



**Statement of the Massachusetts Bankers Association  
in Support of H 1097  
An Act Enhancing the Mission of Credit Unions  
and Promoting Fair Competition Among Financial Institutions  
Joint Committee on Financial Services  
June 20, 2023**

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 support of H 1097, An Act Enhancing the Mission of Credit Unions and Promoting Fair Competition Among Financial Institutions.

H 1097 seeks to strengthen the state's oversight of the credit union industry and refocus state-chartered credit unions on their traditional mission of serving owner members who have a meaningful affiliation or common bond.

That mission is described on the website of Southbridge Credit Union, a Massachusetts chartered credit union. It states as it appears as follows:

**“A credit union is a not-for-profit, membership owned financial institution. Known strong consumer orientation a credit union is organized to serve a community, a company or a municipality.”**

The bill's three substantive sections focus on:

- Strengthening the historical role of the member-owners at the annual meeting and in certain transactions;
- Modernizing member voting abilities in the Commonwealth's largest credit unions consistent with existing law;
- Requiring credit unions taking deposits from members living in a geographic area to also provide services to that area and be examined for compliance with the Community Reinvestment Act under that requirement.

Our comments on the specific provisions of the legislation are below.

**Strengthening the Role of Credit Union Member-Owners**

Section 2 of H 1097 restores the three-fourths vote of the membership to change the qualifications for membership. The 1909 law creating the credit union charter established this requirement, which remained in law until 2009, when it was reduced to simple majority. We do not believe that reverting to the requirement that was in place for nearly 100 years is punitive.

The legislation also mandates that any vote on member by-law qualifications must be held at the credit union's annual meeting. An exception is provided for an amendment required in conjunction with a merger. A review of applications filed to amend the membership by-laws demonstrates a pattern of using Special Meetings for these significant votes by the member owners. More concerning, these special meetings are generally very sparsely attended.

By way of an example, in the pre-Pandemic years 2017 to 2019, there were 10 membership by-law expansion applications filed with the Division. A public records request for the member votes on those transactions shows the votes were held as follows:

SPECIAL MEETINGS = 6. ANNUAL MEETINGS = 4.

Absent a merger transaction, which H 1097 provides an exception for, there is no emergency requiring a Special Meeting of the Owners to expand the credit union. Management controls the entire schedule.

**Worcester Credit Union’s website states succinctly: “Members are the owners”.**

In addition to restoring the three-fourths vote requirement, the bill also establishes that a minimum of **five percent (5%)** of the membership must participate in the voting for the vote to be valid – a very reasonable threshold given their “member-owned” mantra. This threshold is even more reasonable when considered alongside that current law now allows members to vote in person, by mail or, as added by Chapter 338 of the Acts of 2020, by “electronic means” – a new sought-after power initiated by credit unions as part of their modernization legislation.

MBA firmly believes that with this newfound electronic voting ability reaching a modest minimum threshold of the owners is not only practical but should be required.

By ways of further background, a certified vote of the owner members at those meetings to amend the membership by-law is required to be filed with the Division. That was done for the 10 applications referenced above. However, 1 filing just stated a quorum was present. Those votes are listed below with the number of members listed as of the credit union’s filed Call Report to the NCUA closest to the date of the vote and the percentage of owner members voting.

<b>VOTE.</b>	<b>NUMBER OF MEMBERS*</b>	<b>PERCENTAGE</b>
<b>59</b>	<b>57,218</b>	<b>0.10%</b>
<b>45</b>	<b>27,787</b>	<b>0.16%</b>
<b>44</b>	<b>30,996</b>	<b>0.14%</b>
<b>39.</b>	<b>9,233</b>	<b>0.42%</b>
<b>27</b>	<b>19,013</b>	<b>0.14%</b>
<b>24</b>	<b>8,799</b>	<b>0.27%</b>
<b>24</b>	<b>25,247</b>	<b>0.09%</b>
<b>24</b>	<b>203,252</b>	<b>0.01%</b>
<b>16</b>	<b>16,549</b>	<b>0.09%</b>

*\*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.*

Similarly, Section 3 of the bill goes a step further for larger institutions. To allow for participation in meaningful numbers by the owners of these largest credit unions, most with over \$500,000,000 in assets, it mandates that voting by electronic means must be an option for the owners of credit unions with more than 25,000 members. It also has an extended delayed effective date, located in Section 4 of the bill, to allow for meaningful implementation.

Here are examples of the number of members and asset size of some of the larger Massachusetts chartered credit unions. The information is taken from the 2022 year-end Call Report to the NCUA filed and certified by the credit union.

**METRO CREDIT UNION**  
**MEMBERS = 199,399**                      **ASSETS = \$3,156,507,564**

**JEANNE D'ARC CREDIT UNION**  
**MEMBERS = 95,600.**                      **ASSETS = \$2,051,656,995**

**MERRIMACK VALLEY CREDIT UNION**  
**MEMBERS = 75,795**                      **ASSETS = \$1,354,141,978**

**ST. ANNE'S CREDIT UNION OF FALL RIVER**  
**MEMBERS = 56,754**                      **ASSETS = \$1,151,715,010**

Additionally, the state-chartered credit union industry in Massachusetts has contracted by approximately 40% in the last 10 years according to the Annual Reports of the Division of Banks. In 9 of the last 11 credit union mergers, the Massachusetts chartered credit union has been the continuing charter. As a result, the number of members in the remaining credit unions continues to increase.

For example, a pending application, not included above, seeks approval for RTN Federal Credit Union, Waltham, to merge with and into Merrimack Valley Credit Union, Lawrence. If consummated, it would add approximately 40,000 members to Merrimack Valley which would then have over 115,000 members and over \$2.3 billion in assets.

The solution is to amend the law to give the owner members of these large credit unions the option to vote electronically. As noted above, current law also allows voting by mail.

### **Enhancing Community Reinvestment Act Compliance**

As you know, the Community Reinvestment Act (CRA) was passed to require that regulated financial institutions meet their continuing and affirmative obligation to the credit needs of their entire communities, including low- and moderate-income neighborhoods and individuals. Massachusetts is one of a small number of states that has extended CRA provisions to state-chartered credit unions. However, often a credit union will designate its CRA assessment area as far more limited than its membership by-law.

Here are examples of the limited CRA assessment area compared to the credit union's membership by-law's geographical coverage of municipalities in Massachusetts. The percentages are calculated from the data provided in the most recent CRA examination conducted by the Division of Banks as published on the Division's website.

<b><u>CREDIT UNION</u></b>	<b><u>COVERAGE RATIO</u></b>	<b><u>RATING</u></b>
<b>SOUTHBRIDGE CREDIT UNION</b>	<b>2.6%</b>	<b>High Satisfactory</b>
<b>FALL RIVER MUNICIPAL</b>	<b>11.2%</b>	<b>High Satisfactory</b>
<b>ST. MARY'S CREDIT UNION</b>	<b>16.4%</b>	<b>High Satisfactory</b>

Of the remaining 7 credit unions with CRA ratings of Outstanding or High Satisfactory, only 2 have a 100% coverage ratio. Merrimack Valley Credit Union's membership includes 7 entire counties in MA, 2 in NH and 2 in RI. It has a CRA assessment area coverage of 100% of its membership by-law and a Rating of "Satisfactory". (182 of 182 MA municipalities)

A Table listing each of the 10 credit unions and their coverage ratios of Massachusetts municipalities is attached.

If some credit unions can match their CRA assessment area to their membership by-law why shouldn't they all be required to do it.

H 1097 requires the CRA examination to assess a credit union's CRA record of performance for all those geographic areas from which it takes deposits from members based on their eligibility of living in a by-law included community.

Since CRA has traditionally been focused on ensuring an institution lends and invests in the communities in which it is collecting deposits, MBA believes that this provision is consistent with current CRA law and regulations. The provision would not affect people working in a specified area or employed by a geographically based membership such as a municipality's fire department credit union or a credit union limited to municipal workers of a city or town or other such common bond. The Division's CRA Regulations, 209 CMR 46.00, also treat such credit unions differently.

Alpha Credit Union, Boston is an example. These statements are taken from parts of the Division's CRA examination of Alpha as of June 29, 2020, at which it received a rating of "Satisfactory".

**"The credit union's field of membership includes individuals that work or have worked at Beth Israel Deaconess Medical Center, Joslin Diabetes Center, Lahey Health and Tufts Medical Center. The credit union has 4,687 members as of March 30, 2020."**

**"Pursuant to 209 CMR 46.41 (8) Alpha Credit Union delineates its membership as its assessment area."**

**"Credit union's whose membership by-laws provisions are not based upon geography are permitted to designate its membership as its assessment area."**

**"As of March 30, 2020, the credit union had total assets of approximately \$32.9 million...."**

MBA believes this requirement promotes fair competition with the banking industry, which is subject to state and federal CRA requirements, and the state-chartered credit unions in Massachusetts that must comply with CRA.

Other amendments in H1097 require an out of state credit union seeking to open a branch office in Massachusetts to address CRA as part of its application; require the owner members' vote to occur prior to the filing of an application; and a written policy on a person's qualification for membership with the retention of documentation of proof of eligibility.

## **Conclusion**

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We appreciate the opportunity to provide our testimony in support of H 1097 and we respectfully ask the Committee to give this legislation a favorable report.