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TESTIMONY IN SUPPORT OF HB 3200
Before the House Committee on Business and Labor

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Good morning Chair Holvey, vice-chairs Elmer and Sosa, and members of the committee. My name is Hal Scoggins. I am an attorney with Farleigh Wada Witt, outside counsel for the GoWest Credit Union Association. Our firm also represents many individual credit unions throughout Oregon, Washington, Idaho, and across the U.S. I appreciate the opportunity to talk with you today about HB 3200. I will provide some brief comments on legal aspects of the bill and will be happy to answer questions.

HB 3200 is a product of the GoWest Credit Union Association's continuing efforts to improve and modernize the Oregon Credit Union Act to strengthen the attractiveness of the Oregon state charter for credit unions and to better address the current operational, regulatory, and financial climate in which credit unions operate. The bill, along with an amendment that we anticipate will be forthcoming shortly, makes four changes to the Oregon Credit Union Act that will help credit unions remain nimble in providing financial services, and clarify certain provisions.

SECTION 1: Repeal Of Mandatory Fiscal Year

ORS 723.036 currently specifies that every credit union's fiscal year must coincide with the calendar year. There is no good regulatory or financial reason for this statutory requirement. Most credit unions will continue to maintain a fiscal year that runs from January through December. But some credit unions will find it easier and cheaper to schedule their annual financial audit around a fiscal year that ends at a different point in the calendar year. They should have the freedom to do so. For that reason, Section 1 will repeal ORS 723.036.

SECTION 2: Terms for Board Officers

ORS 723.276 currently specifies that board officers (i.e.. Chair, Vice-Chair, Secretary, etc.) must be elected within 60 days after each annual meeting of the membership and serve a one-year term. As with the fiscal year, there is no sound regulatory reason for such a requirement. Some boards may choose to have their officers serve terms coincident with the calendar year rather than coincident with the membership meetings (which usually occur in the spring). Section 2 of HB 3200 will eliminate the

statutory specification of the time when board officer terms begin and end, allowing credit unions the freedom to make that determination on their own.

SECTION 3: Committee Member Stipend Payments

Credit unions are governed by their boards, with audit and reporting functions performed by supervisory committees. In addition, some credit unions establish other committees on which members may serve, such as a facilities committee, nominating committee, or diversity equity and inclusion committee. The current statute allows credit unions to pay a stipend to directors and supervisory committee members but not members who serve on other committees, some of which may take substantial time. Section 3 amends ORS 723.266 to permit such payments.

SECTION 4: Investments to Support Credit Union Operations

The financial services environment has become exponentially more complex and more dynamic in recent years, and credit unions depend on a wide array of products, technologies, and service providers to support their operations. Service providers assist credit unions with functions ranging from mobile banking to data management to facilities services. For years, ORS 723.602 has permitted credit unions to invest in service organizations that provide goods and services to support credit union operations. As it is currently structured, however, the statute only permits such investments if the company is established primarily to serve credit unions.

In today's fast moving technology environment, a company with a new idea for a product or service that can help credit unions often does not want to limit its services to credit unions, even though it may perform significant services for credit unions. But unless it is willing to limit its customer base to satisfy this requirement, a company is not eligible for investments by Oregon credit unions. This is a disadvantage, because the ability to provide seed money can help Oregon credit unions shape the development of a new product or service, ensure early access to the product or service, or ensure that the product or service can be tailored to the credit union's needs.

Section 4 of HB 3200 would expand credit unions' current investment authority to permit investment in a company that provides products or services associated with the credit union's routine operations, if the investment is reasonably related to the credit union's use of those products or services. In other words, a credit union cannot invest for purposes of earning a return. The investment must be tied to some benefit related to the product or service (i.e., development influence, early access, price discounts, etc.).

An amendment related to this section will be forthcoming. The amendment will require Department of Consumer and Business Services approval of a credit union's investment under this provision. The amendment will also provide that DCBS has authority to establish rules related to such investments. Finally the amendment will clarify that investments under this authority are aggregated with a credit union's investments under the existing authority and subject to the overall investment limitation of five percent of the credit union's assets.

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