



**Senate Bill 975 – Governmental Entities – Authorization to Bank with Credit Unions**  
**Senate Finance Committee**  
**March 6, 2020**

**OPPOSED**

The Maryland Bankers Association and our community bank members are strongly opposed to **Senate Bill 975 - Governmental Entities - Authorization to Bank with Credit Unions**. The bill would change Maryland law for the first time ever to allow federal and state-chartered credit unions to hold state and local government deposits in Maryland.

MBA represents FDIC-insured banks serving communities through 1,420 branches across the State. Our members provide banking services for state, county and municipal governments which include operating accounts, online banking, wire transfers, stop payments, positive pay for fraud prevention, remote deposit services, account reconciliation, and more.

**Historically, credit unions have never been able to take government deposits in Maryland.**

Credit unions were created by Congress in the early 1900s to serve a “limited common bond” of people who work together. In exchange for this limited membership base, Congress exempted credit unions from paying income tax. However, over the past 20 years, credit unions have aggressively expanded their mission to operate more like banks. In fact, today, many credit unions look just like banks and are larger than the majority of Maryland’s community banks. **Aberdeen Proving Ground Federal Credit Union has total assets in excess of \$1.5 billion, larger than 39 of the 42 community banks headquartered in Maryland.** According to the APGFCU, *“if you live, work, worship, volunteer or go to school in Harford and Cecil counties you can be a member” – in other words, everybody.*

**MBA is adamantly opposed to this legislation for the following reasons:**

**Unlike banks, credit unions do not pay any local, State or federal income taxes.**

The 42 community banks headquartered in the State of Maryland reported combined net income of \$508.327 million in 2019. The total federal, State and local income taxes reported by these banks was **\$166.779 million** as follows:

- Federal Income Tax Portion (21%) – \$107.832 million
- State Income Tax Portion (8.25%) – \$42.362 million
- Local Income Tax Portion (remainder) – \$16.585 million

This is just a portion of the total income taxes paid by all 87 banks of all sizes doing business in Maryland.

**It is impossible for community banks to compete with tax-exempt, multi-billion dollar credit unions regarding loans and deposits because credit unions do NOT pay income taxes.** *Imagine what it would be like if you were running a dry cleaner, a hardware store, a cigar shop, a restaurant, or any*

*other business and trying to compete head to head with your tax-exempt competitor across the street - paying 25 – 35% of net income in federal, state and local taxes - when such a cost does not apply to your competitor.*

**Unlike banks, credit unions do not have any requirement to reinvest in low and moderate income areas in our State.** Banks must comply with the Community Reinvestment Act (CRA) and are examined for how they support communities through loans, investments and service. Deposits held in FDIC-insured banks are required to be used to meet their CRA responsibilities. **There is no CRA requirement for credit unions.** Credit unions have no legal responsibility to use public deposits in the communities from which they came for reinvestment purposes. There is no regulatory oversight of their community lending, investment or service under an examination by any state or federal regulator.

**Unlike banks, credit unions do not have the same regulatory reporting requirements or financial performance ratings** as banks; many facts about these entities are not available for disclosure to the public.

**Unlike banks, credit unions are not permitted to participate in the reciprocal deposit program sanctioned in Maryland law to keep FDIC-insured deposits in the local community.** Through the Promontory Certificate of Deposit Account Registry Service and Insured Cash Sweep, local governments work with community banks to have FDIC-insurance up to \$185 million in deposits, while keeping these deposits in the local community bank for lending.

Government deposit relationships are complex, with the state requiring collateral to be pledged to protect the deposit in the event of a bank failure. These relationships can be complex, with requirements that deposits be collateralized and tracked on a daily basis. **FDIC-insured banks have the expertise to manage and track the collateral requirements.**

**The bottom line is that the credit unions' attempt to allow them to hold government deposits is the latest example of credit unions wanting to expand powers and act like banks when it suits them without addressing the inequities in tax and regulatory treatment.**

**Any credit union that wants the ability to expand and grow beyond what the credit union charter allows has the option to convert to a mutual savings bank, maintaining the cooperative, member-owned structure and joining all other tax-paying banks that support the State and localities.**

The following community bank members join us in strongly urging the Committee to give Senate Bill 975 an unfavorable report:

1880 Bank	First National Bank	Orrstown Bank
Ameriserv Financial Bank	First Shore Federal Savings and Loan Association	PeopleBank, a Cordorus Valley Company
Arundel Federal Savings Bank	First United Bank and Trust	Presidential Bank
Atlantic Union Bank	Fulton Bank	Provident State Bank
Bank of Ocean City	FVCbank	Revere Bank
BayVanguard Bank	Harford Bank	Rosedale Federal Savings and Loan Association
Carroll Community Bank	Hebron Savings Bank	Sandy Spring Bank
CFG Community Bank	Homewood Federal Savings Bank	Severn Bank
Chesapeake Bank of Maryland	Howard Bank	Shore United Bank

CNB Bank	Jarrettsville Federal Savings and Loan Association	Taylor Bank
Congressional Bank	The Chesapeake Bank & Trust Co	The Bank of Delmarva
EagleBank	Maryland Partners Bank	The Bank of Glen Burnie
Eastern Savings Bank	Middletown Valley Bank	The Farmers Bank of Willards
Essex Bank	New Windsor State Bank, a Division of ACNB	The Harbor Bank of Maryland
Farmers and Merchants Bank	North Arundel Savings Bank	The Peoples Bank
FCB, a Division of ACNB	Old Line Bank, now Wesbanco	The Queenstown Bank of Maryland
		Woodsboro Bank

<b>County (City) Name</b>	<b>Number of Credit Union Branches</b>	<b>Number of Bank Branches</b>
Harford	21	54
Allegany	23	16
Anne Arundel	31	141
Baltimore	41	208
Baltimore (City)	23	110
Calvert	2	20
Caroline	2	10
Carroll	3	48
Cecil	7	17
Charles	5	26
Dorchester	1	12
Frederick	9	71
Garrett	6	12
Howard	11	70
Kent	0	13
Montgomery	48	273
Prince George's	48	137
Queen Anne's	0	19
Saint Mary's	6	18
Somerset	0	6
Talbot	0	18
Washington	13	46
Wicomico	6	38
Worcester	1	37
<b>Total:</b>	<b>307</b>	<b>1420</b>