

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1489  
Economic Matters

(Delegate Hornberger, *et al.*)

---

Governmental Entities - Authorization to Bank With Credit Unions

---

This bill authorizes credit unions to act as a fiscal agent for (and receive deposits from) the federal government, the State, or any agency or political subdivision of the federal government or the State. Likewise, the bill authorizes specified governmental entities (including the State and local governments) to engage in banking activities with credit unions. The bill also makes numerous conforming and technical changes.

---

Fiscal Summary

**State Effect:** The bill is not anticipated to materially affect State finances or operations, as discussed below.

**Local Effect:** The bill is not anticipated to materially affect local government finances or operations.

**Small Business Effect:** Meaningful.

---

Analysis

**Current Law/Background:** Credit unions are not authorized to serve as fiscal agents for, or receive deposits from, State and local governmental entities.

In order to make financial services available to persons not served by banks or savings and loans, State-chartered credit unions were established in Maryland in 1929. Federal law enacted in 1934 provided for the creation of similar institutions to be regulated at the federal level. Credit unions are nonprofit, financial cooperatives composed of members who share a certain field of membership or common bond. Under both federal and State

law, credit unions may serve members who all share one common bond; several groups of members in which the members in each individual group share a common bond (“multiple common bond”); or members who share a geographical “community common bond.” For the benefit of their members, credit unions offer checking and savings products and loans that are similar to banks, but at a cost that is generally lower due to their nonprofit and tax exempt status.

The Office of the Commissioner of Financial Regulation (OCFR) charters, supervises, and examines all State-chartered credit unions. For a new credit union charter, a \$500 application fee is required. Credit unions with assets of \$300,000 or greater are subject to an annual assessment of \$1,000, plus \$0.08 for each \$1,000 of the assets of the institution over \$1 million.

The National Credit Union Administration, an independent federal agency, charters, supervises, and examines all federally chartered credit unions.

OCFR advises that seven Maryland-chartered credit unions would be eligible to receive deposits pursuant to the bill’s authorization. (There are 29 Maryland-chartered commercial banks that can already provide the services specified in the bill.) The Maryland-chartered credit unions, including their locations and total assets, are shown in **Exhibit 1**.

---

**Exhibit 1**  
**Maryland-chartered Credit Unions**  
**February 2020**  
**(\$ in Thousands)**

<u>Name</u>	<u>Location</u>	<u>Total Assets</u>
State Employees Credit Union of Maryland, Inc. (better known as SECU)	Linthicum	\$3,774,676
Municipal Employees Credit Union of Baltimore (better known as MECU)	Baltimore	\$1,197,660
Point Breeze Credit Union	Hunt Valley	\$773,854
HAR-CO Credit Union	Bel Air	\$189,256
Destinations Credit Union	Parkville	\$58,724
Central Credit Union of Maryland	Towson	\$38,496
Post Office Credit Union of MD, Inc.	Baltimore	\$30,941

Source: Office of the Commissioner of Financial Regulation (Maryland Department of Labor)

---

OCFR notes 77 federally chartered credit unions with branches in Maryland also would be eligible to provide the services specified in the bill.

**State Expenditures:** OCFR advises that it may need to include the authorized credit union services as part of its routine examination and supervisory activities involving State-chartered credit unions. However, because OCFR already has experience in examining the activities authorized by the bill, it can implement the bill with existing resources.

**Small Business Effect:** Three of the Maryland-chartered credit unions shown in Exhibit 1 qualify as small businesses and, to the extent that they ultimately engage in banking activities with governmental entities in accordance with the bill's authorization, they may meaningfully benefit from the bill. To the extent that any federally chartered credit unions with branches in the State qualify as small businesses, they would similarly benefit from the bill's authorization.

---

### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 975 (Senators Hershey and Kagan) - Finance.

**Information Source(s):** Carroll, Harford, Montgomery, Queen Anne's, and St. Mary's counties; Maryland Association of Counties; City of Westminster; Maryland Municipal League; Town of Leonardtown; Maryland Department of Labor; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2020  
rh/mcr

---

Analysis by: Eric F. Pierce

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510