

**Testimony in Regard to
Senate Bill No. 2266**

Thank you for the opportunity to speak in favor of Senate Bill 2266 today. My name is Bob Herrington President/CEO for North Star Community Credit Union. I am excited to finally see a bill introduced to modernize the State's field of membership (FOM) requirements. The current FOM requirements are some of the most restrictive in the nation and serve only to limit our ability to provide affordable financial solutions to more ND citizens.

North Star Community Credit Union (NSCCU) is a member owned financial cooperative that was first chartered in 1940 as Benson County Community Credit Union in Maddock, ND. We, like many credit unions started in the aftermath of The Great Depression. A time when the average American did not have access to affordable financial services. Traditional financial institutions were either not interested in serving the average American or were not trusted by the average American. This led to the Federal Credit Union Act of 1934. The purpose of the law was "to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States".

It has been argued by some that credit unions are less regulated than banks because the Community Reinvestment Act of 1977(CRA) does not apply to them. CRA was enacted "to encourage financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income neighborhoods." Credit Unions were not included because we were already doing those things and didn't need to be forced into serving our members or communities.

The attached chart and field of membership verbiage from neighboring states clearly highlights the reason credit unions in those states have added members significantly faster than ND. These other states have codified a much more general "well defined" language and then allowed state regulators to regulate the industry and approve FOM expansion based more on the safety and soundness of the requesting credit union. Compared to North Dakota where the Century Code has been weaponized to limit competition and deny ND citizens expanded access to financial services.

There have been other visual aides circulated that show that credit unions cover the majority of the state and therefore don't need an expanded FOM. This assumes that potential members are willing to drive 75 miles to a credit union branch. Does that sound reasonable? It also assumes that all credit unions are the same, but we are not. Credit unions have different specialties and even risk tolerances just like banks do and one credit union might be a better fit for someone than another. ND residents can choose from dozens of local and regional banks, so why limit them to only a few credit unions?

For the past 83 years North Star has served its membership and their communities by providing affordable loan, and deposit products. In 2022 we originated \$185MM in Agricultural, Small Business and Consumer loans. We have expanded to many ND communities of all sizes and continue to serve communities with populations as small as 69 people (Butte ND). Towns like Butte and Willow City would not have local financial services without North Star. In 2002 we established a branch in Bottineau ND and were granted a 50-mile FOM around that new branch. We would not be able to do that under current FOM requirements. Today that branch serves 3100 members and originated over \$16MM in consumer loans in 2022. Many of these are small balance loans that some financial institutions simply won't do. Who would serve those ND residents if we had not been allowed to expand in 2002?

I am not here today to convince you to join a credit union, although you really should. Whether or not a credit union is right for you is an individual decision. But I am here to ask you to advance the bill so that hopefully more people can make the decision for themselves.

This bill is about allowing State chartered credit unions like North Star to have more flexibility to serve the fine citizens of ND and offer more of them affordable financial services daily.

This bill is about allowing more ND citizens the option to choose from more financial services options.

This bill is about maintaining a strong State chartering system by closing the gap between the North Dakota requirements and those of federal credit unions regulated by the NCUA. Some have asked, "why not just convert to a federal charter?" North Star is proud of our State and its chartering system. We believe that local governance is always better than federal governance. However, we also need the flexibility to expand and grow. Without modernization of the current FOM requirements, North Star and many other credit unions will have to strongly consider converting to a federal charter.

This bill is about competing on a more level playing field with banks and federally chartered credit unions. To those that oppose this bill based on the competition it creates I say:

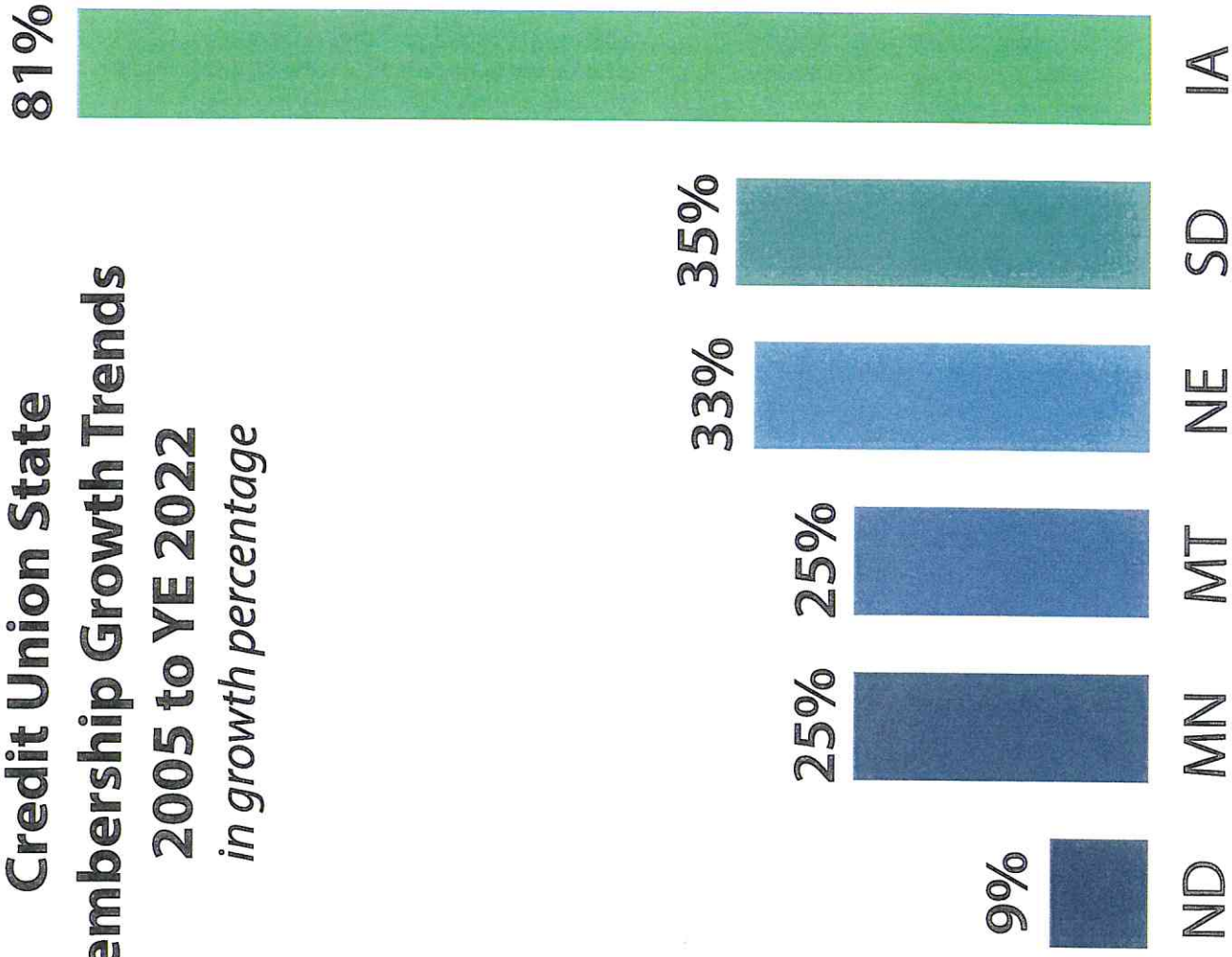
- Serve your customers and a credit union won't have to.
- Invest in your communities and a credit union won't have to.
- Provide easy access to affordable financial services and a credit union won't have to.

Thank you for your time today. I respectfully request this committee vote do pass on SB 2266.

Respectfully,

Bob Herrington CEO
North Star Community Credit Union

Credit Union State Membership Growth Trends 2005 to YE 2022 *in growth percentage*



*Data compiled by the Credit Union National Association
& The National Credit Union Administration*

Minnesota

Credit union organizations shall be limited to persons within one or more groups or any combination of groups having a common bond of occupation, association, or community.

"Community" means an identifiable local neighborhood, community, rural district, or other geographically well-defined area in which individuals have common interests or interact. "Well-defined" means the proposed area has specific geographic boundaries, including a school district, city, township, county, or clearly identifiable neighborhood, but does not include the state as a whole.

includes live or work - Field of membership amendments, that parallel those allowed federal credit unions, are permitted based on parity provisions of Minnesota Statutes, Section 52.04, subd. 3 and membership qualification provisions of 53.05, subd.

Montana

Groups within a well-defined neighborhood, community, or rural district

Nebraska

Credit union organization shall be limited to groups of both large and small membership having a common bond of occupation or association, including religious, social, or educational groups, employees of a common employer, or members of a fraternal, religious, labor, farm, or educational organization and the members of the immediate families of such persons.

Iowa

Residence within specified geographic boundaries - Community common bond shall be based on residence, employment or principal place of business in a specific geographic boundary - bylaw - "persons who reside in or who work for an entity in"

A clearly defined description of the area to be served, i.e., the geographical boundaries, which is recognized as a distinct "community." Normally, the area will be a singular or contiguous community, i.e., city(ies), county(ies), with common borders. When an area requested is not contiguously located, a credit union may be required to demonstrate the need and ability to provide services to this area, and to document, after receiving approval, that the service being provided the community is supported by the residents and employees of the area.