



MD|DC Credit Union Association

Delegate Kriselda Valderrama
231 Taylor House Office Building
Annapolis, Maryland 21401

Re: HB1049 - Credit Unions - Mergers and Consolidations - Alteration of Voting Requirement
Organization – MD|DC Credit Union Association
Position - Support

The MD|DC Credit Union Association, on behalf of the 65 Credit Unions and their 2.3 million members that we represent in the State of Maryland, appreciates the opportunity to testify in support of this legislation. Credit Unions are member-owned, not-for-profit financial cooperatives that prioritize the financial well-being of their members.

Purpose of the bill

This bill makes a narrow, technical change to bring Maryland’s state-chartered credit union merger process into alignment with the Federal Credit Union Act. Under federal law, only the members of the *merging* credit union are required to vote on a proposed merger. Under current Maryland law, both the merging credit union and the surviving credit union must obtain member approval before a merger may be completed. The bill simply conforms Maryland statute so that only the members of the merging state-chartered credit union vote on a merger, unless the Commissioner provides otherwise.

Why change is needed

- The extra Maryland vote adds several months to the merger timeline and meaningfully increases legal, mailing, and meeting costs, particularly for small institutions that are already resource constrained.
- There are only seven Maryland state-chartered credit unions, compared with roughly 60 federally chartered credit unions operating in the state. This disparity means that a very small number of institutions, and their members, face a more burdensome and less competitive process than their federal peers for the same type of transaction.
- In practice, members of the surviving credit union are not being asked to take on new risk; they are simply continuing as members of the same institution with the same charter, and their interests are already represented through the existing board approval, safety-and-soundness review by the Commissioner, and the detailed plan of merger that must be submitted.

What the bill does

- Retains all existing safeguards, including:
 - Requirement that a majority of the board of each credit union approve the plan of merger.



- Detailed plan of merger specifying the surviving institution's field of membership and other key terms.
- The Commissioner's existing authority to waive member votes or substitute another reasonable method of determining member approval when appropriate.
- Clarifies that:
 - Member approval is required only from *the merging* credit union's members, by majority of those who vote.

Benefits for consumers and the system

- **Member protection remains strong:** Members of the merging credit union retain a direct vote on whether to approve the merger, and the Commissioner continues to oversee the transaction to ensure safety, soundness, and fairness.
- **Lower cost and delay:** Eliminating the redundant vote at the surviving credit union reduces postage, meeting, and legal expenses that ultimately come out of members' pockets, and shortens the time it takes to complete a merger when a struggling institution needs a stronger partner.
- **Charter parity and competitive neutrality:** Aligning Maryland's statute with the Federal Credit Union Act gives state-chartered credit unions the same merger framework as their federal counterparts, reducing the incentive to abandon the state charter solely because of procedural hurdles. This supports a healthy dual-chartering system and preserves state oversight and innovation.

Conclusion

For these reasons, the MD|DC Credit Union Association respectfully urges a favorable report on this legislation. This is a modest, pro-consumer, pro-safety-and-soundness change that preserves member voting rights where they matter most, at the merging institution, while removing unnecessary costs and delays that only a handful of Maryland-chartered credit unions currently bear.

Please do not hesitate to contact me at 443-325-0774 or jbratsakis@mddccua.org, should you have any questions. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "John Bratsakis". The signature is fluid and cursive, with the first name "John" being the most prominent part.

John Bratsakis
President/CEO
MD|DC Credit Union Association