

Date: January 22, 2020

To: Chairman Robert Olson  
Senate Financial Institutions & Insurance Committee

From: Eileen Phelps, Chief Operations Officer  
Credit Union of America

Re: Opposition to Senate Bill 259

Thank you for the opportunity to express our opposition to Senate Bill 259. As a not-for-profit financial cooperative, we believe strongly in consumer choice and in ensuring our members continue to have a not-for-profit option in the financial services market.

### Financial Institutions Have a Choice: Taxation Is Determined by That Choice

Just like consumers have a choice, financial institutions have a choice as well. Financial institutions may freely choose their corporate structure by operating as:

- 1) A for-profit corporation, which banks have opted to be; or
- 2) A not-for-profit cooperative, which credit unions are

Taxation is determined by the corporate structure the financial institution chooses – not by the services offered, not by the size of the institution, not by the type of advertising they do. Every institution operating in the market today has the option to decide which corporate structure best meets their goals and their purpose.

But, corporate structure goes well beyond taxation. It goes to the heart of how the institution operates. To this point, for-profit financial institutions and not-for-profit financial cooperatives are uniquely different in their operations and their overall purpose. Chief among those differences:

- A paid board that benefits from the bank's profits vs an unpaid board with no more financial stake in the profits than any other member of the credit union
- A mission to generate profits for the bank's stockholders vs a mission to generate savings and return profits to the consumers who belong to the credit union

### What It Really Means to Be Not-for-Profit

Every financial institution in the state can take credit for giving back to their communities, whether that's through sponsoring new uniforms for the high school marching band, underwriting an historic building project, or buying the prize pig at the county fair. But, that's not what makes a financial institution a not-for-profit. That's being a good citizen and community partner.

Being a not-for-profit financial institution goes much deeper than that.

- First and foremost, being not-for-profit requires returning the institution's profits to the local consumers instead of outside stockholders.
- It requires being governed locally by your members with each member having an equal vote instead of being governed by outside stockholders with a handful controlling the majority vote.
- And, it requires operating under a mission of "people helping people."

For credit unions like Credit Union of America, that mission is woven into everything we do. Let me share a couple stories about what I mean:

- **Ann is a long-time credit union member and retired teacher.** When her husband became ill in 2013, their medical expenses skyrocketed and it became difficult for them to keep up. Our credit union worked with them to do a structured repayment so they could continue to meet all their obligations and stay in their home. When Ann's husband passed away in 2017, she became overwhelmed with managing the household finances on her own and adapting to the loss of her husband's income. He had always handled the family's financial affairs. When Ann came in to meet with CUA's financial counselor, she was two years delinquent on her property taxes, was accumulating credit card debt, and facing IRS obligations.

We worked with Ann to create a spending plan and budget that allowed her a surplus of \$100 per month, and helped her complete a workout on her mortgage. Today, Ann has paid off her credit card debt, satisfied her IRS obligations and has been able to keep a positive balance in her checking account. Ann says the credit union's willingness to coach her brought her relief and hope, giving her the confidence she needed to manage her finances.

- **Chris has been a health care worker and a credit union member for 15 years.** When a local hospital was sold, Chris' job changed from hourly to salaried, resulting in significantly less take-home pay for their family. Trying to adapt to the change in income, Chris had acquired \$35,000 in credit card debt and taken out multiple high-interest predatory loans. He attempted to get their family's debt under control by seeking the help of a debt settlement company. After making five payments of \$1,000 per month, Chris learned that the company had not been settling any of his debts and his credit rating had plummeted. He came into Credit Union of America to obtain a lien release from a recently paid-off vehicle so he could take out another high-interest predatory loan to get by. Instead, we referred him to one of our financial counselors. On top of the credit card debt and \$5,000 lost to the debt settlement company, Chris was on the hook for \$800 per month in predatory loan interest fees and had pretty much given up.

CUA's financial counselor worked with Chris to create a spending plan, but the plan still reflected a deficit of \$150 per month, so we also referred him to GreenPath Financial Wellness (a not-for-profit service our credit union makes available to all of our members). They structured a debt management plan with Chris in such a way that he and his family could pay their bills and have \$1,443 in surplus each month. That includes an estimated monthly payment of \$750 sent to GreenPath, which uses those funds to handle his credit card and predatory loan obligations. Chris can now meet his monthly obligations plus save for emergencies. By providing him with access

to GreenPath, he will save over \$54,000 in interest fees over the next three years compared to what he would have paid by continuing the cycle of credit card and predatory loan debt.

## Reducing the Need for Government Intervention

Credit Union of America, just like other credit unions in the state, make financial counseling and financial literacy a priority. We know that, when families – like Ann and Chris’ families - are informed about their finances, they are empowered to make good decisions. In addition to the financial counseling and assistance we offer in our branches, we partner with Greenpath Financial Wellness to provide our members with free housing, budgeting and debt management advice.

Last year alone, more than 2,850 families in the Wichita and Great Bend area utilized our GreenPath partnership to get a handle on their personal finances, ultimately reducing the need for government intervention. That utilization included:

- Debt Management = 2,471
- Budgeting = 126
- Credit Reports = 104
- Education Materials = 69
- Housing Issues = 52
- Investments = 22
- Bankruptcy Issues = 9
- Collections Issues = 5

And, we’re just one credit union. Add to that tens of thousands more families across the state who are being helped in similar ways by credit unions across the state.

Again, I ask the committee to consider that financial institutions already have a choice on taxation. Taxation is determined by the corporate structure they choose.

Senate Bill 259 – just like SB 238 that the Interim Committee made no recommendation to advance this past fall - would allow for-profit financial institutions to take advantage of a not-for-profit tax exemption without having to operate as a not-for-profit. This would unlevel the playing field, giving banks an even greater upper-hand when they already control 99% of the commercial market.

We respectfully ask the committee to reject SB 259.