

SB975/ HB1489

Governmental Entities - Authorization to Bank With Credit Unions

**All charts are in our written testimony as well.*



MDIDC
Credit Union Association

Engage · Influence · Impact

JOHN BRATSAKIS – PRESIDENT AND CEO, MD|DC CREDIT UNION ASSOCIATION

- There are 84 Credit Unions headquartered in the State of Maryland, serving 2.2 million members.
- The unique mission and structure of Credit Unions, and the exemption from corporate income tax, are good for the public.
- Credit Unions are chartered to serve certain communities (called a “field of membership,”) and can only serve the community in which they are chartered.
- **Credit unions become an integral part of the communities in which they serve, and the community is their sole focus.**

GOVERNMENTS SHOULD BE ABLE TO CHOOSE THEIR FINANCIAL INSTITUTION.

- Public entities have an obligation to handle the funds under their supervision wisely, and credit unions should be among their options.
- It is good public policy to allow credit unions to accept public deposits, **because it increases choice in the marketplace**, provides greater competition, and may be more convenient for the trustees of the public's money to conduct transactions.
- Banks are not excluded from any part of the financial market, so why are credit unions?

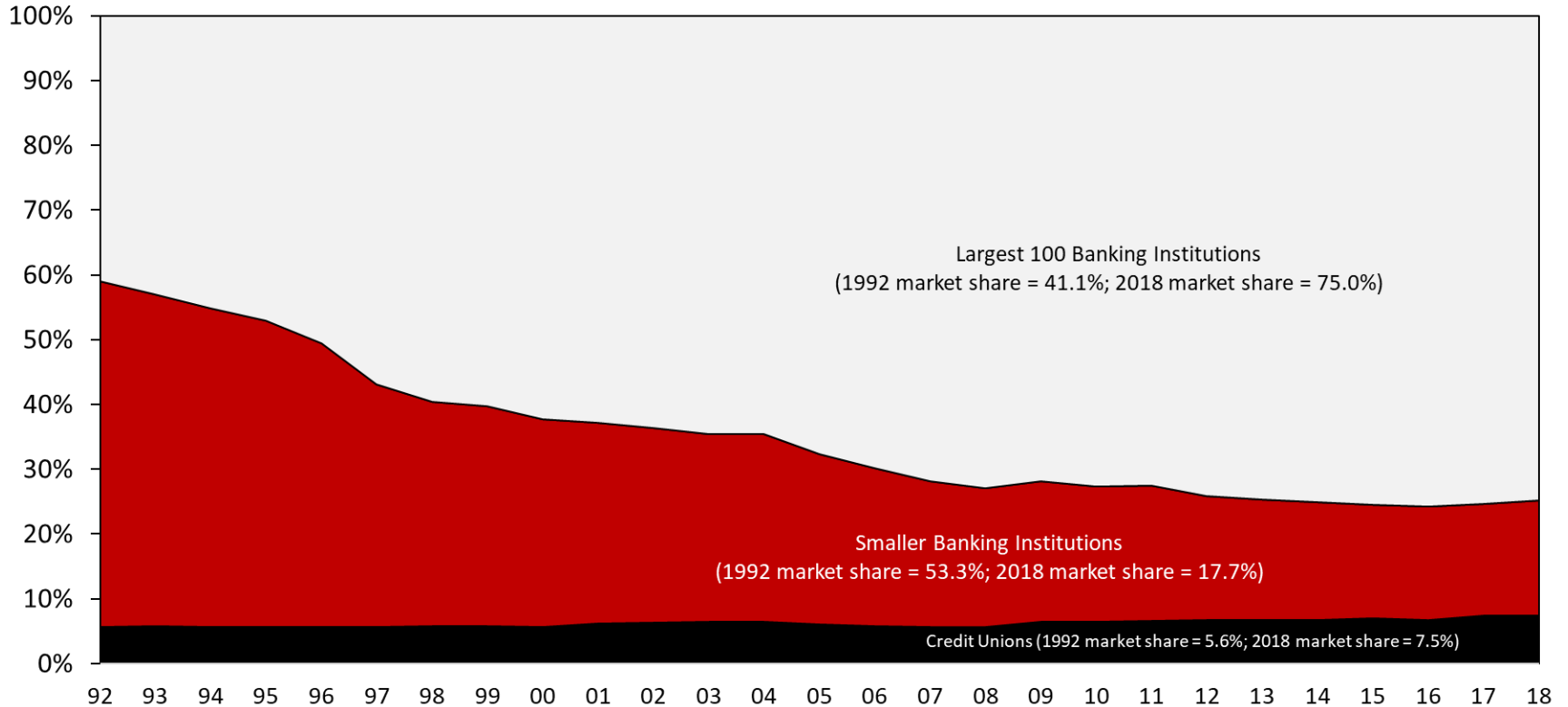
LOCAL LEADERS REQUESTED THIS BILL WHICH SHOWS AND OBVIOUS NEED IN THE COMMUNITY.

- Our member credit unions have been approached several times over the years about the possibility of accepting public funds from government entities.
- Our Association purposefully did not push to have this bill introduced. We've always felt that this bill should organically come from the government entities that want the option to use credit unions.
- **We are here to support the government entities who need this legislation.**

Big Banks Increasingly Dominate

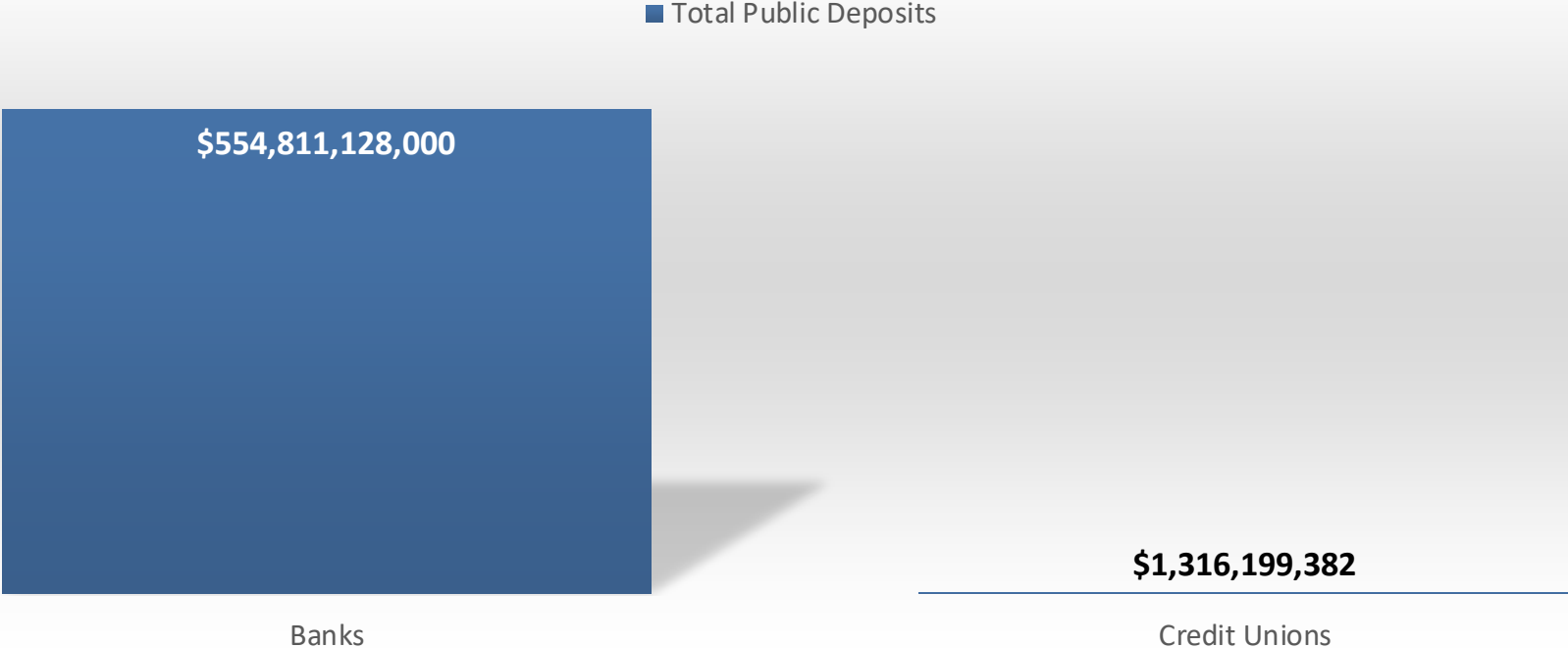
Market Share of Total Assets

Sources: FDIC, NCUA, CUNA.



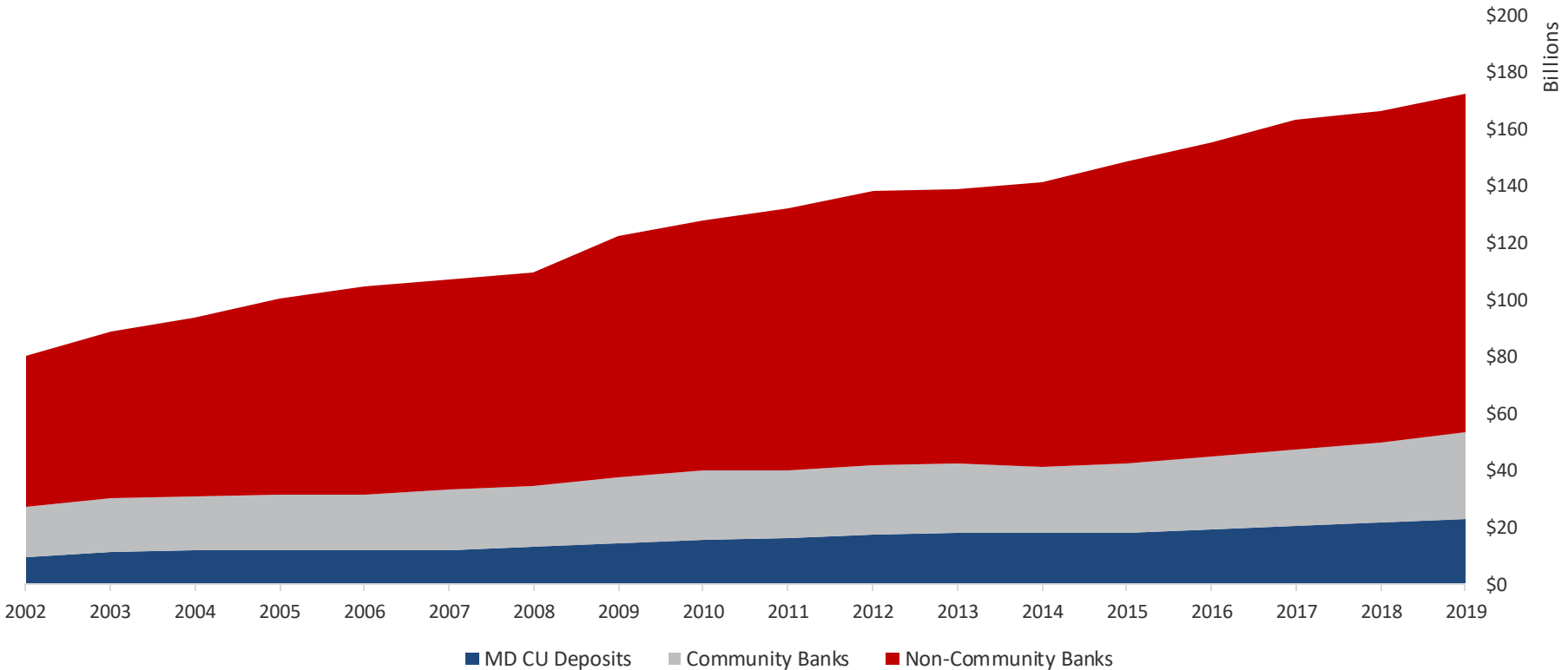
SIMILAR TO THE MARKET IN GENERAL, BANKS DOMINATE THE PUBLIC DEPOSITS MARKET AND CREDIT UNIONS HAVEN'T MADE A DENT.

Public Deposits in United States

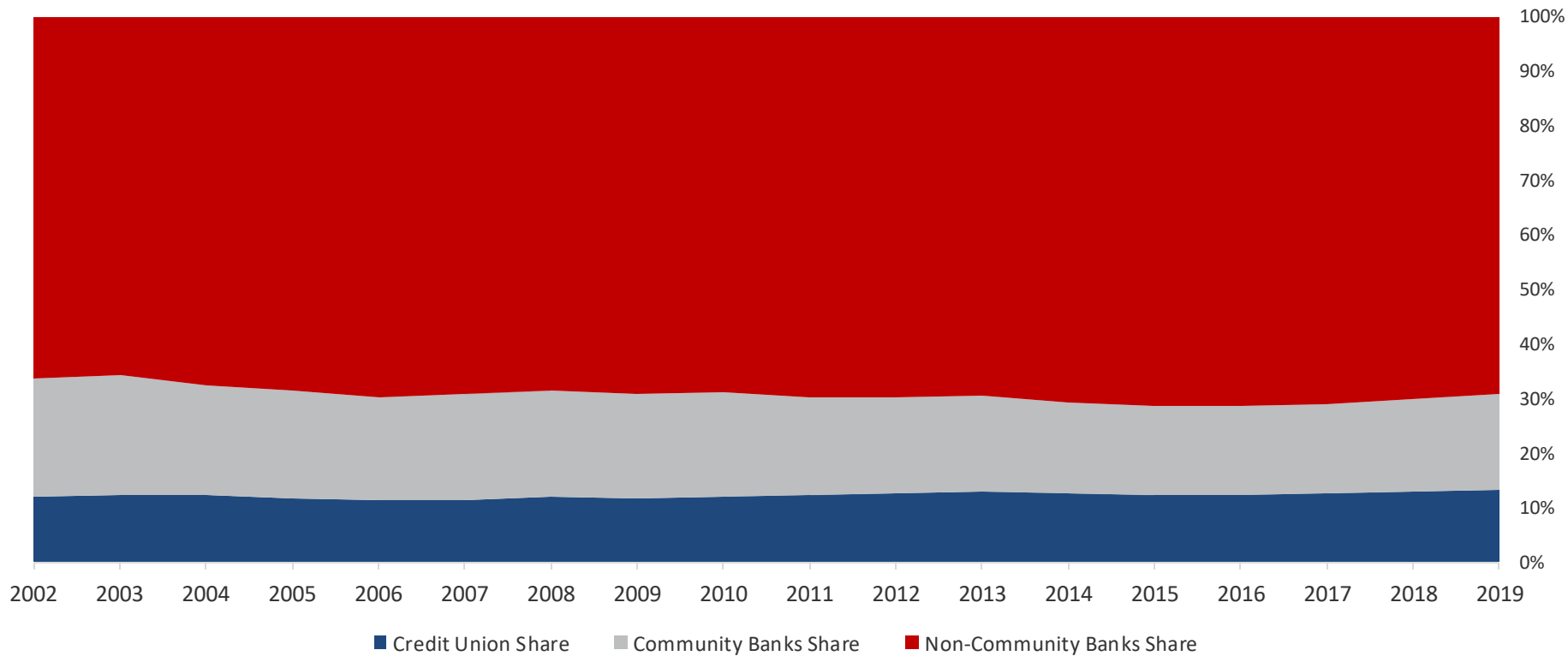


DESPITE WHAT YOU MAY HAVE HEARD, AND FOR MANY REASONS, CREDIT UNIONS ARE NOT A MAJOR THREAT TO OTHER FINANCIAL INSTITUTIONS AND THIS BILL WILL NOT CHANGE THAT FACT. CREDIT UNION ASSETS HAVE REMAINED AT THE SAME GENERAL LEVEL FOR DECADES WHILE LARGE BANKS HAVE GROWN AT AN INCREASING RATE.

Maryland Deposit Totals (\$B) of Community Banks 1994-2019



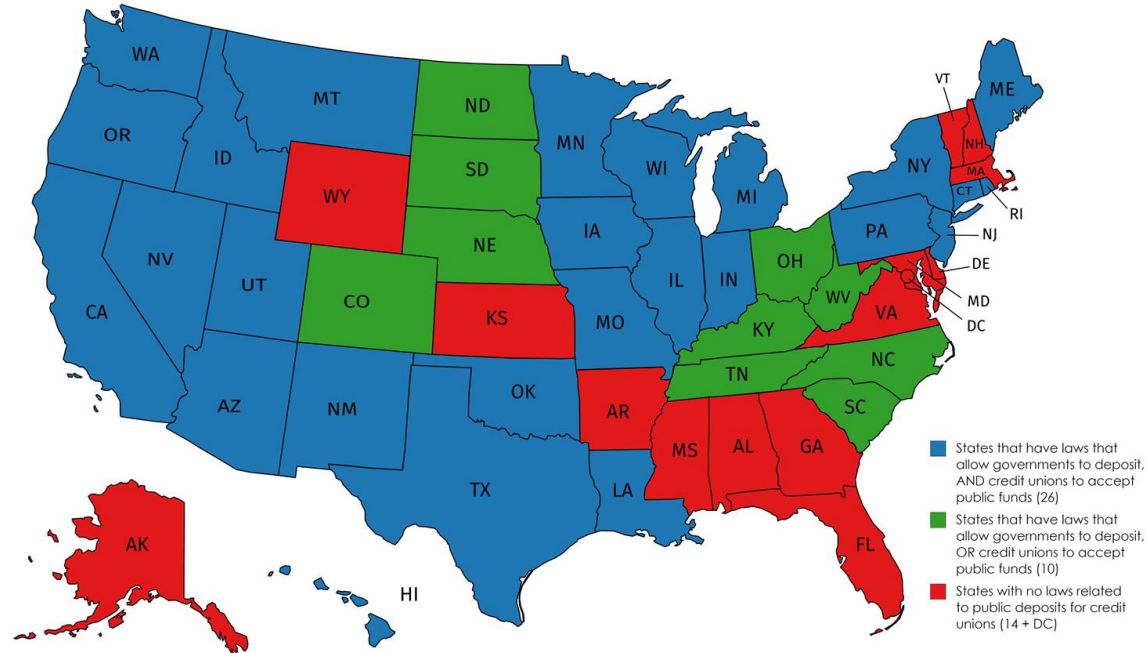
Market Share of Maryland Deposits - Community Banks 1994-2019



RORY MURRAY, VP OF ADVOCACY, MD|DC CREDIT UNION ASSOCIATION

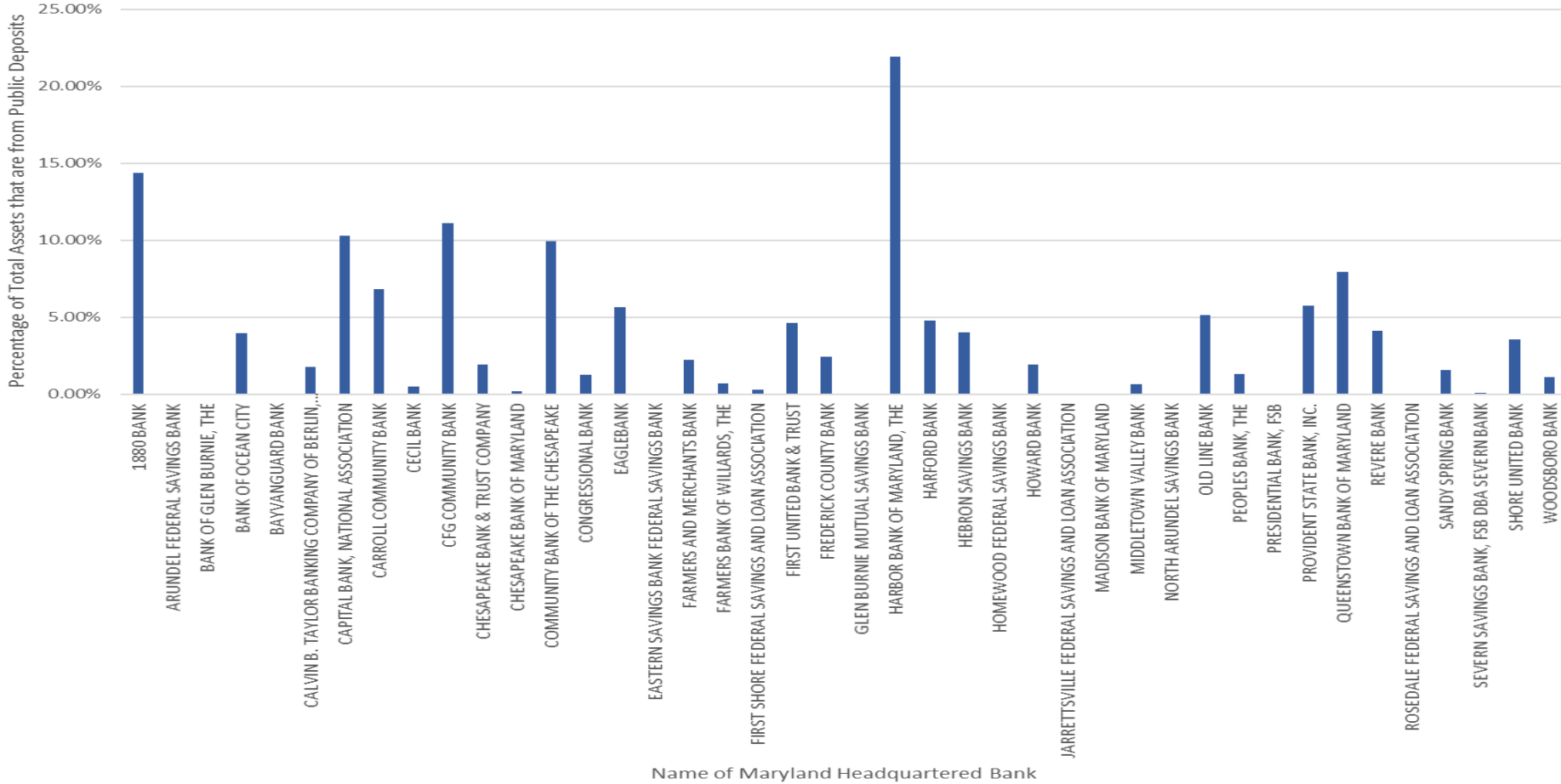
- Since their inception, Credit Unions have had the legal authority to accept public deposits. (12 U.S.C. §§1767, 1789a, 1757(17))
- Twenty-Six States have the exact same type of legislation as in this bill.
- Ten States have similar legislation meant to accomplish the same goal.
- Fourteen states have taken no action to allow credit unions to accept public deposits.
- The average percentage of public deposits in states that allow credit unions in the market (See next slide):
 - Credit Unions: 2.6%
 - Small Banks: 25.5%
 - Large Banks: 71.9%
- In Maryland, Large banks have almost 83% of public deposits and small banks have 17%. (It is reported that Credit Unions have 0.2%, which may be a statistical anomaly)

Appendix A



Percentages of Public Deposits by Institution in States That Allow Public Deposits				
State	Percentage of Public deposits in CU	Percentage of Public deposits in Small Banks (under 1 Billion)	Percentage of Public deposits in Large Banks (Over 1 Billion)	Total
Arizona	0.4%	5.0%	94.5%	99.6%
California	4.2%	5.1%	90.7%	95.8%
Colorado	0.1%	33.5%	66.4%	99.9%
Connecticut	0.3%	4.5%	95.2%	99.7%
Hawaii	0.0%	0.5%	99.4%	100.0%
Iowa	4.2%	60.1%	35.6%	95.8%
Idaho	15.9%	30.7%	53.4%	84.1%
Illinois	0.3%	32.4%	67.2%	99.7%
Indiana	5.7%	24.0%	70.3%	94.3%
Louisiana	0.1%	43.8%	56.2%	99.9%
Maine	0.8%	14.6%	84.5%	99.2%
Michigan	9.7%	44.1%	46.2%	90.3%
Minnesota	1.9%	55.1%	43.0%	98.1%
Missouri	0.1%	39.3%	60.7%	99.9%
Montana	1.4%	23.3%	75.3%	98.6%
New Jersey	0.3%	8.6%	91.2%	99.7%
Nevada	11.3%	83.6%	5.1%	88.7%
New York	0.0%	10.6%	89.4%	100.0%
Oklahoma	0.1%	45.6%	54.4%	99.9%
Oregon	4.4%	8.5%	87.2%	95.6%
Pennsylvania	0.4%	11.8%	87.7%	99.6%
Rhode Island	0.5%	0.0%	99.5%	99.5%
Texas	0.5%	30.5%	69.0%	99.5%
Utah	2.6%	11.6%	85.8%	97.4%
Washington	2.9%	7.2%	89.9%	97.1%
Wisconsin	3.0%	37.1%	60.0%	97.0%

BILL WOULD HAVE LITTLE AFFECT ON COMMUNITY BANKS IN MARYLAND. MOST COMMUNITY BANKS IN MD HAVE LITTLE OR NO PUBLIC DEPOSITS COMPARED TO TOTAL ASSETS.



Maryland Headquartered Banks

State	Name	Assets	Total Public Deposits	Percentage
MD	1880 BANK	\$377,107,000	\$54,267,000	14.39%
MD	ARUNDEL FEDERAL SAVINGS BANK	\$431,299,000	\$0	0.00%
MD	BANK OF GLEN BURNIE, THE	\$383,444,000	\$0	0.00%
MD	BANK OF OCEAN CITY	\$382,907,000	\$15,087,000	3.94%
MD	BAYVANGUARD BANK	\$297,403,000	\$0	0.00%
MD	CALVIN B. TAYLOR BANKING COMPANY OF BERLIN, MARYLAND	\$554,834,000	\$9,844,000	1.77%
MD	CAPITAL BANK, NATIONAL ASSOCIATION	\$1,274,140,000	\$130,917,000	10.27%
MD	CARROLL COMMUNITY BANK	\$185,655,000	\$12,650,000	6.81%
MD	CECIL BANK	\$174,166,000	\$829,000	0.48%
MD	CFG COMMUNITY BANK	\$1,098,060,000	\$121,889,000	11.10%
MD	CHESAPEAKE BANK & TRUST COMPANY	\$109,026,000	\$2,079,000	1.91%
MD	CHESAPEAKE BANK OF MARYLAND	\$217,605,000	\$387,000	0.18%
MD	COMMUNITY BANK OF THE CHESAPEAKE	\$1,854,310,000	\$184,543,000	9.95%
MD	CONGRESSIONAL BANK	\$1,102,140,000	\$14,099,000	1.28%
MD	EAGLEBANK	\$8,994,660,000	\$507,707,000	5.64%
MD	EASTERN SAVINGS BANK FEDERAL SAVINGS BANK	\$315,659,000	\$104,000	0.03%
MD	FARMERS AND MERCHANTS BANK	\$434,483,000	\$9,637,000	2.22%
MD	FARMERS BANK OF WILLARDS, THE	\$391,248,000	\$2,755,000	0.70%
MD	FIRST SHORE FEDERAL SAVINGS AND LOAN ASSOCIATION	\$314,868,000	\$829,000	0.26%
MD	FIRST UNITED BANK & TRUST	\$1,422,220,000	\$65,639,000	4.62%
MD	FREDERICK COUNTY BANK	\$452,142,000	\$11,054,000	2.44%
MD	GLEN BURNIE MUTUAL SAVINGS BANK	\$99,473,000	\$0	0.00%
MD	HARBOR BANK OF MARYLAND, THE	\$305,752,000	\$66,982,000	21.91%
MD	HARFORD BANK	\$389,730,000	\$18,618,000	4.78%
MD	HEBRON SAVINGS BANK	\$609,205,000	\$24,378,000	4.00%
MD	HOMEWOOD FEDERAL SAVINGS BANK	\$61,047,000	\$0	0.00%
MD	HOWARD BANK	\$2,293,100,000	\$43,496,000	1.90%
MD	JARRETTSVILLE FEDERAL SAVINGS AND LOAN ASSOCIATION	\$127,884,000	\$0	0.00%
MD	MADISON BANK OF MARYLAND	\$143,959,000	\$0	0.00%
MD	MIDDLETOWN VALLEY BANK	\$483,960,000	\$2,996,000	0.62%
MD	NORTH ARUNDEL SAVINGS BANK	\$43,471,000	\$0	0.00%
MD	OLD LINE BANK	\$3,095,360,000	\$158,628,000	5.12%
MD	PEOPLES BANK, THE	\$246,191,000	\$3,255,000	1.32%
MD	PRESIDENTIAL BANK, FSB	\$630,335,000	\$0	0.00%
MD	PROVIDENT STATE BANK, INC.	\$457,338,000	\$26,337,000	5.76%
MD	QUEENSTOWN BANK OF MARYLAND	\$473,766,000	\$37,652,000	7.95%
MD	REVERE BANK	\$2,835,190,000	\$116,485,000	4.11%
MD	ROSDALE FEDERAL SAVINGS AND LOAN ASSOCIATION	\$961,485,000	\$0	0.00%
MD	SANDY SPRING BANK	\$8,425,050,000	\$131,558,000	1.56%
MD	SEVERN SAVINGS BANK, FSB DBA SEVERN BANK	\$822,364,000	\$599,000	0.07%
MD	SHORE UNITED BANK	\$1,562,250,000	\$55,686,000	3.56%
MD	WOODSBORO BANK	\$260,317,000	\$2,868,000	1.10%

*Data Provided by the
FDIC and Callahan &
Associates

CREDIT UNIONS PUT THE COMMUNITY FIRST. PERIOD.

- This session, Maryland Department of Labor introduced two bills(SB14 & 15) that will make it easier for banks to charter and operate in Maryland.
- Both bills have the potential to increase bank competition with credit unions in Maryland.
- We asked DOL what the impetus behind these bills was and were told that some communities have expressed the need for more banking options (i.e. banking deserts are prevalent in many communities *keep in mind that bank profits are at record highs).
- **The community requested help, and for this reason only, we did not oppose these bills.**

SCOTT WEAVER – CHIEF LENDING OFFICER – ABERDEEN PROVING GROUND FEDERAL CREDIT UNION

- APGFCU is a community-chartered credit union serving Harford and Cecil counties.
- We have 15 full-service branches plus a student-run high school branch, which underscores our commitment to financial education.
- In 2019 alone, we reached 13,000 participants through our financial education efforts, and gave approximately \$330,000 back to our community in the form of donations, sponsorships and scholarships.
- We are a major employer in the area with over 330 employees.

*Picture: \$50,000 donation to Cecil College



COMMUNITY ENGAGEMENT

- Chesapeake City approached us because the only bank remaining in town closed its doors.
- While others determined it was not profitable to be there, we saw opportunity in giving Chesapeake City and surrounding communities a local choice.
- When the Town of Chesapeake City itself wanted to open an account, we had to turn them away because in Maryland, credit unions are excluded from the list of institutions permitted to accept local government deposits.
- The town of North East in Cecil County, as well as the cities of Aberdeen and Havre de Grace and town of Bel Air in Harford County, have expressed interest in opening accounts with APGFCU.
- We would gladly serve them, if it were permitted to by law.
- *Picture: \$27,000 donation to Harford Comm. College



DAVID WOODRUFF – PRESIDENT AND CEO – APL FCU

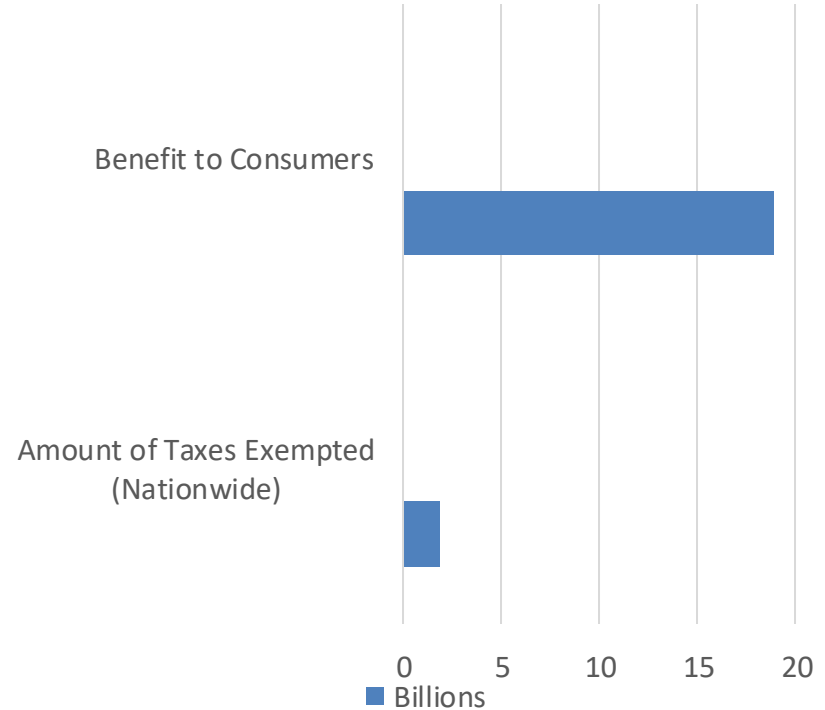
- APL FCU has a community charter serving anyone who lives, works, attends school, or regularly conducts business in Howard County. We often just say, we serve “all of Howard County.”
- We were started by employees of the Applied Physics Lab in Laurel, MD who remain our core base of members.
- We have 24,704 members and 53 employees and 3 branch offices in Howard County.
- Governed by a volunteer Board of nine directors and five Supervisory Committee volunteers.
- Every year we conduct a food drive, a toy drive and a community “shred day” for free shredding of sensitive documents for the community.



* Picture: On President's Day our entire staff spent the afternoon completing 23 blankets for Project Linus to deliver to kids at local hospitals and shelters.

THE CREDIT UNION (PARTIAL) TAX EXEMPTION

- Credit unions are exempt from Federal and most State **income taxes** because they are
 - Member-owned
 - Democratically operated
 - **Not-for-profit (501(c))** financial cooperatives
 - With the specified mission of promoting thrift and providing access to credit for provident purposes.
- Cost of the exemption (2018) - \$1.8 Billion.
Benefit to the Consumers - \$18.9 Billion.
 - Credit union members see this benefit in terms of lower rates on loans, lower fees on services, and higher returns on deposits. Non-members benefit as well because credit union competition helps keep bank savings rates higher and loan prices lower. Imagine how expensive other lenders would make credit cards or auto loans, if credit union competition did not exist!



TAX EXEMPTION BENEFITS GO DIRECTLY TO CREDIT UNION MEMBERS.

Maryland Credit Union and Banking Institution

September 2019 Average Interest Rates and Fees

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	3.24	4.89	-1.65
48-month used car (A paper)	3.33	5.23	-1.91
Unsecured loan (A paper)	9.08	10.59	-1.51
5-year adjustable rate 1st mortgage, 0 pts	3.53	3.97	-0.44
15-year fixed rate 1st mortgage, 0 pts	3.45	3.70	-0.25
30-year fixed rate 1st mortgage, 0 pts	3.98	4.09	-0.12
Home equity / 2nd mtg, 80% LTV 0 pts	5.06	5.82	-0.76
Credit card - rewards	10.83	14.34	-3.51
Credit card - platinum	10.17	13.03	-2.85
Savings Products			
Regular savings, \$1,000 balance	0.20	0.13	0.07
Share draft checking, \$5,000 balance	0.21	0.08	0.14
Money market accounts	0.42	0.18	0.24
1 Year certificate \$10,000 balance	1.70	1.02	0.68
Retirement (IRA) accounts	1.06	0.60	0.46
Fee Income			
Share draft checking, NSF fee	\$28.00	\$34.89	-\$6.89
Credit cards, late fee	\$24.56	\$34.18	-\$9.62
Mortgages, closing costs	\$1,151.00	\$1,361.00	-\$210.00

JOHN HAMILTON – PRESIDENT AND CEO – MECU OF BALTIMORE

- Founded in 1936, MECU of Baltimore (MECU) is a community-chartered credit union serving Baltimore City and Baltimore County.
- 10 full-service branch locations and approximately 110,000 members. MECU currently employs about 350 employees.
- MECU is designated both a CDFI and a low-income credit union. Both designations are given to organizations that demonstrate their commitment and dedication to serving low to moderate income consumers and distressed communities.



SERVING THE BALTIMORE COMMUNITY

- Having access to public deposits will allow MECU to continue to expand our service to Baltimore, including our 100% dedication to delivering responsible, affordable lending to help low income communities to join the economic mainstream.
- In addition to offering highly competitive lending and savings rates, MECU gives a percentage of its profits back to its members each year in the form of bonus rewards and loan interest rate rebates. The amount given back to our members in the form of these rewards has reached approximately \$100,000,000.



GIVING BACK TO THE COMMUNITY IS CORE TO OUR MISSION

- MECU and the MECU Foundation have routinely donated in excess of \$300,000 towards scholarships and education, jobs programs for inner city youth, community grants, and other worthwhile community initiatives.
- Each year our employees volunteer in excess of 3500 hours in the community.



FINAL NOTES:

- The Maryland Municipal League and Maryland Mayor's Association are in support of this bill.
- MaCo has taken no formal position but has no problem with this bill passing.
- The Maryland Department of Labor has taken no formal position but has no problem with this bill passing.