Testimony in Support of HB 3079
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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.

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.

Standing by in Challenging Times
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 June, 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.**

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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 6,359 businesses with PPP loans, totaling more than $236 million. These forgivable loans were provided to very small businesses; the average loan amount was just under $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. Credit unions understand the need for mortgage protection for consumers who are financially impacted by COVID-19. Through the 4th quarter of 2020, credit unions had restructured 362 loans that resulted in better terms for the members. Those services will continue as Oregonians exit forbearance and loan deferrals and seek other flexibilities from their credit union.

As community lenders, credit unions should have the flexibility to work with borrowers on solutions that meet everyone's needs. As not-for-profit cooperatives, credit unions put the needs of their members first. 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.

Diversity, Equity, and Inclusion
Diversity, equity, and inclusion is the Credit Union Movement's eighth cooperative principle. But it is not a new concept for credit unions. In fact, inclusion and service to consumers is part of our founding mission.

Across the state, credit unions continue to work with community organizations that support people who historically have not been able to obtain critical services. A recent example is a grant that Advantis Credit Union provided to Self Enhancement, Inc., a nonprofit dedicated to guiding underserved youth to realize their full potential. With this grant, SEI is expanding internet access to more than 60 Portland families, so that their children can keep up with their online learning.

In the past year, five Portland-based credit unions – Advantis, Consolidated Community, Point West, Rivermark, and Unitus Community – have collaborated with Urban League of Portland to support their financial education and empowerment initiatives, with a goal of positively impacting services to BIPOC communities.

The Northwest Credit Unions' Diversity, Equity, and Inclusion Task Force is led by credit union leaders across the region. They are working to discover, review, and discuss the best DEI-related tools, practices, and resources available. The Task Force will work toward determining actionable strategies that will accelerate and enable the work of credit unions to be the best employers, financial services providers, and community partners.

Answering the Call to Service
Even with the challenges social distancing presented to volunteerism, credit union employees figured out safe ways to contribute to their communities throughout COVID. The NWCUA's community impact survey finds that from the onset of the pandemic through September 2020, employees had contributed 36,000 hours of their time to volunteer organizations.

Credit unions are committed to looking after the financial well-being of Oregonians, in good times and in challenging times. Financial education is the bedrock of that mission. In the 12 months leading up to the pandemic, 27,000 kindergarten through 12th grade students received financial education from a credit union, as did 38,000 adults. This helps consumers to make better budgeting decisions throughout their lives.

Why HB3079 Makes Sense for Oregonians

Modernizing the Oregon Credit Union Act will ensure not-for-profit, cooperative credit unions remain relevant to their members on Main Street.

Here are the updated recommended in HB3079:

1. <u>Changes in Field of Membership</u>

   The FOM concept, created in the 1930s, is outdated and hamstrings credit unions in providing services to Oregonians. The way your constituents conduct their financial transactions has changed. The recommended updates in HB3079 will make important changes to the definitions of membership in a credit union. Consumers deserve access to credit union membership. Credit unions' not-for-profit structure keeps them competitive in the marketplace, and provides benefits such as fewer fees, better returns on savings, lower interest rates on loans, and more importantly, decisions made in the best interests of members. Statutory limits on credit unions' ability to determine membership creates inefficiencies that often prevent access to credit union services in rural and underserved communities.

   For example:

   - Advancements in technology enable consumers to conduct financial transactions from anywhere. However, credit unions still have regulatory limits on who they can serve, with the term "local" creating barriers to credit union membership for some rural and underserved consumers. Other financial entities, such as FinTech companies, do not have such limitations.
   - Federal regulators, and regulators in other states, have taken actions to expand member access to credit unions. State-chartered credit unions in Oregon must chose to serve either communities, Select Employer Groups (SEGs), or associations. In Washington and other states, credit unions do not have to choose between communities, employee groups, or associations; all may be served. The National Credit Union Administration has expanded member access to federally chartered credit unions

over the past five years, and those updates withstood a Supreme Court challenge. The Oregon Credit Union Act should allow credit unions to determine whom they serve.
- If a credit union has to decline membership to a consumer based on where in the state he or she resides, the consumer may not understand that the reason is due to statutory limitations, and this could be harmful to the credit union's reputation.

2. Credit Union Service Organizations (CUSO's)

Across America, there are nearly 1,000 CUSOs that primarily serve credit unions. CUSOs allow credit unions a greater voice in determining their products and services. Credit Union Direct Lending (CUDL) is one example; CUDL helps more than 1,100 credit unions and nearly 15,000 auto dealers to process convenient, affordable vehicle loans to consumers. Investing in a CUSO can allow credit unions a greater voice in determining the products and services offered, however, Oregon is one of the only states that requires CUSOs be majority owned (51%) by credit unions in order for an investment to be made. Given the fact that many CUSOs have outside industry investors due to their service expertise — FinTech companies, for example — Oregon statute excludes credit unions from making investments in some CUSOs that might benefit the credit union and its members.

3. Emergency Mergers

On rare occasions, a credit union that faces an unsustainable future, may need to merge into a safe and sound credit union. In the past decade, Chetco Credit Union, and TLC Credit Union each merged into another financially healthy credit union (Chetco into Rogue Credit Union and TLC into Fibre Federal Credit Union) with the assistance of the federal and state regulators. In both cases, this resulted in seamless continuation of service to consumers in rural coastal communities.

Oregon statute currently requires credit unions to qualify the members of the dissolving credit union's field of membership into the merged credit union's field. While there is an exception for some emergency and assisted mergers, statute may limit mergers that are in the members' best interest. For example, a credit union located in Klamath County, Oregon, may be unable to merge into a credit union located in neighboring Siskiyou County in California, even though that may be the closest metropolitan statistical area. In addition, limiting the credit union's potential merger partners may prevent a merging credit union from partnering with a sympatico credit union that would provide the best services and dividends to members.

4. Trigger Date in the Act's Federal Parity Provision

Periodically, we must update the "strike," or trigger date in the Act's federal parity provision. The law requires the Act to have a specified "as of" date for the powers granted by parity with the Federal Credit Union Act, to prevent unconstitutional delegation of legislative authority. Maintaining state-chartered credit unions' abilities to obtain parity with federal credit unions helps to ensure both charters remain relevant, and that a credit union's preference for a state charter remains intact. This "housekeeping" update would minimize requests to state regulators to invoke parity with federal regulations, which have been amended since the last amended strike date in the Oregon Act.

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