

## **Introduction and Comments - SB 2266 by Senator Erbele**

### **Rep. Louser and members of the IBL committee**

I was asked by the ND state chartered credit unions to sponsor SB 2266.

To highlight a few of the proposed changes, SB 2266 would amend North Dakota Century Code at 6-06-07, Membership in credit union. This bill seeks to revise subsection 2 to clarify that a credit union can be made up of one or more groups having a common bond of occupation or association, or groups in a geographic area.

SB 2266 would allow individuals working or attending school within the geographic Field Of Membership (FOM) to join the credit union, in addition to the existing provision of "residing."

Currently, state chartered credit unions are limited to a 75 mile radius from the home office. Under SB 2266, state chartered credit unions would be able to apply for an expansion up to 125 mile radius of any office of the credit union.

#### **Point #1**

Today, North Dakota state chartered credit unions are disadvantaged in comparison to how federally chartered credit unions can operate. If North Dakota Credit Unions converted to federally chartered institutions, they could expand their Field of Membership to include the whole state.

#### **Point #2**

North Dakota credit unions want to preserve the State-Charter system and maintain local oversight from the North Dakota Department of Financial Institutions.

#### **Point #3**

As noted above, SB 2266 would expand the radius to allow credit unions to serve more rural communities and banking deserts. To remain viable, stabilize their asset base and diversify their loan portfolio, small credit unions need to be able to expand their FOM. Rural credit unions operating in dwindling population centers need to be able to expand for safety and soundness.

#### **Point #4**

Expanding the Field of Membership for North Dakota state chartered credit unions to include individuals that work or attend school in the geographic area, in addition to residing, will allow the credit union to have similarity with federally chartered credit unions. More importantly, more North Dakotans will have financial service options to choose from, especially in our rural underserved communities.

**Please note** – this bill creates the pathway for FOM expansion; individual credit unions would still need to apply for FOM expansion to the ND State Credit Union Board and such application would be open for comment from other financial institutions, including banks and other credit unions. The criteria for being granted an expanded FOM is addressed in state administrative rules.

Jeff Olson from the Dakota Credit Union will provide some more background and specifics on why this modernization of our credit union statute is necessary.