

Date: January 22, 2020

To: Chairman Rob Olson
Vice-Chairman Rick Billinger
Ranking Minority Mary Ware
Members of the Senate Financial Institutions & Insurance Committee

From: Ron Smeltzer, President/CEO
Envista Credit Union

Re: Opposition to Senate Bill 259

Thank you for the opportunity to appear before you today in opposition to Senate Bill 259. Envista Credit Union, like every credit union, is a not-for-profit financial cooperative. Operating under the cooperative model of “people helping people,” we serve more than 44,000 members, regardless of their economic status.

Consumer choice and fair competition are at the heart of what makes our financial system work. If either one of those factors goes away, it is not the financial institutions – but the consumers – who are harmed.

Banks & Credit Unions Have Choice

Just as consumers have a choice, financial institutions have a choice. Every financial institution in the state has the option to choose either a for-profit corporate structure or a not-for-profit corporate structure. That choice determines both the taxation model and, more importantly, the mission by which the financial institution operates. For Envista and our members, the not-for-profit structure best fits who we are and how we wish to serve consumers. While our choice comes with some advantages on the taxation side, it also comes with restrictions and responsibilities that justify the value of those tax benefits to you as policymakers and to the members who own our credit union.

What’s the Same & What’s Different?

On the surface, there are similarities between for-profit banks and not-for-profit credit unions. Both types of institutions offer many of the same services, they both advertise in order to inform consumers of the options in the marketplace, they both create jobs in our local communities, and they both contribute generously to local charities and economic development initiatives. But, the similarities end there.

The differences lie in that choice of corporate structure. Corporate structure goes well beyond taxation. It goes to the heart of how the institution operates. You’ve heard many times over about the core differences in that corporate structure – that credit unions return their profits to the members, that we are governed by a volunteer board of directors, that every member has an equal vote, and that we cannot raise outside capital. I’d like to talk about the difference in our purpose and how we carry out that purpose every day.

What Does it Mean to Be Not-for-Profit?

In prior testimony, the proponents have talked about charitable giving and community engagement. I don’t know of any financial institution that isn’t committed to giving back to the community it serves. At Envista, we contribute thousands of dollars every year to support vital local charities, like Family Service & Guidance Center, Midland Hospice, the YWCA, and the Children’s Discovery Center. In addition, our EnvistaCares program encourages community contributions over and above those made by Envista by offering to match contributions made by others. A more complete summary of our charitable and community involvement has been provided for your

review as well. Charitable giving is part of being a good corporate citizen. But, that's not what earns us our not-for-profit tax status. Being a not-for-profit financial institution goes much deeper than that.

Let me give you an example. At Envista, we take seriously the importance of serving consumers of all means, particularly those of modest means. To that end, we provide our board of directors with data each month on how effective we are in fulfilling that responsibility. We created a Low Wealth Tracking Report about 17 years ago to provide them with that feedback. I will be around after the hearing if you'd like to see a copy of our most recent report.

Here's a glimpse of what that report shows. Out of 44,000 members:

- Almost 16,000 members have account relationships that total less than \$100.
- Over 26,000 members have an account relationship less than \$1,000.
- We make hundreds of loans every year less than \$2,000, many below \$500.

Envista provides affordable financial services for over 26,000 consumers of modest means, at least 15,000 of which we believe would likely be unbanked if not for our presence in the marketplace. The impact of being unbanked is far-reaching, not only on the individual but also on communities and state government. Without a checking account, it is difficult, and sometimes impossible, for individuals to obtain employment, rent a home or an apartment, secure credit or build financial security. Often, consumers and small businesses of modest means are referred to us by local banks because these accounts are generally not profitable and typically involve services that only a not-for-profit organization is willing to provide.

This is just one example of how our credit union carries out our mission and earns our not-for-profit tax status.

SB 259 Ultimately Threatens Fair Competition

Senate Bill 259 would allow one type of institution to cherry-pick the parameters under which they operate – taking some of the tax advantages offered under the not-for-profit corporate structure without accepting the responsibilities that come with that structure. We ask you to oppose Senate Bill 259 in order to ensure a level playing field and fair competition.

Thank you for your time. Mr. Chairman, I would be happy to stand for questions at the appropriate time.