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S.180 Testimony, Senate Finance Committee, 1/17/24



Thank you for the opportunity to chat about Senate bill 180. As you know, it's a very short piece of legislation that simply deletes two words from the statute. To help provide background, allow me to give you some of the basics about Vermont credit unions in today's economy.

There are **16** cooperative credit unions headquartered in Vermont, **11** of which are chartered under Vermont law and **5** under federal law. Together, they have **89** locations around the state serving 430K Vermonters with about \$6.6 billion in assets. About 6 of them are open to membership by anyone in the State of Vermont. The smallest one is a \$622,000 Church-based credit union operated by a single person, to a **\$3 billion** cooperative that's the largest financial institution of any type headquartered in the State of Vermont. Credit unions are sophisticated cooperative financial institutions providing a similar range of products and services as traditional banks, but often with better rates and lower fees.

Credit unions are **cooperatives** so there's no group of members or outside owners for whom to make profits. After setting aside mandated reserves for safety and soundness, profits are returned to the **430k members** of Vermont credit unions. In 2023, those credit unions provided about **\$61M** in financial benefit to those 430k Vermonters. That \$61M is the **difference** between the rates and fees they get from their CU, versus those they'd get from other institutions in the state.

For example . . . financing \$25k for a new car for 60 months at a Vermont CU saves the borrower a little over \$100 per year in interest expense compared to loan rates available at other institutions in the state. (source: Datatrac, NCUA and CUNA).

It's fair to say that Vermonters using other kinds of institutions also benefit because of the competitive pressure that cooperative CUs create. I think it's commonly accepted that CUs often have more favorable rates and fees than other financial service providers because of their cooperative structure . . . where everyone who does business with it is an owner and shares in the profits. CUs could send a check at the end of the year to those member owners, but instead give the profits to members through rates and fees. That creates a benchmark in the marketplace with which other providers compete. Remove CUs from the marketplace . . . and there's less competition . . . so the need to compete lessens . . . and rates and fees in the marketplace become less favorable. So, it makes sense that, at least to some degree, everyone benefits from the presence of cooperatively structured credit unions in the marketplace.

Let me talk about **S.180** specifically. As worded, it doesn't alter any powers or authority of credit unions in any way. Nor does it require state government or anyone else to place any

deposits in a credit union. What it does do is enhance **options** for the deposit of State government funds in Vermont.

32 V.S.A. § 433 defines the permitted places in which the State can deposit its funds. Under this current law, the State can use a variety of depositories including banks and credit unions. But oddly, the statute limits the types of credit unions to small ones. Of the 16 CUs in Vermont the only ones in which the State can deposit are two small community development ones. Their focus is on service to less financially advantaged Vermonters. Of the two, one of them has a state-wide field of membership, but the institution's size makes it an unlikely option for the State. There are 14 other locally domiciled CUs in Vermont who aren't currently an option for the Treasurer's office even though about 66% of Vermonters choose to do business with them. Those 14 credit unions comprise about 99% of all credit union assets in the State.

All S.180 does is delete two words . . . **community** and **development** . . . from the credit union reference in the State's permitted list of depositories. That would broaden the State's options and no longer exclude the credit unions best able to serve the State's needs. If the Treasurer chose to deposit in a CU, it would enjoy the same favorable rates and fees as those 430k Vermonters already do.

To no surprise, you're likely to the two-word deletion the bank lobby. It would be arguments against competition providing the State with more choice of depository options. That argument doesn't justify continuing a prohibition against CUs as a depository option. There are probably 3 main opposing arguments . . .

1. **Credit unions don't pay taxes, so they shouldn't hold public funds.** But in fact CUs do pay taxes . . . including payroll taxes, real estate taxes, [personal property tax where applicable](#) and rooms and meals (state charter). Neither banks nor CUs pay a corporate tax in Vermont. Because of their type of charter, banks do remit to the State a bank franchise tax of .000096 x ave. monthly deposits. CUs aren't subject to the bank franchise tax, or any form of federal corporate tax, because of their not-for-profit cooperative structure.
2. **Reducing deposits in banks harms the State because revenue from the bank franchise tax would be reduced.** Nothing in the proposal mandates the use of CUs as a depository of state funds. If the Treasurer's office ever wanted to consider a CU as a depository, I have no doubt it would weigh any differing interest rates between depositories and account for minimal reduction in bank franchise tax, if any.
3. **CUs have strayed too far from their original mission.** CUs holding deposits for government entities, within their field of membership, is completely consistent with the credit union mission and purpose because of the benefit provided to taxpayers, communities, and members.

In this modern world where membership in cooperative credit unions is widespread and they contribute so much to the Vermont economy, we're long overdue to enhance the State's depository options by no longer excluding over half of all Vermont domiciled financial institutions. Removal of just two words as proposed in S.180 does that without changing anything about Vermont credit unions, and without requiring the State Treasurer's office to do anything different than it already does.