



**Assembly Committee on Financial Institutions  
Public Hearing, October 6, 2021  
Assembly Bill 478  
Testimony of State Representative Dave Murphy**

Madam chair and members of the committee, thank you for hearing Assembly Bill 478 today.

Credit unions provide critical financial services to over 3 million members across Wisconsin. The bill in front of you today cleans up outdated state laws and ensures the services credit unions offer to members are regulated in a common sense manner.

These changes will make the financial services credit unions already provide easier for their members to utilize without altering the basic principles that credit unions must adhere to. You'll hear more today from credit union leaders across the state about why these revisions are both necessary and overdue.

Assembly Bill 478 would specifically:

- Bring state chartered credit unions into parity with federally chartered credit unions.
- Allow credit unions to acquire certain real estate for up to five years in order to satisfy a debt.
- Repeal outdated provisions related to the installation and operation of off-site ATMs.
- Require credit unions to fill any vacancy on its board of directors within 90 days.
- Allow non-credit union members to cosign for loans.
- Permit credit unions to offer supplemental forms of capital that are approved by the Office of Credit Unions (OCU).
- Create flexibility with regard to paying for examinations conducted by OCU.



**State of Wisconsin**  
*Department of Financial Institutions*

Tony Evers, Governor

Kathy Blumenfeld, Secretary

October 6, 2021

**Statement from the Office of Credit Unions Regarding Assembly Bill 478**

The Office of Credit Unions, an office of the Wisconsin Department of Financial Institutions, regulates and regularly examines state-chartered credit unions to help ensure the safety and soundness of their operations. The Office has no objections to Assembly Bill 478, which updates several statutes that govern credit unions without creating new or greater risks to their safety and soundness.

From the Office's perspective, the bill clarifies and modernizes the statutes in two broad respects. First, it eliminates several cumbersome or outmoded procedures that are required under current law. For example, current law allows state-chartered credit unions to exercise the same powers and engage in the same activities as their federally chartered counterparts and other financial institutions, but only through an "opt-in" mechanism that requires the Office to promulgate a new administrative rule for each new power or activity.<sup>1</sup> That process results in unnecessary delays that can temporarily disadvantage state-chartered credit unions relative to other financial institutions. The guidance and "opt-out" mechanisms set forth in sections 7 and 10 of the bill would avoid those delays, while retaining the Office's ability to deny parity for a given power or activity if the Office deems it inappropriate for state-chartered credit unions.

Second, the bill fills certain gaps in existing statutory law, as follows:

- **Real estate:** Current law authorizes credit unions to "purchase, hold, and dispose of property as necessary for or incidental to its operations,"<sup>2</sup> but it does not address the applicable standards where the property at issue is real estate. Section 4 of the bill fills that gap, clarifying that state credit unions may hold real estate for the same purposes and the same duration as state banks presently can.<sup>3</sup>
- **Loan participation:** Current law authorizes credit unions to make loans to their members,<sup>4</sup> but it is silent as to whether a member's co-obligors, cosigners, co-borrowers, sureties, or guarantors must also be members of the credit union. Section 2 of the bill provides a straightforward answer to that question.
- **Supplemental capital:** Current law authorizes credit unions to make investments with the approval of the Office of Credit Unions,<sup>5</sup> but it does not specifically address whether they may pursue supplemental capital. Section 6 of the bill clarifies that issue without limiting the Office's supervisory ability to set controls and conditions on the practice.

<sup>1</sup> See Wis. Stat. §§ 186.115(2), 186.118(3), 186.235(21).

<sup>2</sup> Wis. Stat. § 186.11(2).

<sup>3</sup> The language of Section 4 of the bill mirrors that of Wis. Stat. § 221.0319, which governs state banks.

<sup>4</sup> Wis. Stat. § 186.098(1).

<sup>5</sup> Wis. Stat. § 186.11(1)(e)

*Office of Credit Unions*

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In sum, the Office of Credit Unions believes Assembly Bill 478 includes several provisions that will clarify or streamline the law, and none that will impede the Office's regulatory mission. We appreciate this Committee's attention to this bill and to issues affecting credit unions in this state.

Thank you.

Sincerely,

*Kim Santos*

Kim Santos  
Director, Office of Credit Unions  
Wisconsin Department of Financial Institutions





October 6, 2021

To: Honorable Members of the Assembly Committee on Financial Institutions  
From: Brett Thompson, President/CEO | Wisconsin Credit Union League  
Re: Assembly Bill 478, Modernization of the State Statutes Relating to Credit Unions (Ch. 186)

On behalf of Wisconsin's 120 credit unions, we ask for your support of AB 478, a modernization to Wisconsin's state statutes governing credit unions.

Decades of steady, healthy growth and success put credit unions in a financially strong position to provide needed assistance throughout the pandemic – whether through low- or no-interest loans, loans regardless of credit score, loans too small to be profitable, or loans to small businesses with no prior relationship with the credit union.

Putting the interests of members first is not a temporary focus – it's what credit unions are built to do, as cooperative not-for-profits charged by statute to “encourage thrift among its members, create a source of credit at a fair and reasonable cost, and provide an opportunity for its members to improve their economic and social conditions” Wis. Stats. § 186.01(2).

By putting people before profit, Wisconsin credit unions provided more than \$416 million in direct financial benefit to the state's members during the twelve months ending in March 2021.

The continued growth and success of credit unions will enable them to step up again and again to meet the future needs of their members and the communities those members live and work in. With that goal in mind, it is prudent to every so often review the state charter and ensure it works well for the Credit Union system and makes a compelling case for credit unions to choose to be chartered by the state.

97% of the credit unions in our state choose to be regulated locally and chartered at the state, rather than federal level. A state charter ensures the credit union's primary regulators live, work, and understand Wisconsin. In contrast, federally chartered credit unions in our state are regulated by a region based in Tempe, Arizona that covers 23 states.

Wisconsin consumers benefit when credit unions are empowered to meet their evolving needs and invest further in their communities – AB 478 does just that.

AB 478 codifies the status quo, streamlines current practice, and permits the Office of Credit Unions to provide parity - making permissible for state-chartered credit unions what is already permissible for federal credit unions operating in the state.

It does not create new powers for the industry.

The following details the components of the bill.

## AB 478 Overview

Under Chapter 186 of Wisconsin State Statutes, a credit union is to “encourage thrift among its members, create a source of credit at a fair and reasonable cost, and provide an opportunity for its members to improve their economic and social conditions.” – Wis. Stats. § 186.01(2)

The updates proposed in SB 478 give credit unions future opportunity to evolve and continue to work toward their mission of improving the economic and social conditions of their members.

Specifically, the bill:

- Clarifies and codifies **already permissible activities and current practice** for credit unions related to:
  - Other Real Estate Owned,
  - member accounts for co-borrowers, and
  - supplemental capital.
- Simplifies **current processes** for
  - payment for examinations,
  - filling board vacancies,
  - ATM placements,
  - granting state credit unions powers already granted to federally chartered credit unions, and
  - adding ‘incidental powers’ granted to federally chartered credit unions.

## Policy Detail

### Other Real Estate Owned

*(Sections 3 & 4, “Credit union property” in LRB summary)*

In 2015, the Office of Credit Unions issued General Letter CU 1-15 clarifying that it is permissible for credit unions to have Other Real Estate Owned (OREOs) and outlined a number of requirements and considerations. (An OREO, for example, could be a property owned by the credit union because it was foreclosed upon that has not been sold at a foreclosure auction or through conventional channels.)

#### → AB 478

Sections 3 and 4 confirm, in statute, OREOs are permissible – codifying the guidance issued by the OCU in 2015. The guidance would still be applicable.

### Member Accounts for Co-Signers, Joint Applicants, Co-Obligors, Co-Borrowers, Guarantors

*(Section 2, “Nonmember loan participations” in LRB summary)*

The current practice for credit unions, in making loans to members, does not require that an individual fulfilling the role of co-signer, co-obligor, co-borrower or guarantor maintain a separate membership account with the credit union. As an example, if a couple purchases a house with a loan from the credit union, one of them is required to become a member of the credit union. The recipient of the loan must always be a member of the credit union. Their spouse is a co-borrower on the loan but is NOT required to open a second individual membership account.

### **Member Accounts for Co-Borrowers (cont.)**

Clarification of the statute would be helpful. In considering the best policy to codify, status quo prevails – to avoid the arbitrary influx of new, and often unwanted or dormant accounts that create unnecessary burden and significant cost.

→ AB 478

The bill codifies the status quo, that while the loan recipient must be a member – those who were enumerated above are not required to open a separate membership account. It does not expand who is eligible to secure a loan from a credit union.

### **Supplemental Capital**

#### ***(Section 6)***

32 Wisconsin credit unions can already accept supplemental capital as low-income designated credit unions. The bill would make supplemental capital, to maintain safe capital levels during good and bad economic times, available to all state-chartered credit unions as approved by the Office of Credit Unions.

Capital represents the portion of a credit union's assets available to cover any losses the credit union may incur. For credit unions, the only source for capital is retained earnings. Under the current system, a credit union that has seen significant increases in deposits may find itself in regulatory trouble if its lending does not increase at the same pace as deposits. This situation depletes a credit union's net worth ratio and can trigger regulatory action by regulators.

Access to supplemental forms of capital enhances the safety and soundness of credit unions by allowing them to develop a cushion to absorb operating losses and asset write-downs during economic downturns. It also enhances credit unions' ability to serve their members.

Supplemental Capital does not impact the structure and governance of credit unions as not-for-profit cooperatives.

If this tool helps even one credit union preserve their service to members and communities, it will have fulfilled its purpose. Supplementary Capital may not be a frequently used tool – but can be a valuable one nonetheless.

→ AB 478

Only after approval by the NCUA and with the express permission of and under limitations outlined by the Office of Credit Unions, the bill would permit qualified state-chartered credit unions to accept supplemental capital. This provides opportunity for credit unions to diversify and improve safety and soundness.

This bill does not require credit unions to issue supplemental capital. In fact, today just one of the 32 eligible Wisconsin credit unions has issued supplemental capital.

### **Payment for Examinations**

#### ***(Section 13, "Charges for credit union examinations" in LRB summary)***

When the OCU examines a credit union, the credit union are required to pay for the cost of the examination on the day the examination is completed. This is outdated, unnecessarily restrictive, and inconsistent with the rules applicable to other financial institutions.

→ AB 478

Allows a credit union to pay the charge within 30 days of when the examination is completed. This provides flexibility for both the OCU and credit unions.

### **Filling Board Vacancies**

#### ***(Section 1, “Vacancy on Boards of Directors” in LRB Summary)***

Credit union boards of directors are volunteers who run for office and are democratically elected directly by the membership. Currently, a credit union has 60 days to fill a vacancy on their board.

→ AB 478

The timeline to fill any vacancy on a board of directors is lengthened to 90 days. The credit union still can replace a vacancy in a shorter amount of time. The extra time enhances a credit unions’ ability to recruit well-qualified candidates for these volunteer positions.

### **ATM placements**

#### ***(Sections 5, 15, 16 & 17, “Off-side ATMs” in LRB summary)***

Currently, financial institutions are required to notify their regulators when they place an ATM in a new location. The requirement to notify, in credit unions’ case, the OCU, creates unnecessary work for both the credit unions and OCU. Private vendors are not required to report their ATM placement.

→ AB 478

Removes the notification requirement for credit unions, banks, and savings and loans from the statutes and administrative rules. Statute and rules reference all of these financial institutions, so removing the requirement for all at once is streamlined and makes common sense.

- Sections 5 and 25 remove the requirements from the statutes and the rules, respectively, for credit unions to provide notice.
- Sections 15 and 26 do the same for savings banks.
- Sections 16 and 27 do the same for savings and loan associations.
- Sections 17 and 24 do the same for state banks.

### **Parity for Powers Granted to Federally Chartered Credit Unions**

#### ***(Sections 7, 8, 14, “Parity” 2. & 3. in LRB summary)***

Wisconsin statutes already provide a process for parity between federally and state-chartered credit unions. In each situation the Office of Credit Unions must go through the rule making process to authorize something that is already permissible for federally chartered credit unions operating in the state.

This process was put into effect at a time when rulemaking was a relatively efficient process and worked well to quickly ensure the state-chartered credit unions could – with direction from the OCU – partake in an activity already vetted and allowed for their federally chartered counterparts.

While guidance is not subject to legislative review, there is precedence for simplifying a process for parity in instances where the powers or services are already available to federally chartered credit unions operating within the state (see Incidental Powers section, following).

→ AB 478

The bill would preserve the power to grant parity currently provided in statute, simplify the process by which it can be applied – through guidance – and condense the references to a single statute. The bill does not allow the OCU to create new powers and requires action from the OCU to apply parity with federally chartered credit unions when it determines appropriate for state-chartered credit unions as well.

**Addition of ‘Incidental Powers’ Granted to Federally Chartered Credit Unions**

*(Sections 9-12, “Parity” 1. in LRB Summary)*

DFI-CU 75.04 provides a list of activities and powers incidental to the business of a credit union that were either:

- Previously authorized for federally chartered credit unions as of April 18, 2014 when the list was created, or
- Added by rule after a determination by the OCU that the power should be authorized for WI chartered credit unions.

Under current law, the OCU has 30 days after an incidental power becomes authorized for federally chartered credit unions to determine whether it should be authorized for state-chartered credit unions. To add such powers to the list, the OCU is permitted by statute to use an abbreviated rule making process, which was passed by voice vote and signed into law by Governor Walker (2013 Act 277) – suggesting there is precedence for an abbreviated process to apply parity for powers already vetted for federally chartered credit unions in the state.

The current statute is unclear on what happens at the end of the 30-day timeframe if the OCU takes no action (does not proactively authorize the power or determine they will not authorize the power). Further, the current statute is unclear whether the OCU could still use the rule making process to add the power after 30 days.

→ LRB-2991

Clarifies that the power will be authorized for state-chartered credit unions unless the OCU issues a general order within the 30-day review period noting otherwise. There are a series of considerations the OCU must consider in making the determination including whether:

1. It is necessary, convenient, or useful for effectively carrying out the mission or business of a credit union.
2. It is the functional equivalent or logical outgrowth of activities or powers that are part of the mission or business of a credit union.
3. It involves risks similar in nature to those already assumed as part of the business of the credit union and it is not likely to be detrimental to the overall safety and soundness of the credit union.

The remaining sections of LRB-2991, sections 18, 19, 20, 21, 22, 23, amend cross references in Ch. 227, on administrative rulemaking.





## Wisconsin Support for Credit Unions & Their Federal Income Tax Exemption Remains Strong, Bipartisan

Wisconsinites reaffirmed their strong support for credit unions' federal income tax exemption. 80% of voters support the exemption with the understanding credit unions are not-for-profit cooperatives that return earnings to members in the form of better rates and fewer or lower fees. Half of voters in the state (50%) strongly support this exemption.

Support for the exemption is consistent across party lines (ranging from 77% support from Independents to 85% from those that identify as GOP), across regions of the state, by gender and age, by income level, and notably remained strong (73% support) among voters who do not have a credit union account.

Given the stark partisan divide nationally and in Wisconsin, it is very rare to see any issue receive this type of broad-based and bipartisan support.

In addition, 82% of voters disagreed with the statement, "There is no real difference between a bank and credit union."

The following further illustrate voters' appreciation and support for credit unions:

- 76% agree that a tax on cooperative credit unions is really a tax on credit union members.
- 72% said "offer the best deal for consumers" describes credit unions (13% selected banks).
- 59% said "supports my community" describes credit unions (21% selected banks).
- 85% of voters agreed that, based on the law, credit unions should serve members regardless of income level. (Only 12% say that "credit unions are only meant to serve low income and middle-income individuals.")
- 87% agreed that the size of a credit union should not matter as long as it is serving the needs of its members. This view is shared (84%) by those that do not have a credit union account. (Just 13% believe "credit unions were never intended to grow as large as banks and their size should be limited.")
- Credit union members are likely to feel more strongly that their financial institution cares about and improves a person's financial wellbeing.
  - o Financial institution improves financial wellness
    - Credit union members: 75% agree | 22% disagree (53% difference)
    - No credit union account: 60% agree | 38% disagree (22% difference)
  - o Financial Institution cares about financial wellness
    - Credit union members: 73% agree | 26% disagree (47% difference)
    - No credit union account: 55% agree | 44% disagree (11% difference)

In summary, credit unions continue to be extremely popular in Wisconsin. Across every demographic there is support for credit unions' federal income tax exemption and ability to serve members regardless of income level and size.

*The survey was conducted by Public Opinion Strategies August 16-19 among 600 registered voters. The margin of error is plus or minus 4%. For any questions about the survey, please contact Jim Hobart at [hobart@pos.org](mailto:hobart@pos.org) or 703-639-8154.*

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Member Credit Union National Association



**Testimony of the Wisconsin Bankers Association**

**Assembly Committee on Financial Institutions  
Assembly Bill 478**

**October 6, 2021**

Chair Duchow, Vice Chair Katsma, and members of the Committee, thank you for the opportunity to testify at this hearing. My name is Ken Thompson and I am the president/CEO at Capitol Bank in Madison, and also the current Board Chair for the Wisconsin Bankers Association (WBA). With me today is WBA's president and CEO, Rose Oswald Poels. Founded in 1892, WBA is the state's largest financial industry trade association, representing more than 200 commercial banks and savings institutions, their branches, and over 21,000 employees. The Association represents banks of all sizes in Wisconsin, and nearly 98 percent of banks with a physical branch presence in the state are WBA members. Capitol Bank has been heavily involved in serving the Madison and surrounding communities since 1995 when we first opened our doors. We appreciate the opportunity to provide comments today on Assembly Bill 478.

AB 478 seeks to make several changes to the credit union statutes, some of which are intended to modernize the laws which we understand as the banking industry often seeks modernization of our laws too. WBA does not object to those provisions. However, there are several provisions in AB 478 that WBA objects to which call into question the rationale for a credit union charter that is distinct from banking and threaten the future of community banks.

In Wisconsin, there are 13 credit unions that are over \$1 billion in asset size that compete daily with banks like mine across the state. The services offered are no different than those offered by banks, and yet the credit unions enjoy a significant advantage in their income tax-exempt status. Capitol Bank regularly experiences competition from growth-oriented credit unions operating in our market. Like anything, we win some of those deals and at other times we lose. Competition is normally healthy and good for consumers when all parties involved operate on a level playing field. However, that is not the case with the credit union industry.

As you consider your position on AB 478, I also ask you to consider the public policy rationale that was used to create the credit union charter in the first place, giving them the very meaningful tax exemption they continue to enjoy today. If credit unions were intended to operate no differently from banks, then there would not be a separate charter in the first place. Wisconsin law provides for several different types of financial institutions to exist, with pros and cons to each one. These include commercial banks, savings banks, savings and loan associations, credit unions, and universal banks. Further, we all have chartering options to be either state or federally chartered. Again, there are pros and cons to this decision too. It is important to remember that there were public policy reasons for these different charters to exist, and if a business decision is made that an institution can no longer fully operate within the confines of the charter it currently has, then the institution makes a strategic decision to make a change.

With the announcement last week that Home Savings Bank in the Madison area is being acquired by Dupaco Community Credit Union, headquartered in Dubuque, IA, we now have five

tax-paying banks being acquired by credit unions in this state in only 8 years. WBA knows other banks were interested in this deal; however, with the unfair tax advantages that credit unions have to influence the price and terms of these transactions, there was no match in this transaction that came close to the offer presented by Dupaco. This will translate into a direct loss of tax revenue for the state of Wisconsin, as well as a likely loss of jobs in the state due to centralization of certain operations back in Iowa. I question whether these types of transactions are really good for our state's economy. Yet, more of these acquisitions will occur here and around the country, and the ability of a credit union to issue subordinated debt as provided for in ABA 478 will only further facilitate an increase in the number of acquisitions of tax-paying banks to the detriment of the future of community banks.

WBA objects specifically to four provisions in AB 478, and I'll turn it over now to Rose to review our concerns.

Thank you, Ken, Chair Duchow, and members of the Committee. As Ken mentioned, WBA has specific objections with four areas of the bill. The first relates to provisions in the bill that would allow loans to be made to non-members. One of the very foundations of the credit union charter is the concept and requirement of membership. Chapter 186 of Wisconsin's Statutes defines a "credit union" in part to mean "a cooperative, nonprofit corporation, incorporated under this chapter to encourage thrift among its **members**..." (emphasis added)." The very first provision in Wisconsin Statutes Chapter 186.02 (2) states that the bylaws of a credit union shall prescribe: "1. The conditions that determine eligibility for membership." A principal condition upon which credit unions receive a state and federal income tax exemption is so that this type of financial institution is focused on serving a defined group of **members**.

Unlike in the early history of the existence of credit unions when they were either employer-based or focused on serving well-defined neighborhoods, it is not difficult today for almost anyone to become eligible for membership in one of our growth-oriented \$1 billion and larger Wisconsin credit unions. Indeed, two of them have a 72-county defined field of membership. Continuing to require that credit unions only do business with members is inherent in the public policy rationale behind which the tax exemption is given. Making a substantive change to this foundational public policy principle as proposed in AB 478 should then also call into question, as other states have, the state tax exemption. Otherwise, again, there is no meaningful need for a distinct credit union charter if credit unions would then be able to make loans where membership is ignored for co-borrowers, guarantors, and other categories outlined in the bill. The very limited administrative burden or extra operational costs that may exist to requiring someone to be a member before they can be party to a loan is part of the cost of doing business as a credit union. WBA strongly encourages you to oppose this provision in AB 478 as it is in direct conflict with what prior bodies of this legislature intended when creating the separate charter. Just like the legislature created different types of business structures, the legislature created different types of financial institutions, and if one of these structures ultimately no longer serves the strategic goals of the institution, then there is another type of charter to which an institution could convert.

The second area of AB 478 that WBA objects to are provisions that would allow for the issuance of supplemental capital. Wisconsin's credit unions are growing at a record pace and are already well-capitalized, so there is no need to have access to supplemental capital. Supplemental, or secondary capital, typically takes the form of subordinated debt which can only be offered, issued, and sold to certain accredited investors. If this type of transaction were permitted, it would change overnight the focus of the credit union from one serving its members, to one that

now is also beholden to its third-party investors. Subordinated debt is a tool known commonly used for financing growth. Credit unions choosing to issue subordinated debt will use it to grow through the acquisition of tax-paying banks, or branches of banks on terms far more favorable than what a tax-paying bank can match. We've already seen this occur five times in Wisconsin and these acquisitions will only grow in number if credit unions are able to finance growth through subordinated debt. The negative impact to Wisconsin's tax base is real.

Third, WBA objects to provisions in AB 478 that create a procedure by which the Office of Credit Unions may circumvent the current rulemaking process and would make federal rule changes automatically effective at the state level unless that office acts to provide otherwise. There are several concerns with this potential change. First, state agencies should not be permitted to circumvent the rulemaking process. The legislature has already acted on this point with 2011 Wisconsin Act 21; however, the language in AB 478 is in direct conflict with this law. *Importantly, as stated previously, the charters are separate and distinct for public policy and other important reasons.* Financial institutions also enjoy options to decide to be state or federally chartered. If a credit union believes it is in its strategic best interest to take advantage of all rules passed for federally chartered credit unions, then the state-chartered credit union could convert to become a federally chartered one. It is important to point out, however, that all but one (maybe two) credit unions headquartered in Wisconsin are state-chartered. That is because our state law is already more favorably to state-chartered credit unions than what the federal law provides. If the credit union industry really wants the state law to automatically mirror the federal law, then the state law should be adjusted to do so in all regards. That is currently not the case today, most notably in the area of business lending. Our state law provides state-chartered credit unions with much broader authority to do greater amounts of commercial lending than what their federally chartered credit union counterparts enjoy. The current process requiring the Office of Credit Unions to issue rules should be retained since it coincides with the intent of this legislature related to agency's powers, and perhaps more importantly for the safety and soundness of the credit unions and the Office's ability to ensure that Wisconsin citizens are protected.

Fourth, a subset of language in AB 478 would allow credit unions to hold real property "for any purpose." WBA believes this phrase is too broad and should be more narrowly defined.

Finally, as part of our official testimony for the record, we are also including a copy of a letter signed by 86 banks and WBA in opposition to AB 478.

In conclusion, while portions of AB 478 are well-intentioned and focused on true modernization, WBA respectfully requests that you oppose AB 478 in its current form for the varied reasons which threaten the survivability of community banks and allow for the continued erosion of important distinctions created by this legislative body between Wisconsin's various financial institution charter options. Thank you very much for your time and careful consideration of our concerns.



October 6, 2021

## **WBA Letter to Members of Assembly Committee on Financial Institutions: Opposition to AB 478**

RE: 2021 Assembly Bill 478

Dear Chair Duchow, Vice Chair Katsma, and Members of the Committee:

On behalf of the members of the Wisconsin Bankers Association (WBA) and the undersigned banks, representing banks of all sizes in Wisconsin, we write to express opposition to several provisions contained within AB 478 which would broaden the powers of state-chartered credit unions here in Wisconsin. There are portions of AB 478 that make necessary updates to credit union statutes that we do not object to; however, we urge the members of this committee to reconsider several provisions of AB 478.

Long ago, Wisconsin's Legislative body created a series of statutes which provide requirements and conditions for varying charters of financial institutions, including state commercial banks, savings banks, savings and loan associations, universal banks, and credit unions. While similar in that each serve to provide their communities with safe financial products and services for all, there are very distinct and important differences.

There are numerous credit unions here in Wisconsin that continue to push the boundaries of what the credit union charter allows. Using their tax advantage, a handful of credit unions have grown in both size and sophistication and have become nearly indistinguishable from banks.

We strongly oppose that:

AB 478 will allow any size state-chartered credit union to issue subordinated debt. To avoid secondary capital being mis-used in manners different than for that which it was originally intended, the ability to issue secondary capital should not be broadened.

AB 478 will allow a non-member to be party to a credit transaction. In exchange for receiving the benefits of being largely tax exempt, credit unions are limited in who may be offered loan products and services from credit unions. Credit unions have long exploited this limitation. As a result of receiving preferred tax treatment, current state law should be enforced, and nonmembers should not be parties to a credit transaction.

AB 478 would also create a procedure by which the Office of Credit Unions may circumvent the current rulemaking process and would make federal law automatically effective at the state level unless that office acts to provide otherwise. Agencies should not be permitted to skirt the rulemaking process. For safety and soundness concerns and to otherwise protect state's interests, federal law should not automatically become state law.

AB 478 would allow for credit unions to hold real property for any purpose. Credit unions should not be permitted to hold property for this broad a purpose.

(continued)



We believe each of these provisions erode the important distinctions between financial institution charters. While portions of AB 478 are well-intentioned, this legislation would give credit unions more tools to operate far beyond their stated mission.

We appreciate your consideration.

Sincerely,

Abby Bank, Abbotsford  
American Bank, Beaver Dam  
American National Bank, Fox Cities  
Bank of Brodhead  
Bank of Deerfield  
Bank of Kaukauna  
Bank of Luxemburg  
Bank of Mauston  
Bank of Milton  
Bank of Sun Prairie  
Bank of Wisconsin Dells  
Bankers' Bank, Madison  
Banner Banks Birnamwood  
Black River Country Bank, Black River Falls  
Bonduel State Bank  
Bristol Morgan Bank, Oakfield  
Capitol Bank, Madison  
Charter Bank, Eau Claire  
Citizens Bank, Mukwonago  
Citizens Community Federal NA, Eau Claire  
Citizens First Bank, Viroqua  
Citizens State Bank, Hudson  
Citizens State Bank, Loyal  
Commerce State Bank, West Bend  
Community Bank of Cameron  
Community First Bank, Rosholt  
Community State Bank, Union Grove  
Cornerstone Community Bank, Grafton  
Dairy State Bank, Rice Lake  
East Wisconsin Savings Bank, Kaukauna  
Farmers and Merchants Bank of Kendall  
Farmers and Merchants State Bank of Waterloo  
Farmers and Merchants Union Bank, Columbus  
Farmers Savings Bank, Mineral Point  
First Business Bank, Madison  
First Citizens State Bank, Whitewater  
First National Bank of River Falls  
First National Community Bank, New Richmond  
First State Bank, New London  
Fortifi Bank, Berlin  
Frandsen Bank and Trust, Eau Claire  
Great Midwest Bank, Brookfield  
Hustisford State Bank  
IncredibleBank, Wausau

Independence State Bank  
Intercity State Bank, Schofield  
International Bank of Amherst  
Investors Community Bank, Manitowoc  
Ixonía Bank  
Key Savings Bank, Wisconsin Rapids  
Ladysmith Federal  
Mayville Savings Bank  
MidWestOne Bank, Osceola  
Monona Bank  
Mound City Bank, Platteville  
National Bank of Commerce, Superior  
National Exchange Bank & Trust, Fond du Lac  
Nicolet Bank, Green Bay  
North Shore Bank, Brookfield  
Northwestern Bank, Chippewa Falls  
Oak Bank, Fitchburg  
Oostburg State Bank  
Partners Bank, Stratford  
Peoples State Bank, Wausau  
Port Washington State Bank  
Premier Community Bank, Marion  
River Bank, La Crosse  
River Falls State Bank  
Royal Bank, Elroy  
Security Bank, New Auburn  
Security State Bank, Iron River  
Settlers bank, Windsor  
Shell Lake State Bank  
Spring Bank, Brookfield  
Starion Bank, Madison  
State Bank Financial, La Crosse  
State Bank of Cross Plains  
State Bank of Reeseville  
The Bank of New Glarus  
The Equitable Bank, SSB, Wauwatosa  
The Park Bank, Madison  
The Peoples Community Bank, Mazomanie  
The Pineries Bank, Stevens Point  
The Stephenson National Bank and Trust, Marinette  
TSB Bank, Lomira  
Waumandee State Bank  
Wisconsin Bankers Association, Madison  
Wolf River Community Bank, Hortonville