



**Date:** January 22, 2020

**To:** Chairman Olson and Members of the Committee

**From:** Joe Deneke, Farmway Credit Union

**Re:** Opposition to Senate Bill 259

Good afternoon. Thank you for allowing me to testify in opposition to Senate Bill 259. My name is Joe Deneke. I am president of Farmway Credit Union in Beloit. Our credit union is owned by families and farmers in the North Central Kansas. We serve Kansans in the following counties: Clay, Cloud, Dickinson, Ellis, Ellsworth, Jewell, Lincoln, Mitchell, Osborne, Ottawa, Phillips, Republic, Rooks, Russell, Saline, Smith and Washington.

Being located in an agricultural community, the bulk of our work is helping farmers and ranchers access affordable financial services. That's what we were founded to do. In December of 1950, a small group of Kansans in our part of the state pooled their resources to start our credit union. Their reason was the same reason most credit unions in this state were formed: because local banks refused to lend to working families and small-scale farmers. These folks knew that if the banks weren't willing, they had to find a way to take care of their own.

Our credit union's founders were employees of Farmway Co-op, so they knew and understood the concept of not-for-profit cooperatives. As an agricultural state, Kansas has long valued the right of individuals to come together and pool their resources to form cooperatives like our credit union, our ag coops and our rural electric coops. It's a concept of "neighbors helping neighbors" that Kansans like me, and my members, hold dear.

### **This is not about ag.**

The reality is, this is not about ag. This is about competition over commercial loans in big cities. The ag loans we write are not of much consequence to the banks. Here's why:

- ***The average ag loan originated this year by a Kansas credit union is \$26,377***, hardly a loan size that we've seen banks take an interest in.
- ***Most of our ag loans are not full-time farmers and ranchers.*** These are people who help keep our local economy moving, but who aren't profitable enough for the banks.
- ***Banks continue to see profitability in ag communities.*** Our community of 3,800 people had three banks and our credit union until a few years ago when another out-of-town bank came in. They saw enough opportunity for profitability in our small town to make the business decision to build a new bank here. That tells me there's plenty to go around.

### **This is not about rates.**

The banks will tell you that not-for-profit lenders – like credit unions - have some type of unfair advantage

or preferential treatment in the ag market. If that were true, wouldn't credit unions have the bulk of the market share instead of hovering around 1%? But, we don't and we never have.

As a member-owned financial coop, we have to balance our risks and our costs while still protecting our members' capital since we do not have the ability to raise outside capital like the banks do. Sometimes our rates are better, sometimes they aren't. What we do is provide the best rate for our members that we possibly can, without a middle man in between trying to make money off the farmers. Banks already have the ability to lower their rates for farmers, but because of their for-profit structure, they opt not to.

Here's what we hear most from our members when it comes to rates: They like us because everyone gets our best price. They don't have to have a certain last name or come from money. They don't have to have a certain size farm to feel appreciated. They don't have to bring a perfect credit score to the table. We're there to do what we've always done - offer a not-for-profit alternative for people who haven't been treated right by their bank or haven't been able to get the lending they need to protect their farms & their families.

Often, it's not about rates. Members tell us time and time again that it's about wanting someone who will listen to them, understand their situation and be as flexibility as possible to make it work. That's what we do. Here are a couple of examples:

- *Alan and his family have farmed in our area for many years. He was struggling to make the payments at the bank – he was good for it, but the bank required everything to come due first of the year instead of following the crop structure. Alan tried to get the loan restructured to coincide with the farming cycle, but the bank wasn't willing to do that. Paying his bills on time is important to Alan, so he came to us. We structured the loan to meet his needs and Alan hasn't missed a payment.*
- *Travis works full-time in town, and runs a small family farm on the side. He came in needing a different tractor. The loan amount was small, under \$50,000. Add to it, Travis and his family have faced some financial hardships along the way and, because of that, he is rebuilding from so-so credit – not a loan the banks are clamoring to provide.*

## **Is this an issue at all?**

Alan and Travis' stories are the types of ag loans the banks have brought us here to squabble about – small dollar loans that account for less than 1% of the market but that matter 100% to the people we serve. I don't understand why.

The banks didn't want these loans back when local farmers started our credit unions and they don't want these loans now. Quite frankly, the reason Kansans created not-for-profit options, like credit unions, was because banks weren't willing to provide the ag community with a fair deal. If we're squeezed out the market, who will ensure that farmers and ranchers can get credit and can get it a fair price?

Senate Bill 259 would give not-for-profit tax status to for-profit banks - without any promise that consumers will see lower rates or that the banks will provide fair service on the small dollar, less-than-perfect credit score ag loans we service as part of our mission at the credit union. It seems to me this is more about trying to get rid of us altogether by creating a double standard that favors the banks while retaining outdated market restrictions on credit unions that keep us from being able to serve more Kansans who need us.

Thank you for the chance to speak today. On behalf of the 7,711 members who own Farmway Credit Union and pay their fair share of taxes, we ask you to vote no on SB 259.