

- History of Town & Country Credit Union
 - Chartered in 1939 during the great depression
 - The issue was banks were not lending to farmers as the times were that bad.
 - So area farmers in ward county pooled their money and resources together, started a credit union and began lending to other farms
 - We were chartered to do agricultural/business loans when banks would not extend capital
 - This is a story we are proud of still today and it is important story of how we were chartered. Our credit union is still providing these same services
 - For Credit Unions in ND to expand we are forced by statute to Merge.
 - Town and Country Credit Union has since expanded into Kenmare/Fargo Market, unfortunately due to the current statute we had to merge with credit unions in these markets. In the process eliminating CUs rather than adding competition.

- Safety and Soundness Issues – by Limiting CU ability to expand in itself poses a safety and soundness concern
 - An agricultural CU that operates a small area in the center of the state may be exposed to drought, hail, which jeopardizes crops or snow storms that jeopardizes livestock. These credit unions are at risk of experiencing losses and experiencing poor credit quality. However if this CU had branches elsewhere in another area of the state, this would eliminate risk in the portfolio by having assets/loans being diversified geographically
 - The same can be said about a consumer based credit union in western ND where a strong economic presence is energy. The Energy sector employs many people in that industry. That industry can be volatile. Should the energy sector contract, peoples employment is at risk, the institutions consumer loans are at risk. However if they were diversified in other areas of the state, they could offset this risk.
 - Many banks in Western ND have branched out across the state, however credit unions by statute cannot.
 - Limiting CU's Field of Membership is a safety and soundness concern as we cannot diversify our loans/assets to other areas.

- Taxation
 - Yes CUs are not taxed, however a majority of ND Banks have tax loophole of their own
 - Majority of bank in ND file Subchapter S – they do not pay corporate income tax.
 - Their owners who profit from the bank pay tax individually on earnings from the bank.
 - CUs in ND have no problem with them filing this way or paying taxes this way we support their S-corp status
 - What do we do with our tax savings, give it right back to our owners who are our members. How do we give it back to them, via higher deposit rates or lower loan rates.
 - On the DFI's website they have financial performance of state chartered CU's and Banks
 - I looked up the net interest margin difference between banks and CUs. The difference happens to be 76bp. CU's are paying ¾% higher on deposits or ¾% lower on loan rates to farmers, consumer, and businesses. We pay it back to our members. Very similar to farm credit services Pat-Now program.

- Other Coops, Do we restrict other Coops in the state?
 - No, State statute does not restrict other Cooperatives from expanding across the state
 - Farm Credit Services is a coop very similar to CU's, we lend to farmers, they lend to farmers; the state does not restrict their growth.
 - Local Grain Elevators – do we stop grain elevators from expanding
 - Gas Stations, Electrical Coops, telephone Coops; the list goes on
 - We support all of these cooperatives continued growth

- State Charter VS Federal Charter
 - Yes we could flip to a federal charter but why would the state want us to.
 - In North Dakota and throughout the Midwest we believe in State rights.
 - We believe that the state, not the federal government has the right to regulate commerce.
 - Why would we want to turn the power over to Federal government to write rules and regulations on how to lend in North Dakota.
 - Credit Unions in ND like working with our local Department of Financial Institutions.
 - They understand agriculture and energy.
 - Recently our insurer NCUA came out with a strategic plan that included Climate change initiatives to farmers and ESG on energy. They were discouraging borrowing to these two industries.
 - We immediately snapped into action calling on DFI, AG Commissioner, and the governor. Collaboratively between us we were able to squash this initiative. This is the power of being state chartered, had we been federally chartered it may not turned out this way

- Closing
 - As a republican myself I feel State imposed restrictions on any business are anti-capitalistic
 - We need to allow markets to act competitively
 - The current statute is archaic and outdated and for these reasons I would urge your support on SB 2266