



Neutral testimony regarding Senate Bill 15

Date: February 8, 2021

To: Chairman Jim Kelly
House Financial Institutions & Rural Development Committee

From: Stephanie Mullholland
Heartland Credit Union Association

Thank you for the opportunity to provide comment on Senate Bill 15. Heartland Credit Union Association represents the 690,000+ Kansans who belong to a Kansas credit union. Our member credit unions range from the state's smallest credit union, Catholics United in Hutchinson, to the state's largest credit union, Meritrust Credit Union, which serves the employees of Spirit AeroSystems in Wichita.

Senate Bill 15 is compromise legislation that resulted from the work of this committee, HCUA and the Kansas Bankers Association. As part of that compromise, HCUA submits neutral testimony.

Credit unions support additional resources for small business owners.

Credit unions are among the financial institutions that have worked with Kansas families, small business owners and ag producers over the past 10 months to help them weather the financial impact of COVID-19. That has included PPP loans, zero-interest and low-interest emergency loans, loan deferments, financial counseling and Skip Pays, which is the option to temporarily skip payments on mortgage, auto, credit card and business loans. But, we know that many businesses continue to face challenges in this economy. We support the Economic Recovery Linked Deposit Loan Program as one more way to make low-cost financing available for small businesses.

Credit unions support increased competition and consumer choice.

Kansas statutes include field of membership restrictions, which limit competition and consumer choice by limiting which communities and consumers have the choice to use a credit union. House Bill 2069 would update the state's field of membership laws, restoring them to more closely resemble Kansas law prior to 2008 and to more closely resemble federal law. Credit unions believe this update is a positive step toward encouraging competition and removing confusion for consumers, so that more Kansans will know they have options in the marketplace.

Credit unions have expressed their concern about the impact of a double standard in the market.

Credit unions are not-for-profit, member-owned cooperatives. As not-for-profits, credit unions are taxed similarly to all other not-for-profits in the state. As for-profits, banks are taxed similarly to other for-profits.

Under Senate Bill 15, for-profit corporations (banks) would instead be taxed along the lines of not-for-profit cooperatives in the ag market without being required to follow the same rules as the not-for-profit

cooperatives operating in that market. Our members remain concerned about the double standard this creates in the financial sector, as well as the precedent that would be set for other sectors in the state.

We continue to believe that tax fairness rests with holding ALL entities that wish to be taxed like not-for-profits accountable to the same rules with the same obligations to consumers.

For not-for-profit credit unions, those rules and obligations include:

- **Returning profits to consumers.** With a credit union, like any co-op, the earnings are returned to the people who belong to the credit union instead of stockholders. Through Third Quarter of last year, credit unions returned more than \$119 million to Kansans in the form of lower loan rates, higher interest on savings and direct dividends.
- **Democratically owned and operated.** Credit unions are locally owned and operated by the members of the credit union. Each member, regardless of their economic status, has an equal vote (one member-one vote).
- **Governed by a volunteer board.** Credit unions are managed by a volunteer board of directors that is elected by and from the membership. These board members are not compensated and do not derive personal financial gain from their service.
- **Public reporting of finances.** Credit unions, like all not-for-profits, are transparent in their operations. Through IRS reporting, their financial data and executive salaries are made public.
- **Prohibited from having outside investors.** Credit unions cannot raise outside capital or have outside investors. They must instead achieve safety and growth on their own through retained earnings and sound financial practices.

Again, we remain neutral on Senate Bill 15 and remain committed to making sure consumers continue to have the benefit of competition and choice.

Thank you again for the opportunity to provide comment, and for your service to the state of Kansas.