2024 MCUL
KEY STATE ISSUES

Credit Union Difference and Not-For-Profit Tax Status

- Credit unions are not-for-profit co-ops owned by their members.
- Credit unions do not pay corporate income tax because of their not-for-profit co-op business structure, as opposed to for-profit banks. Credit unions pay all other applicable taxes, like payroll and social insurance, real estate, UBIT, sales (state charters), etc.
- Banks can raise capital for the equity and bond markets. Credit unions can only raise capital through retained earnings.
- Credit union profits are shared with members through higher savings returns, lower loan rates, fewer and lower fees, low-cost or free products and services and financial literacy programs.
- More than half of credit union-originated mortgages go to borrowers earning middle incomes or less.
- Credit union business lending is growing dynamically to support our communities and businesses.
- Credit union boards are drawn from members, elected by the members, and serve as unpaid volunteers. Banks can provide stock options and ownership to their boards, executives and staff. Credit union directors and officers are focused on service as opposed to benefiting from stock appreciation.
- This important structural difference, as well as credit unions' commitment to serve the unique needs of the underbanked and local economies, has contributed to the bi-partisan support for the federal and state corporate income tax exemptions.
- Credit unions focus on financial education for youth and adults.
- While the consumer and business services provided by credit unions may look and feel similar to banks, it's the not-for-profit co-op business structure that drives the credit union tax status.
- Credit unions make up 50% of the state's headquartered CDFI institutions, leveraging grant and other financial resources to multiply positive community impacts to address consumer needs, community development, and small business lending.

Small-Dollar Loans by Payday Lenders

- Credit unions have long opposed payday lending in general and the expansion of authority for payday licensees into this space. Our members are too familiar with the negative effects and cycle of debt that many borrowers experience when using high-cost, short-term credit.
- Many credit unions offer alternative products to help borrowers avoid these types of loans, provide free financial counseling and will work with members in their individual situations when they need help. The triple-digit APR of this proposed product dwarfs Michigan usury caps, allowable rates for PALs and the rates of legitimate alternative products offered by credit unions.
- The legislature should carefully consider the impact of any new lending products, especially those offered to challenged borrowers that are at their most vulnerable. We should be actively looking at appropriate ways to foster affordable emergency consumer lending that will actually help people and build their credit.
- HB 4343 has been introduced by Representative Jennifer Conlin. This legislation will required DIFS to do a study of the payday lending industry under the current Deferred Presentment Services Transaction Act (DPSTA). This study will provide valuable data on the industry.

Data Security and Privacy

- Data breaches have become a common place in our society with millions of consumers being impacted by one each year. The retail industry's current method of self-policing without adequate security standards does not work.
- A cyber attack occurs every 39 seconds. If retailers are not properly protecting the data they collect on their consumers, they should be responsible for when the data is accessed by outside sources.
- Financial institutions are forced to assume the costs related to breaches, including card replacement, fraud control, member communication and fraudulent transaction cost.
- While a federal standard is the preferred method of addressing this issue, our team will continue to push for a state solution to this problem.

Financial Literacy/Financial Education

- Legislation was enacted last session which created a new 1/2 credit requirement for students to talk a personal finance course prior to graduating high school.
- Currently, the Michigan Department of Education (MDE) is working on implementing this new law for roll out starting in 2024.
- Our team continues to engage MDE on the implementation process and encourage them to utilize financial institutions expertise in this space when building out the requirements for this 1/2 credit course.

Garnishment and Collections Reform

- SB 408/409 and HB 4900/4901 have been introduced to enact significant reforms to Michigan's garnishment laws and procedures, as well as to update state law bankruptcy exemption thresholds.
- Included in the proposed legislation are significant increases in exemption thresholds for garnishments, shifting of various procedural burdens (along with liability) onto financial institutions, the possible elimination of offset capabilities for credit unions, and extraordinarily high property exemption thresholds, among other items.
- As introduced, the sweeping changes contained in these bills would be highly problematic for risk-based lending decisions and would render many individuals virtually uncollectable. This in turn will result in restricting access to capital for credit union members, many of whom need it the most.
- MCUL and its member credit unions strongly oppose the introduced versions of these bills, and are working with the sponsors and other stakeholders to find a reasonable approach to any modernization in this statutory space.

UCC & Emerging Technology

- Proposed amendments have been brought forward in 2022 by the Uniform Law Commission to make updates to the Uniform Commercial Code (UCC). These updates would allow the UCC to apply to an expanding number of transactions that involve digital assets in a way that is not currently permitted under the existing UCC.
- We will be working with the legislature this session to enact these updates to ensure that our UCC continues to evolve and be useful as our economy changes.

Appropriations

- The MCUL applauds and appreciates the FY23 and FY24 inclusion of state funds for CDFI programming, totaling $94 million in available funding. As we work to implement these grants in our communities, MCUL and our industry partners are strongly supportive of crafting a workable and sustainable statutory framework for a permanent state CDFI Fund.
- The MCUL supports continued funding in FY25 for the Michigan Saves green lending program, funded again at $5.5 million in FY24.
- The MCUL also supports continued funding in FY25 for children's savings account programs, to support the state's CSA platforms and provide needed seed-funding for accounts. The program was funded at $2 million in FY24.
- Finally, the MCUL would like to explore the possibility of funding for a loan loss reserve as well as a program structure to support affordable small-dollar installment loans as an alternative to more expensive and predatory options.