Statement of the Massachusetts Bankers Association
in Opposition to
House 1138 and Senate 821
Acts allowing for fair compensation of Massachusetts credit union directors
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony in **strong opposition to H 1138 and S 821**, *Acts allowing for fair compensation of Massachusetts credit union directors.* These petitions seek for the first time to allow Massachusetts credit union directors to be paid. The law has always specifically allowed operating officers of a credit union to be paid. These identical bills seek to eliminate that fundamental tenet of voluntary service for a common good for people with a common bond, which was the basis on which the credit union charter was created. Furthermore, the bills, as drafted, are a misdirection on how the law would be implemented

THE PROHIBITION

Current Massachusetts law prohibits a director of a credit union from being paid outright for his or her service on the Board or any Committee. That prohibition was established by Chapter 419 of the Acts of 1909, the first credit union chartering statute in the United States. That Act was spearheaded by Boston businessman Edward A. Filene and then Commissioner of Banks Pierre Jay. A bronze plaque of Commissioner Jay commemorating that Act hangs on the wall in the State House beyond the security checkpoint at the Hooker entrance. In that first-in-the-nation law, the prohibition stated:

> **"Section 17. No member of the board of directors or of the credit committee or supervisory committee shall receive any compensation for his service as a member of said board or committee…"**

The rest of the sentence stated the prohibition on directors obtaining loans.

Now, 116 years later, those same words of prohibition, now in section 20, but for the deleted specific reference to the two committees, seek to be stricken by the credit union industry and substituted by authority to pay a director as a board member and also as a member of any committee. For such a historic change in the law to be filed it must be substantially supported and documented by the credit union industry on the necessity of this seismic change to its culture and history.

S 821 and H 1138 begin the proposed amendment as follows, "Any credit union may compensate each of the members of the board of directors…." Yet, directors currently receive remuneration. They are allowed to be paid for their expenses related to their work on the Board and committees. Depending on the written policy of a credit union, monetary benefit, as set out in section 25 of chapter 171, could include premiums paid for group life insurance, group accident and health insurance or group medical, surgical or hospital insurance or benefits for all or any combination hereof. If a director is not eligible for

the group benefit then that director may be reimbursed directly up to the net dollar amount of the individual cost of the group benefit.

Gifts and awards can be given to directors by their credit union. On January 15, 2015, the Division of Banks issued an Industry Letter titled: "Providing gifts to directors for the credit union industry." In that letter, the Division reversed its longstanding position, in part, that such gifts were compensation and thus included within the statutory prohibition on paying directors. The Division now allows "nominal value gifts" to individual directors such as gifts for Holidays, or anniversary gifts as well as gifts for length of service. In reversing its position on gifts as compensation, the Commissioner of Banks stated, "It is the goal of the Division to support and promote the spirit of volunteerism at such credit unions."

A credit union director's expense policy would likely also pay to cover travel expenses, meal expenses, expenses for attendance at conventions, expenses for attending strategic planning sessions as well as other functions.

After the prohibition, the law states that a director may receive actual expenses incurred in performance of duties as a director or as a member of a committee provided that they are "**itemized in writing"** and approved by the board of directors. Those amounts are also required to be reported to the owner-members at the next annual meeting or at a special meeting. The prior requirement for the owner-members to approve those expenses was deleted in the 2020 Credit union Modernization Act.

The 48 existing MA chartered credit unions are required by statute, section 11, to hold their Annual Meeting by April 30th each year. Those reports to the owner-members are now current and should be readily available. Perhaps the Cooperative Credit Union Association should have the Clerk of each credit union certify the expense report presented to the owner -members over the first 4 months of 2025 and have those reports submitted to this Committee. The Committee would then have firsthand, current documentation of the monetary benefits now received by directors as the Financial Services Committee deliberates its action on House 1138 and Senate 821. Such filings would also demonstrate how many credit unions, if any, affirmatively chose to bypass the Annual Meeting and only disclosed directors' monetary benefits at a special meeting.

Credit unions often recite that they are not-for-profit organizations. As described below, an advertising campaign of credit unions as well as individual credit union advertising and websites state that "All the profits of a credit union go back to our members…" If this legislation is passed and implemented, those profits will now be diminished by payments to directors as members of the Board as well as members of any number of committees.

Based on the most recent Annual Reports submitted by each of the 48 MA chartered credit unions and as listed on the Division of Banks website, there are currently 511 directors for those 48 credit unions. By statute, section 12, a credit union may not have less than 7 directors. The law does not set a maximum limit on the number of directors.

Massachusetts law requires a credit union to have only two committees. An Audit Committee is required, and all members must be directors. An Investment Committee is also mandated and must have at least one director. Committees are to consist of not less than three nor more than five. After the 2020 Credit Union Modernization Act a credit committee is now optional. Most credit unions will have more than the two required committees.

S 821 and H 1138 neither limit the payments to directors only for serving on statutorily required committees nor limit the number of committees that a credit union can establish and pay directors for being on those committees.

As demonstrated as follows, this legislation on payments to directors is completely open-ended and completely in the hands of the directors to be paid.

The fact that, in time, the examiners from the Division of Banks will criticize and cite a board of directors of a credit union for abusive pay amounts and that the Commissioner of Banks will, in time, take supervisory action against that board is not a reason that should be used to support this transformative legislation.

THE MISDIRECTION

Will the full membership be allowed to vote on paying directors by mail, by electronic means or in-person, as authorized by statute?

After eliminating the prohibition on paying directors, **Senate 821 and House 1138** simply state that each director may be paid "a sum that may, from time to time, be fixed by the members at an annual meeting." That intended simplistic statement does not describe how the sum is proposed or how it is "fixed".

- Do the directors propose their own pay?
- Do they get to vote on their own pay?
- Do they get paid immediately during the same term they voted for it? If so, why? SECTION 2 of the legislation states it takes effect upon passage.
- How many committees can the board establish?
- Will directors who also serve as Operating Officers be paid in both capacities? The number of such dual positions varies in credit unions.
- What entities will they look to for the proposed sum? Banks?
- Will the sum be based on attendance and participation at board and committee meetings or just be a straight salary?
- Will by-laws be changed to increase the number of directors if they can be paid?
- Will new committees be established and directors assigned in order to equalize their total pay and eliminate dissension on the board?

Those are among the many questions raised by the singular goal of these two petitions which is eliminating the prohibition on paying directors. Similarly, the words "fixed by the members" raises even more questions. Since 2015 the Cooperative Credit Union Association has been running an advertising campaign on reasons why you should only bank at a credit union. The narrative states among other things that:

- ….to be a member means you are an owner of the credit union…"
- 'Credit unions are financial co-operatives controlled by their member owners'
- "Members come first…"
- **'…credit unions guarantee one vote to each account holder**.{ emphasis added} So, whether you have five dollars or fifty thousand in your account your vote is counted equally.'
- Credit unions are democratically controlled by their members. Rest assured you will always have a say in how the credit union is run and even who runs it."

One credit union's website states "As a member-owned institution, we prioritize transparency and trust, insuring that our members have a voice in the decisions that affect their financial well- being."

How do those statements reconcile with the fact that so many member-owners – in one credit union that is over 200,000 members – are shut out from participation if they have to attend in-person an annual meeting held at 8:30a.m. or 2:30p.m. on a weekday at a location in a municipality several dozen to hundreds of miles away? Many of the 48 remaining MA chartered credit unions now include membership for people living, working, attending school or worshiping in 6, 8 or even 11 counties in the Commonwealth, as well as counties and /or municipalities in other states, sometimes even multiple states.

20 years ago, the credit union industry petitioned the Legislature to allow member-owners to vote by mail, which was passed into law. The credit union industry again petitioned the Legislature to also allow the member-owners to vote by electronic means and that authority became effective in April of 2021 as part of the Credit Union Modernization Act.

The following charts clearly demonstrate that boards of directors of credit unions prefer to control membership voting by requiring in-person attendance to cast a vote on any matter before the owners of the credit union. By ignoring mail voting and voting by electronic means, current boards of directors can exert great influence on the attendance and the vote.

The existing directors may also be able to control the manner of voting on a motion to pay the board members. In January 2022, a credit union placed a matter before the members to adopt the recent authority for voting by electronic means in addition to the existing authority to have voting in-person or by mail. The amendment to the Article governing Meetings of Members stated, "notice shall specify whether voting will be in-person, by mail, by electronic means, or a combination thereof ***as determined by the board in its discretion…"(Emphasis added).*** For said credit union, the board is in complete control of the vote to pay them for being directors and members of committees as this legislation is currently drafted.

In 2023, the notice of Annual Meeting of the Membership for the above credit union stated, "***Voting will take place during the Annual Meeting with present attendees.*** (Emphasis added)

In 2024, the notice of Annual Meeting of the Membership for the above credit union stated, "***Voting will take place during the Annual Meeting with present attendees."*** (Emphasis added)

In 2022, a Special Meeting of the members of aforementioned credit union was held to approve a by-law amendment to expand membership into three western counties in Massachusetts and into one county in New Hampshire. The statutorily-required Clerk's certification of vote to the Division of Banks stated the credit union's "quorum requirement of 21 members was met. 23 members were present and entitled to vote." How many of those 23 members were directors? Would the credit union have had a quorum without directors?

In 2024 a Special Meeting of the members of that same credit union was held to approve another by-law amendment to expand membership to an additional county in New Hampshire. The required Clerk's certification of vote to the Division stated the credit union's "quorum of 21 members was met. 24 members were present and entitled to vote." How many of those 24 members were directors? Would a quorum have been met without directors being present?

For example, the chart below on recent member votes shows that if the directors votes were eliminated only one member, an officer of the credit union voted. In another example, the credit union only made its required quorum of 11 members for a meeting. How many of those 11 were directors?

As drafted, **Senate 831 and House 1138** do not mandate a process for thousands of owners of our state-chartered credit unions to have a voice in opposing paying directors or fixing the sum of pay to directors. The practices of many credit unions to deprive thousands of member-owners a realistic means of voting does not reflect the basic founding of a credit union, that each member has a vote or that a credit union is a financial co-operative controlled by the member-owners.

The wording in these bills on the members fixing the sum of the pay is a misdirection. The question remains as to whether the full membership of a credit union will at least be given the opportunity to vote in person or by mail or by electronic means or any combination thereof to change 116 years of credit union history.

Below shows membership by-law expansion votes that were taken two tears and more after voting by electronic means – in addition to voting by mail and in-person – was implemented in 2021:

VOTES	NUMBER OF MEMBERS*	PERCENTAGE
8	**1,793**	**0,44%**

NOTE: *The annual meeting failed for lack of a quorum. The adjourned annual meeting had seven directors and the treasurer attending, which account for the eight votes*

11	**4,085**	**0.26%**

NOTE: *The quorum required was 11 members*

19	**7,937**	**0.23%**
20	**22,658**	**0.08%**
24	**212,796**	**0.01%**
30	**6,999**	**0.04%**

NOTE: *The certification of votes stated that eight of the 30 voters were directors.*

NOTE: *The vote was taken two days before Christmas.*

In four of the six above transactions the member-owners were required to vote at a Special Meeting. One credit union application for 2025 has not yet filed the required certification of the membership vote.

The following membership votes on expanding a credit union's membership by-law were taken from 2017 – 2019 before the COVID-19 pandemic. The law at that time allowed member-owners of a credit union to vote in-person or by mail.

VOTES	NUMBER OF MEMBERS*	PERCENTAGE
59	**57,218**	**0.10%**
45	**27,787**	**0.16%**
44	**30,996**	**0.14%**
39.	**9,233**	**0.42%**

27	**19,013**	**0.14%**
24	**8,799**	**0.27%**
24	**25,247**	**0.09%**
24	**203,252**	**0.01%**
16	**16,549**	**0.09%**

NOTE: *The number of members eligible to vote will be somewhat less than shown above but these are the only public records of all members available.*

The Association acknowledges that **S 821 and H 1138** require a vote to be made at an Annual Meeting. Some of the records of votes presented in this testimony are from Special Meetings. The votes at credit unions are generally only publicly available when required by statute to be filed with the Division of Banks. The frequent affirmative choice of directors of credit unions to schedule statutorily required votes at Special Meetings results, in most cases, as the votes available. **The overuse of Special Meetings for such required votes is addressed in House and the testimony on that bill submitted by the Association.**

Over the last several decades, savings banks, co-operative banks as well as trust companies have grown, with the passage of many Acts, from their origins into financial service centers. They pay corporate taxes just as any business corporation. Multi-billion-dollar credit unions have also developed far from their roots and are now major financial institutions. Yet, those large bank-like credit unions seek to continue to operate under the shelter of the corporate tax-exempt charter and name of credit union.

Conclusion

As we have stated to this Committee before, our community bankers **do not fear** competition. They compete every day against each other and against some of the world's largest financial institutions that operate here in Massachusetts. Our industry's objection to expanding credit union powers is that credit unions are not subject to the same statutory, supervisory, and financial burdens as banks. We appreciate the opportunity to provide our testimony **in strong opposition to S 821 and H 1138** and we respectfully ask the Committee to give these petitions unfavorable reports.

Statement of the Massachusetts Bankers Association in Support of
H 1104 - An Act Amending the Banking Laws and Related Statutes
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony is strong support of **H 1104** - *An Act Amending the Banking Laws and Related Statutes.*

As you know, in 2014 this Committee advanced legislation which ultimately became Chapter 482 of the Acts of 2014, a comprehensive update and modernization of the Commonwealth's banking laws for the first time in 30 years. Since that time, MBA-supported legislation has been introduced that included provisions suggested by MBA members or others that were identified too late in the legislative process to be included in the final modernization law including this bill before you today.

H 1104 is a revised version of this legislation that includes several of the provisions from prior sessions along with language to address some additional issues that have been brought to our attention over the last two years. All told, this sixteen (16) section bill includes changes to the state's public deposits statutes, including authorizing the use of collateralized deposits or insured cash sweep programs for public funds; language codifying the authority of the Commissioner of Banks to allow state-chartered institutions to hold virtual annual meetings during a state of emergency; technical changes to the Limited Purpose Trust Company statute; provisions streamlining the Commonwealth's High-Cost Loan statute to reflect changes in federal law and the regulations of the federal Consumer Financial Protection Bureau (CFPB); provisions prohibiting core processors from including excessive penalties in service contracts; and clarifying that the board of a bank may elect or select certain officers**.** Several of these provisions are summarized for your benefit below.

Permitting Reciprocal Deposit Programs for Public Funds

H 1104 contains provisions that would authorize the use of reciprocal deposit programs for public funds in the Commonwealth. These programs provide the opportunity for banking institutions to offer a fully insured deposit product for local governments through an Insured Cash Sweeps (ICS) program.

Under an ICS product, depositors are able to place funds through a local bank into FDIC-insured money market deposit accounts or demand deposit accounts in participating banks in other states, thus extending the federal deposit insurance to cover the entire amount. Funds through the ICS demand option are available on a daily basis and depositors may withdraw funds without penalty at any time. Depositor funds placed through the ICS savings option are placed in FDIC insured money market deposit accounts from which funds may be withdrawn up to six times a month, again without penalty.

Public funds laws in most states have been interpreted or amended in the last several years to authorize the deposit of public funds into money market deposit accounts or demand deposit accounts through a reciprocal deposit placement service such as ICS. The provisions in **H 1104** would codify that these programs are statutorily approved in Massachusetts.

Allowing Virtual Annual Meetings During a State of Emergency

Section 7 of **H 1104** adds three paragraphs to provide authority to govern the holding of an annual or a special meeting of a bank during a State of Emergency. It is a corporate governance issue directly related to events of the COVID-19 Pandemic.

The first paragraph governs the postponement of an institution's annual meeting. The second paragraph covers the holding of an annual meeting or a special meeting in a virtual or hybrid manner during the State of Emergency. In each paragraph all related actions to be taken are detailed. The third paragraph adds the necessary definitions for clarity in carrying out these special authorities. For the purposes of this statute, a financial institution is defined as a savings bank or co-operative bank in mutual form, a mutual holding company and its subsidiary banking institution and a bank in stock form.

Addressing Competitive Issues with Bank Core Processors

Section 8 of **H 1104** seeks to address an issue of significant concern to community banks that also directly impacts their customers in many cases. In order to provide banking services to their customers, the vast majority of our member institutions must contract with a so-called "core processor" or "core vendor" that runs the bank's core banking functions.

As in many industries, consolidation and acquisitions within these core processors has resulted in only a handful of large firms that offer these products and services. With rapid changes in technology, banks have become a captive audience to these vendors, and they have significant leverage over community banks. Many of these companies are using their market power to impose adverse contract terms on banks, including mandating lengthy terms, imposing punitive and excessive fees for breaking the contract, and requiring banks that do change providers to pay high fees for access to their own data so it can be transferred to the new vendor.

While banks and consumers do benefit from the expertise and products offered by these core processors, the adverse and costly aspects of the 'captive' contract negatively impacts a bank's profitability, which affects both the rates paid to depositors and by borrowers and the ability of the institution to invest in new products and services for its customers. In addition, regulatory agencies are charged with determining whether public convenience and advantage will be promoted by certain merger and acquisition transactions. The high costs of terminating a core processor agreement or the high costs of running two systems until one contract expires can be a consideration in this process and these contractual provisions should not infringe upon the duties of banking regulators to determine that transactions will promote a public advantage.

The language in the legislation attempts to prohibit the most egregious contractual provisions that have confronted community banks. While we acknowledge that it may be unusual for state government to intervene in contract issues, especially when one business is captive to another, Massachusetts law does address similar issues in other industries. Specifically, the provisions in **H 1104** are modeled on the General Laws regulating the relationship between motor vehicle manufacturers, distributors and dealers (Chapter 93B); dealers' agreements for the sale of gasoline (Chapter 93E); certain business practices between motion picture distributors and exhibitors (Chapter 93F); and certain equipment dealers (Chapter 93G).

While the industries and relationships may vary, it is important to note that the Legislature enacted these laws to prohibit certain substantially adverse contract provisions when the leverage between two business parties is significantly uneven. The provision in **H 1104** seeks to extend similar protections in state law to community banks in their uneven relationship with core processors.

Reconciling Massachusetts High-Cost Mortgage Loan Act with Federal Law

While a number of provisions were included in Chapter 482 to reduce the regulatory burden on banks and other financial institutions by eliminating certain inconsistencies between similar state and federal laws while retaining the greater consumer protections under Massachusetts law, the bill did not alter the Commonwealth's

High Cost Mortgage Loan Act, Chapter 183C of the General Laws. Sections 13 through Section 15 of **H 1104** provide the industry with consistency between Chapter 183C and the federal laws and regulations regarding higher-cost loans implemented by the Consumer Financial Protection Bureau (CFPB). The authorities of the Commissioner of Banks to enforce the Massachusetts High Cost Mortgage Loan Act are retained in the legislation.

Conclusion

MBA believes that the provisions included in **H 1104** will complement the bank modernization law, recognize the necessity of continuing bank operations during a declared state or nationwide emergency, and provide state-chartered community banks in Massachusetts with additional flexibility so they can continue to compete in the financial services marketplace. We respectfully ask that the Committee give this bill a favorable report. Thank you again for considering our views on these important subjects.

Statement of the Massachusetts Bankers Association in Support of
H 1232, An Act Making Changes to Certain References in the Banking Laws of the Commonwealth
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony in support of **H 1232**, *An Act Making Changes to Certain References in the Banking Laws of the Commonwealth.*

As you know, the Legislature enacted Chapter 482 of the Acts of 2014, a comprehensive update and modernization of the Commonwealth's banking statutes. This marked the first significant rewrite of those statutes in more than thirty years. Chapter 482 added two new Chapters to the General Laws, rewrote four others and had 64 sections. The two added statutes, Chapters 167I and 167J, consolidated all provisions related to corporate transactions, such as mergers and acquisitions, and all similar provisions on corporate governance, respectively. The Joint Committee on Financial Services, the House and the Senate all continue to deserve significant credit for enacting such landmark legislation and we remain greatly appreciative of the efforts of so many to get it enacted.

However, as is often the case with the passage of such a complicated Act, there are follow-up matters to be addressed. Specifically, because the Massachusetts banking statutes are contained not only in the General Laws but also in Special Acts, the addition of the two new Chapters and the rewriting of four other Chapters resulted in numerous statutory cross-references that must be corrected. **H 1232** makes those corrections to the other statutes with banking law cites, including but not limited to, tax laws and the Uniform Commercial Code.

We hope the extensive review and work that was done the last few sessions on these matters will enable this legislation to move quickly through the Committee and the Legislature. We respectfully ask for your favorable consideration of this bill.

Statement of the Massachusetts Bankers Association in opposition to
H.1259, An act relative to price-fixing prohibition, consumer transparency & tax fairness and
S.688, An act prohibiting card interchange fees on tax or gratuity
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony **in strong opposition to H.1259***, An act relative to price-fixing prohibition, consumer transparency & tax fairness* and to **S.688**, *An act prohibiting card interchange fees on tax or gratuity.* These bills seek to impose new restrictions or limitations on the electronic payments system that will solely benefit large corporate retailers while increasing costs on and ultimately harm small businesses and consumers across Massachusetts.

H.1259 and **S.688** contain several provisions that would alter the contractual relationship between a merchant that accepts credit and debit card payments and the banks and card associations that are providing the means for them to do so. These bills are an attempt to regulate interchange fees – those fees paid by merchants to banks that issue debit and credit cards that help fund the continued operation of our current electronic payments system.

How Does Interchange Work?

Interchange fees partially reimburse card issuers for the activities they perform and the risk they take on for a transaction. There are also significant costs that go into operating a card program, such as billing and collection, customer service, data processing, fraud and security, and compliance. Collection of interchange fees allows smaller institutions to partially offset these costs.

For each transaction, there are typically five parties – the customer, the merchant, the merchant's bank or acquiring bank, the customer's bank or issuing bank and the card association. In this example, interchange is a cost that acquirers typically include in merchant service charges. When a customer engages in a transaction, the card issuer keeps the interchange revenue, and the merchant's bank keeps the merchant service charge minus interchange fee.

During consideration of the federal Dodd-Frank Act, provisions were included in the so-called Durbin Amendment to limit the interchange fees institutions with more than $10 billion in assets could impose on merchants for debit card transactions. Retailers and other merchant groups claimed that reducing interchange fees would benefit consumers through lower prices. The Federal Reserve promulgated rules that were finalized in 2011 that sets the interchange fee at an average of 24 cents per transaction.

Merchant and retailer groups objected and sued the Federal Reserve however their arguments were rejected by the federal courts.

As expected, according to a number of studies released since the interchange fee cap was instituted, retailers have not lowered their prices and in many cases, consumers are paying more for goods and services. Ultimately, the Durbin amendment resulted in large, big box retailers pocketing any savings on interchange fees without passing on any benefits to their customers.

Benefits of Interchange

Merchants benefit greatly by accepting debit, credit, and other forms of electronic payment. Countless studies have demonstrated that customers prefer convenience, and since a retailer is in business to sell merchandise, those merchants that are most efficient in encouraging customers to purchase quickly and with the greatest ease, will gain more business.

When a customer pays via a credit or debit card, merchants are guaranteed nearly instant payment. Banks that issue debit cards assume all the risk of nonpayment, even if the customer does not have funds available or does not pay their credit card bill. Years ago, those businesses would have taken paper checks and hoped that the customer had the funds in his or her account. We believe that interchange is a small price to pay for ensuring that payment is received almost instantly from the issuing bank.

Businesses that accept payment cards also avoid the extra costs and liability of processing large amounts of cash, reduce or eliminate the need for armored car deliveries, and lessen overall safety and security concerns associated with cash businesses. Interchange is simply another cost of doing business that some retailers are attempting to shift these additional costs to consumers and the banking industry.

Why Interchange is Important to Community Banks

A major concern for the majority of community banks that do not issue credit cards is that banks bear all the liability for fraud losses in cases of merchant data breaches, lost/stolen payment cards, or larger criminal operations. The cost of fraud and fraud detection is significant, particularly for smaller institutions, and these costs have skyrocketed. In the TJX, Home Depot and Target security breaches, it was the banking and credit union industries that suffered major financial losses on those fraudulent transactions and paid for the cost of reissuing cards to tens of thousands of customers.

While banks continue to replace older magnetic strip cards with more secure so-called “Chip” or “EMV” cards, these new cards will not eliminate fraud completely. For example, criminals will still be able to steal large volumes of card data to be used for fraudulent online or other “card not present” sales. As technology evolves, the banking industry is working to develop and implement even more secure payment methods such as tokenization, biometrics and stronger encryption.

Comments on H.1259 and S.688

H.1259 and **S.688** contain several provisions that MBA **strongly opposes**. These bills prohibits banks from charging interchange fees on the sales tax portion of a transaction. Instead of saving smaller retailers and merchants money, this proposal may increase the administrative and operational costs and burden on merchants.

Under the current system, when a retailer makes a sale using a customer’s debit or credit card, the system recognizes only the final purchase amount. The interchange fee is based only on this total amount – the system simply doesn’t recognize sales tax or any other fee that is part of the total purchase price. For

merchants to comply with these bills they would be required to develop, implement, and pay for a separate system to collect only the sales tax. In our opinion, the costs of creating a duplicate payment system would be significant, and requiring customers to remit the sales tax in cash or by check would be entirely impractical. Small businesses in particular would be forced to implement costly new systems during difficult economic times, and the new costs would simply be passed on to consumers.

The bill also contains provisions requiring financial institutions and the card associations to provide the complete card association rules, schedule of interchange fees, as well as other information regarding credit and debit card transactions. These provisions are unnecessary, since interchange fees and the merchant operating rules are already publicly disclosed and available to all retailers on the MasterCard and Visa websites. The card associations have also made their interchange rates publicly available online.

Litigation Concerns

In 2024, included as a late-filed amendment to its budget and not through public hearings, Illinois became the first, and only, state to enact language to prohibit collection of interchange on sales tax – a decision that has since been met with several lawsuits in federal court. In December 2024 and in February 2025, a federal judge issued preliminary injunctions halting the enforcement of the newly passed law. While the Association **strongly opposes H.1259** and **S.688** outright as filed and before the Committee, we further encourage the Committee to not consider, nor act on, this bill while similar legislation is being litigated in the federal courts.

Payments Commission

As we testified on several other bills before the Committee, we further encourage the Committee to refer all legislation pertaining to credit card fees, credit card payments, and anything related to the use of credit cards to the Payments Commission, which was established under the 2024 Economic Development bill "to study the future of payments and sales transactions by credit card and other forms of payment and the impacts for small businesses in commonwealth."

As part of its scope, the Commission shall study and review "…(i) the cost to small businesses operating in the commonwealth of conducting sales transactions with consumers using credit cards or other means of payment, including, but not limited to, cash, check or similar means; (ii) the impact of the increasing use of credit cards or other means of payment by consumers on small businesses; and (iii) the impact of section 28A of chapter 140D of the General Laws on small businesses owned and operated in the commonwealth."

Conclusion

MBA **strongly opposes H.1259** and **S.688** and we urge the Committee to reject legislation that seeks to impose price controls and restrictions along with regulatory micro-management on the electronic payments system. Ultimately, such restrictions will reduce competition, innovation and stand only to harm small businesses and consumers throughout Massachusetts.

Thank you for considering our views on this matter.

The Massachusetts Bankers Association
Records Support For
H.1281, An Act relative to the Unform Special Deposits Act
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to record:

SUPPORT

for **H.1281,** *An Act relative to the Unform Special Deposits Act*

The bill introduces a comprehensive framework for the management and regulation of special deposit accounts within financial institutions. We urge the committee to give this bill a favorable report. Thank you for considering our views.

Statement of the Massachusetts Bankers Association
in Opposition to H 1327, An Act Relative to Inactive Account Fees
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony in opposition to **H 1327**, *An Act Relative to Inactive Account Fees***.** This bill prohibits state-chartered banks in Massachusetts from assessing a fee for inactivity on accounts for individuals under 18 years of age or over 65 years of age (18/65 accounts).

By way of background, the Legislature first enacted the 18/65 law in 1984 with the original intent of creating an account for children and senior citizens to protect small account balances from monthly fees or various per item transaction charges. The law requires Massachusetts state-chartered banks to provide traditional checking and savings accounts that have no minimum balance requirements; no charge for deposit or withdrawal; and no fee for the initial order or subsequent refills of the basic line of checks offered by the bank, which shall include the name of the depositor for individuals under 18 and over 65 years old.

H 1327 imposes an additional prohibition on 18/65 accounts by banning any inactive or dormant account fees. These fees, which have been allowed since the program's inception, help some small community banks maintain these accounts. In addition, it is important to note that not every institution charges an inactivity fee on 18/65 accounts or other deposit accounts. Some banks will not charge a fee if the account maintains even a nominal balance while other institutions have done away with these fees entirely. Massachusetts has more than 120 banks and MBA strongly believes that consumers should always shop around to find the account that is appropriate for their financial situation.

It is also important to note that the 18/65 requirement applies only to state-chartered banks. Conversely, state-chartered credit unions and all federally chartered depository institutions are not required to offer these low-cost accounts. In addition, more than 80 local banks participate in the Massachusetts Community and Banking Council's "Basic Banking for Massachusetts" program by offering extremely low-cost accounts to all Massachusetts residents.

For these reasons, MBA strongly opposes **H 1327**, *An Act Relative to the Inactive Account Fees.* We urge the Committee to give the legislation an unfavorable report.

Statement of the Massachusetts Bankers Association Regarding
H 3993, An Act Relative to the Massachusetts Credit Union Share Insurance Corporation
Joint Committee on Financial Services
October 30, 2025

The Massachusetts Bankers Association (MBA), which represents 120 commercial, savings and cooperative banks and federal savings institutions employing more than 72,000 people throughout the Commonwealth, appreciates the opportunity to our concerns regarding **H 3933**, *An Act Relative to the Massachusetts Credit Union Share Insurance Corporation*. This bill makes significant changes to the statutes governing the excess deposit insurance fund for the credit union industry in Massachusetts.

General Comments

The potential consequences of passage of the bill are concerning to our members and should be of significant concern to the Legislature. Our member banks and the Depositors Insurance Fund (DIF) – the excess deposit insurance fund for state-chartered savings banks and co-operative bank – do not compete with the Massachusetts Credit Union Share Insurance Corporation (MSIC) – the excess deposit insurer for Massachusetts credit unions; however, we believe that the public policy issues raised by these measures and the far-reaching impact of the provisions must be addressed and should be considered if the Committee were to act favorably on the bill. Citizens of the Commonwealth, unlike residents of other States, have the benefit of being able to do business with a bank or credit union in which their deposits are insured in full – over the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) limit of $250,000. MBA strongly believes that this valuable benefit should not be risked lightly.

Specific Concerns with H 3933 – Sections 1-7

H 3933 would allow MSIC to expand its powers and insure the excess deposits at state and federal credit unions in all the New England states and New York — including institutions that do not have any branches and do no business in the Commonwealth. This is a significant change to the original and traditional mission of MSIC, and MBA strongly believes that the public policy ramifications of this major change to state law should be thoroughly vetted by this Committee.

Our concerns are not only with the basic premise of this bill and the extent of its authority but also the lack of additional safeguards that might help protect the Commonwealth's reputation. The Association is concerned that when a MSIC-insured credit union in another state faces financial difficulties, the focus will be on a Massachusetts-created insurer to meet all its

obligations. If MSIC has difficulty in meeting those responsibilities or incurs a substantial loss, then those consequences may adversely reflect on the excess deposit insurer for many of our member banks as well as all credit unions and banks in the Commonwealth.

Banks and credit unions are heavily regulated to instill confidence in the public who put their hard-earned money in those financial institutions. To help retain that confidence for banks, the Legislature has provided statutory tools for the bank excess insurer to respond in various situations as well as to resolve a situation where a savings bank or a co-operative bank has grown its deposits to such a large amount that the bank presents an inordinate level of risk to that excess insurance fund. Similar statutory protections are not included in **H 3933**. We would also note that MSIC is the only excess insurer that uses "Massachusetts" in its name, potentially impugning the Commonwealth's reputation and financial liability should MSIC encounter financial difficulties.

The above significant concerns are heightened by the very provisions of the bill as drafted. Several of these concerns are detailed as follows:

- There are no limits on the amount of excess deposits that MSIC can insure in H 3933.

    - Section 6 of the bill states that these out of state and federal credit unions, as excess members of MSIC, will be "subject to the maximum share and deposit limitations applicable to Massachusetts state chartered credit unions under section 30 of chapter 171 of the General Laws."

      However, as we read in section 30, there are no share and deposit limits stated. An amendment in a 2010 Act removed the limitations in section 30 and they no longer exist in any section in chapter 171.

- Does existing MSIC statute negate the provisions of **H 3933**, which allow the Massachusetts Commissioner of Banks to be involved in the application process to admit an out of state credit union to join MSIC?

    - Section 1 of the bill details the information and documents the Commissioner may require in considering an application of an out of state credit union and the potential risk to and the adequacy of MSIC presented by that applicant becoming insured by MSIC.

      However, a provision in paragraph (a) of section 6D of the current MSIC statute provides a process to evade the involvement of the Massachusetts Commissioner of Banks. That paragraph (a) is not amended by **H3933**. After stating that an application to be insured by MSIC must be approved by its directors and the Commissioner the law states "…provided, however, that if the applicant is then insured by the National Credit Union Administration Share Insurance Fund, the National Credit Union Administration's certification of its sound and safe condition may be submitted in lieu of approval by the Commissioner." (emphasis added).

Does the wording of that existing provision also raise the question and allow that an applicant credit union in another State for MSIC's excess insurance may not be primarily insured by the NCUA?

- Neither H 3933 nor existing law provides a process to resolve the situation when a credit union's excess deposits constitute a greater than normal loss exposure risk to MSIC.

    - There will come a time when an MSIC member, either by organic growth or by merger and subsequent deposit growth, will have excess deposits that represent a greater than normal risk to MSIC. This bill should address that fact but does not.

      As mentioned above the members of the MBA do not compete with MSIC but are concerned that an adverse event involving MSIC will adversely impact consumer confidence in the banking system and the excess insurer for many Massachusetts chartered banks. The Legislature has addressed the possibility of greater than normal risk to the bank excess deposit insurer in the past as well as recently.

      The DIF statute provides options that include requiring the bank at issue to reduce its excess deposits; pay an extra risk assessment; obtain reinsurance; provide collateral or make a capital contribution. The complete process for these actions with the Commissioner's involvement is set out in the law.

      A significant amendment in 2024 now allows a process for a DIF insured bank that presents such a greater risk exposure can withdraw from DIF while retaining its existing charter. Over time, at least 11 banks have been required to give up their DIF insurance due to the growth of excess deposits.

      House 3933 is focused on adding new members to MSIC. If this legislation is to move forward, we ask that this Committee also consider the experience of DIF insured banks as well as the DIF statute and address situations that can develop while any credit union is a member of MSIC. An amendment may be necessary in section 30 if a credit union retains its charter without excess deposit insurance from MSIC.

- The excess deposits sought to be covered by H 3933 will not only come from the New England states and New York.

    - Current MSIC law insures in full deposits received in the main office or branch office "*located within the Commonwealth."* Section 5 of **H 3933** deletes the reference to the Commonwealth. Although this amendment is necessary to reflect the 2014 Act that allows Massachusetts chartered credit unions to establish branch offices in the other New England States and New York—and some have—this amendment allows those out of state credit unions' deposits to also be fully insured if they open a branch beyond New England or New York.

Many States allow out of state -chartered credit unions to branch into their State under reciprocal laws that would allow their credit unions to do the same under similar conditions that are no more restrictive. For Massachusetts chartered credit unions that reciprocal branching law is set out in section 8C of chapter 171 of the General Laws. Moreover, federal credit unions have broad authority to establish branch offices beyond the State of their principal office.

- There are federal credit unions and state credit unions in the New England states and New York that have billions of dollars in deposits. If expansion to other states is found to be a necessity for the continuation of an excess deposit insurer based on principles of insurance, then the laws governing such expansion must be complete as to the mandatory involvement of the Commissioner of Banks; have basic membership requirements in statute; and provide statutory authority covering all contingencies from excess deposit growth to adverse operational matters.

    - Any entity or industry in the financial services marketplace can have its ups and downs and serious situations to be resolved. As indicated as follows, the MSIC 2024 Annual Report begins with these two paragraphs:

JANUARY 30, 2025

TO MSIC FRIENDS AND STAKEHOLDERS:

Fiscal Year 2024 was a difficult and tumultuous year, for MSIC and the financial services industry as a whole.

For MSIC, from Cambridge Teachers Federal Credit Union's failure (our first in decades) and its successful resolution (with no loss to consumers, MSIC or the NCUSIF); to the continuing serious issues with a number of credit union members that mishandled the interest rate spike and caused severe issues for their institutions; to ongoing frustrations with the legislature and its bias in favor of the banking industry; and of course, the ongoing and outrageous opposition of the Massachusetts Division of Banks of all and any attempts to modernize and improve MSIC and the state-chartered credit union system: we had quite a year!

Since its f
1961, no

The next paragraph in the Annual Report lists and discusses those several difficulties.

<u>Specific Comments on H 3933 –Sections 9 & 10</u>

Current law authorizes MSIC, upon a vote of its Board and with the approval of the Commissioner, to borrow money for the purposes of the share insurance fund and pledge its assets as security.

H 3933 makes significant changes to these provisions by eliminating the required approval of the Commissioner and the required reason for the borrowing and replacing those provisions with broad language stating that "the corporation may by a vote of the board of directors borrow money and pledge its assets as security therefor from members and others."

Since a credit union can only make loans to its members, section 10 of **H 3933** also amends the MSIC statute to make MSIC an organization member of each one of its insured credit unions. It also states such a credit union can make a loan to MSIC as an organization member. MSIC already has the authority to lend to an insured institution, so **H 3993** is essentially creating a two-way street where a credit union could also lend to its own deposit insurance fund.

This legislation raises several serious public policy concerns. Most importantly, why is the deposit insurance fund seeking to borrow money from the credit unions it insures? If a credit union were to lend to MSIC, would it be for an above market rate to provide assistance to the insured credit union and, if it were, should the Commissioner be involved as now required for "assistance" transactions? If the lending is not being done to assist a member credit union, could it be for an above market rate or current rate to benefit a particular MSIC member?

Additionally, can the borrowed funds be used under MSIC's already broad investment powers to make investments on behalf of a member institution that the credit union may not be able to make under current law? MBA believes that these questions must be answered before MSIC is granted any new borrowing authority.

Finally, under a 2012 Act filed by MSIC, it established a Liquidity Reserve Fund only for member credit unions. Its purpose is to serve as a depository and lending facility and act as an "important source of emergency liquidity." According to MSIC that Reserve Fund now has over $20 million. Should MSIC access that pool of money in the Reserve Fund before borrowing from one or more credit unions?

Specific Concerns with H 3933 – Sections 11, 12, 13

H 3933 makes amendments to the 2014 Act that granted MSIC additional investment powers. Until 2014, MSIC's investment powers, for the most part, tracked the general investment statute for credit unions (Section 67 of chapter171). The 2014 Act granted MSIC broad investment powers, including:

(i) certain general corporate powers for its premises and other functions;
(ii) to establish subsidiary corporations solely to perform MSIC activities, subject to the Commissioner's approval and conditions;
(iii) to establish CUSOs (credit union service organizations) on its own or with others; and
(iv) to make investments under the "prudent person" authority as then specified.

The bill before the Committee would grant MSIC a new broad investment power by adding a new clause, clause (v) to the 2014 Act. According to the legislation, subject to the 2/3 vote of its Board and, with appropriate policies in place, MSIC could apply to the Commissioner to invest in investments **not specifically enumerated** in cited provisions of current law. A provision is also included to allow MSIC to have registered investment advisers purchase or dispose of its investments.

Based on our reading of the language in these measures, in combination with investment authorities granted to MSIC in 2014, it appears that up to **35 percent** of its assets could be invested in stocks or other investment vehicles. This section of the legislation was included in bills sent to study by the Financial Services Committee in previous sessions.

Specific Concerns with H.3933—Section 17 and Section 20

Section 17 amends credit union law not the MSIC statute. This section seeks to add four new investment authorities, clauses (w) to (z) for MA chartered credit unions. Once again, it is an attempt to gain powers from existing bank law.

Clause (x) tracks language from Bank Holding Company authority and similar language in banking law to allow a credit union to invest in instruments and entities that provide services that "*are closely related to banking*." The Association objects to credit unions receiving more bank powers under this clause.

Of greater concern is the language clause (x) that, as drafted, seeks to preclude the acquisition or control of another financial institution and other entities "not otherwise permitted by chapter171 of the General Laws." Section 6A of chapter 171 authorizes Parity Powers with federal credit unions. The Division of Banks currently has pending amendments to its Parity Regulations, 209 CMR 50.00. Those proposed amendments cede broad powers for the NCUA to control current and future transactions. That ceded authority granted under section 6A of chapter 171 could serve to negate the prohibiting language in this clause (x). since the authority would come from a provision in said chapter 171. If this legislation is to move forward any authority under section 6A should be exempted from this proposed clause (x).

Clause (y) is also taken directly from banking law. But for the limitation, the wording copies exactly an authority in the bank investment statute chapter 167F. We continue to object to the ongoing attempts by credit unions to add bank powers in every legislative session.

Clause (z) seeks to list several services that a credit union may invest, establish, operate or subscribe to with other entities. Under the Parity authority and existing regulations mentioned above, it appears these authorities have been allowed to MA chartered credit unions for years.

Other interested parties should weigh in on the supervisory and safety concerns with the proposed added investment power in clause (w) and the change to a financial assistance authority in Section 20 of **H 3933**. Clause (w) seeks to allow credit unions to invest in asset-backed

securities which could include cryptocurrency while section 20 deletes a limit on one option of assistance from MSIC to a credit union.

Comments on H 3933 – Sections 14, 15, 18 and 19

Sections 14, 15, 18 and 19 of **H 3933** are similar to measures filed last session and primarily contain provisions authorizing the merger or conversion of a state-chartered mutual savings or cooperative bank into a Massachusetts state-chartered credit union with the credit union being the surviving entity. Under current law, a bank must be the surviving entity if such a transaction or conversion takes place.

MBA **strongly opposes** any efforts to allow credit unions to be the surviving entity in cases where a bank and credit union merge. Credit unions in numerous other states have used these laws to leverage their tax exemption to purchase banks at a significant premium, disrupting the marketplace. As we noted earlier, this language would have implications for the state's budget since taxpaying banks would be eliminated.

Conclusion

On behalf of our member banks, we ask the Committee to consider all the significant ramifications and possible unintended consequences that could result from granting MSIC greatly expanded deposit insurance, investment and borrowing authority that is contained in **House 3933**. The MBA also objects to the additional investment powers sought to be granted to credit unions in section 17.

Thank you for the opportunity to provide the Committee with our views on this legislation.

Statement of the Massachusetts Bankers Association in Opposition to
S 723, An Act Relative to Growth Opportunities for State Financial Institutions
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony in strong opposition to **S 723**, *An Act relative to growth opportunities for state financial institutions*.

The customers of our community banks are your constituents, local merchants and business entities in your districts. These banks support your communities in numerous ways and the corporate taxes that they pay fund the budgets you pass each year. Their employees are your neighbors as well as the volunteers you see at so many events and fundraisers as well as serving on various local boards and committees. Their thousands of banking offices anchor your business districts. These community banks have no interest in liquidating their affairs and terminating their commitments to be bought by a credit union.

This legislation has one goal sought by the large, bank-like credit unions. It seeks to allow the benefits accrued by the not -for -profit status of those multi-million- and billion-dollar credit unions to buy a community bank. Such a corporate transaction is neither sought by our member banks nor likely a priority for traditionally operated credit unions.

As drafted, the legislation makes significant adverse changes to existing law to create this new transaction. It also seeks to place the depositors of a community bank in some unknown, undefined status in the proposed acquiring credit union as well as other negative consequences to those depositors.

Current credit union law in chapter 171of the General Laws on membership reads, in part, as follows.

"Member", a person who holds one or more shares in the credit union. (Section1)

"A member may vote;(i) in person; (ii)by mail; or by electronic means…." (Section 11)

"Every member of a credit union shall hold 1 share…." (Section 30)

"The capital, deposits and surplus of a credit union shall be invested in loans to members…" (Section 57)

Yet, **S 723** states: "The depositors of such bank shall become members of the credit union within 2 years after such transaction is approved or for such longer period as may be approved by the commissioner." (lines 25 to 27)

The bill is silent on their status, rights, eligibility for loans and all matters related to their accounts during any interim period of membership.

As drafted, the bill also ignores the owner-members of the purchasing credit union. The owners have no voting rights in **S 723** on a proposed transaction to buy a bank. **S 723** is both a completely unnecessary and flawed bill.

The legislation reflects the continued effort by the largest credit unions to seek additional amendments to credit union law even if never to be used. This is especially the case on amendments that were passed by this Committee and the Legislature to improve the rights of the owner-members of the credit union. For example, in the 2004 Session the Legislature passed an Act allowing the owners of the credit union to vote by mail. In 2020, this Committee reported favorably on a bill modernizing the credit union laws, which became Chapter 338 of the Acts of 2020 and effective on April 12, 2021. That Act authorized the owner-members of a credit union to vote electronically at an Annual Meeting or a Special Meeting of the owners. As you see on the attached charts, there is little evidence that credit unions have implemented those owner voting enhancements that the credit union petitioned the Legislature to grant them. We offer that the largest bank-like credit unions should be precluded from receiving additional powers until they give their owners the ability to vote other than in person.

Attached is a chart showing the 9 credit union transactions requiring the approval of the members owners that have occurred almost a year to over two years after the credit unions requested authority for the owners to vote electronically became effective.

The following information on three merger transactions is taken from the Certification of Vote submitted by the credit union to the Division of Banks:

- **33 members present and voted----25,054 members eligible to vote**
- **24 members present and voted----13,261 members eligible to vote**
- **130 members in favor and 5 members against---67,064 eligible to vote**

General Comments

We want to be clear: our community bankers do not fear competition. They compete every day against each other and against some of the world's largest financial institutions that operate here in Massachusetts. Our industry's objection to expanding credit union powers is that credit unions are not subject to the same statutory, supervisory, and financial burdens as banks. This bill will make this already uneven playing field even more tilted by allowing credit unions to purchase or acquire the assets of community banks and have the credit union be the surviving entity.

With their continued attempts to enact these new powers, it appears that the credit union industry will not rest until they are able to exercise all the same powers as banks under state law. MBA believes that **S 723** will allow the credit union industry to further leverage their tax-exempt status to purchase local banks, removing these institutions from the state tax rolls.

The Legislation

S 723 establishes a new statute for the purpose of allowing a credit union to purchase a bank. It is unlike bills filed in previous sessions that sought authority for the purchase of mortgages, loans and other assets as well as the assumption of liabilities by credit unions from banks or other entities.

Specifically, the legislation authorizes a state-chartered credit union to purchase the assets and liabilities of a state-chartered bank in conjunction with the liquidation of the bank. Under current law, Section 15 of Chapter 167I, which governs the dissolution and liquidation of a state-chartered bank in mutual or stock form, the approval of a 2/3 vote of the Board at a special meeting called for that purpose is required. In addition, written approval of the Commissioner is required, after which a committee of three members is then elected to liquidate the assets, satisfy the debts and distribute any remaining proceeds to those entitled.

S 723 makes a significant change to this process by eliminating the election of the members to carry out the liquidation and stating that the three members are to be "prescribed by the commissioner" while eliminating the ability of the Division of Banks to promulgate regulations to govern the process. The bill then adds a new paragraph to this statute to authorize the purchase and assumption transaction with a subsequent liquidation.

Under the proposed addition, a mutual or stock bank liquidating by selling its assets in whole or in part to a mutual bank or a credit union that is also assuming its deposit liabilities, other liabilities and contingent liabilities must comply with the approval process for a Purchase & Assumption transaction currently in statute, section 8 of chapter 167I. The bill also mandates that the Commissioner establish expedited procedures for such P&A transactions resulting in the immediate dissolution of the bank after the transaction. If liabilities remain then the standard liquidation procedures shall apply.

Section 2 of the bill seeks to add reciprocal authority for a state-chartered credit union to complete a P&A transaction of a state-chartered bank in mutual or stock form under the two banking statutes cited above. It also states that if the main office and branches of the bank are purchased then they shall become branches of the credit union without any other approvals required.

As detailed above, the bill also states that depositors of the purchased bank shall become members of the credit union within two years after the transaction or a longer period if approved by the Commissioner. We would ask why the legislation deprives depositors of membership rights for any length of time? Shouldn't share accounts be opened in conjunction with the conversion of the deposit accounts? In addition, under the current statutes a depositor could be precluded from getting a loan from the institution holding their funds until a share account is established. The bill is also silent on what becomes the status of depositors after the two years or longer period allowed by the Commissioner.

Finally, we would note that the statute governing credit union excess insurance states that the Massachusetts Share Insurance Corporation (MSIC) was established to insure the shares and deposits of members of credit unions. Therefore, it is unclear whether the assumed deposits will be insured until the current bank depositor affirmatively opens a qualifying share account or the unknown status after the above time periods have ended.

Conclusion

For the reasons stated above, MBA strongly opposes **S 723**. We appreciate the opportunity to provide our views and we respectfully ask the Committee to give this bill an unfavorable report.

The Massachusetts Bankers Association
Records Support For
S 740, An Act relative to certificate of deposit interest income
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to record:

SUPPORT

for **S 740,** *An Act relative to certificate of deposit interest income.*

The bill exempts MA state-chartered bank CD interest income from MA income taxes. We urge the committee to give this bill a favorable report. Thank you for considering our views.

Statement of the Massachusetts Bankers Association in Support of
H 1102, An Act Protecting the Use of Bank Names, Trade Names and Trademarks In Electronic Communications
Joint Committee on Financial Services
October 30, 2025

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to submit testimony is strong support of **H 1102**, *An Act Protecting the Use of Bank Names, Trade Names and Trademarks In Electronic Communications.*

As you know, in 2014 this Committee advanced legislation which ultimately became Chapter 482 of the Acts of 2014, a comprehensive update and modernization of the Commonwealth's banking laws for the first time in 30 years. Since that time, MBA-supported legislation has been introduced that included provision suggested by MBA members or others that were identified too late in the legislative process to be included in the final modernization law including this bill, **H 1102**, before you today.

By the way of background, in response to hundreds of cases of consumer complaints as well as objections by banks about solicitations purportedly involving or sent by their current financial institution, a law was passed to prevent such abuses – M.G.L. Chapter 167, section 37 – nearly 20 years ago. The law is triggered by written or oral advertisements or solicitations by any entity to a specifically identified consumer with related specific information that used the name, trade name or trademark of a financial institution **without** that institution's express written consent. And, at that time, the advertisements and solicitations were limited to "email, direct mail solicitation, or oral solicitation".

MBA believes that over nearly years of advancements in technology since the passage of that law necessitate enhancements to its coverage. The language in **H 1102** does exactly that. The amendments offered substantially broaden the definition of advertisement and solicitation to include, among other things, text messages and any other forms of electronic communication. The definition of "electronic" is also broadened albeit taken directly from the General Law (MGL Chapter 110G section 2) governing electronic transactions. Finally, the list of entities subject to the prohibition is also expanded. All other provisions of the current law are retained.

Conclusion

MBA believes that the provisions included in **H 1102** will complement the existing unauthorized banking law (Chapter 167, section 37) and provide banks, credit unions and importantly consumers in Massachusetts with additional protections and, hopefully, less unwarranted solicitations. We respectfully ask that the Committee give this bill a favorable report.

Thank you again for considering our views on these important subjects.