deferrals, zero interest loans, flexible accommodations on existing loans, and new emergency loans. In fact, the NWCUA’s Community Impact Survey showed that between early March and the end of September, Oregon credit unions had already **waived more than \$4.4 million in fees**, to help their members through the pandemic.

Serving Small Businesses

When the state of Oregon asked Community Development Financial Institutions (CDFIs) to distribute emergency grants to small businesses, the hope was that very small businesses would be served: those with fewer than 25 employees, sole proprietorships, rural, and minority-owned businesses. Credit unions delivered. Four CUs helped 568 businesses to obtain \$2.8 million in lifeline funding that they will not have to pay back. The credit unions reported that **55% of the grants went to sole proprietorships, 35% to minority owned businesses, and 66% to women.**

Small businesses have been hit especially hard throughout the pandemic, and credit unions have been on their side. Since SBA Paycheck Protection Program funds became available last April 3, Oregon credit unions pivoted their teams to work night and day so that they could provide a lifeline to small businesses. By the end of 2020, credit unions headquartered in Oregon had funded 6,383 businesses with PPP loans, totaling

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more than \$237 million. **These forgivable loans were provided to very small businesses; the average loan amount was just over \$37,000.**

Emergency Check Program

Another example of credit unions' partnership with the state to help Main Street was the Emergency Check Program. When Oregon legislative leadership established a \$35 million fund to help people bearing the brunt of COVID-19's financial impact, they turned to financial institutions — 80% of them credit unions — to get the job done. Within two-and-a-half days of the program's launch on Aug. 19, the state informed participating financial institutions that between branch walk-ins, pending scheduled appointments, and applications in the queue, all funds had been allocated. **Of the \$35M allocated for 70,000 eligible Oregonians, the eight participating credit unions had distributed \$30.2M to 60,575 Oregonians.**

Mortgage Assistance

The American Dream is home ownership, and Oregon credit unions are committed to helping their members achieve it. The pandemic put thousands of homeowners in peril when they lost their jobs or had to close their businesses. But credit unions did what they always do. They provided flexibility when the members needed it most. When members experience financial hardship, their credit unions work with them and offer much more desirable services such as emergency, low- to no-interest loans and loan modifications. Credit unions exhaust **every possible option** before foreclosing. For example, in 2019, Oregon's credit unions had a total of nine completed foreclosures, and seven in 2018.

Protecting the Tax Status

Credit unions are taxed differently — by design. It is the unique cooperative structure of credit unions that generates member benefits. Credit unions are not-for-profit institutions meaning there are no stockholders demanding a market rate of return on their investment. So, credit union earnings are passed along to member-owners. While credit unions don't pay state and federal income tax, they do pay other federal, state, and local taxes. According to CUNA's tax data report, in the 2018 tax year, Oregon credit unions and their employees paid an estimated \$94.8 million in state and local taxes; for example, property, payroll, license fees, severance, and personal income taxes. Critics argue that credit unions today are no different than banks. However, the defining characteristics of a credit union, no matter what the size and charter, remain the same today as they did when the *Federal Credit Union Act* became law in 1934: credit unions are not-for-profit cooperatives that serve defined membership, and cannot issue capital stock. Credit unions are restricted in where they can invest their members' deposits and are subject to stringent capital requirements. Credit union members each have one vote, regardless of the amount on deposit. Credit unions are fundamentally different than banks. ***It is the structure and mission of credit unions that is the bedrock upon which their tax structure is based. It has nothing to do with credit unions' membership size, financial assets, or products offered.***

Thank you for the opportunity to provide this testimony and for your time today.