



2023 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 bipartisan 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 require 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.

Process and Operations

- HB 4900 and 4901, along with SB 408-409, have been introduced to reform garnishment procedures and state-level bankruptcy exemptions.
- HB 4681 and SB 329 have been introduced to address "bad faith" insurance practices.
- Both packages, as written, present serious concerns on access to financing options, cost of capital and risk to credit union lending.

Appropriations FY24 and FY23 Supplemental

- Worked with a coalition of Michigan CDFI partners to secure an additional \$19 million in funding for the state CDFI fund.
- Also included boilerplate language that will ensure in the event that a CDFI is de-certified through no fault of their own that they will only potentially be required to pay back the uncommitted portion of grant funds to MEDC.
- Ensured that if all funds are not distributed in the initial round that MEDC may authorize additional rounds of funding to distribute any remaining funds.

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.

Power of Attorney Reforms—Uniform Power of Attorney Act

- Sections of the Michigan Bar Association have been working on enacting a version of the Uniform Power of Attorney Act here in Michigan (Michigan UPOAA). This legislation was introduced in 2022 but due to time constraints did not move. We fully expect that the legislature will re-introduce this legislation again this session.
- The legislation will provide greater clarity for those who have Power of Attorney (POA) on what makes a POA valid or invalid, what responsibilities and powers the agent has under a POA and what responsibility a financial institution has when presented with a POA (accepting/rejection).
- We believe this legislation is a good step forward while still providing credit unions with the ability to protect their members who are likely the principal of the POA.
- HB 4644 by Rep. Kara Hope has passed the House and awaits a floor vote in the Senate.