



May 9, 2012

Office of the Mayor  
City of Portland  
1221 SW 4th Ave, Room 340  
Portland, OR 97204

*Delivered Electronically*

**Subject: Responsible Banking Resolution**

Dear Mayor Adams:

The Northwest Credit Union Association (Association)<sup>1</sup> is pleased to support the City of Portland's Responsible Banking Resolution. We appreciate the efforts of the City in putting together this resolution and believe it will be a tool in increasing market competition, supporting local institutions such as credit unions, and promoting institutions that make a difference in their community.

Credit unions, as not-for-profit, community-based institutions, play a vital role in their communities, offering the products and services that best serve the needs of their member-owners. Supporting local financial institutions helps to strengthen them and permits those institutions to give back even more while allowing for increased competition and new players in the public funds marketplace. This resolution and the support of the City in building the 2013 credit union public funds program will be invaluable in generating participation throughout the state.

Credit unions in Oregon worked hard to pass HB3700. For nearly ten years we have heard from public entities that the \$250,000 limit is a great impediment and limits their ability to choose credit unions as an option for their deposits. The purpose of the bill was to simply provide for an open marketplace where all public agencies are able to secure the most advantageous depository arrangements for the public's dollars. Many credit unions in Oregon have the staff, the facilities, the security, the assets, and the expertise to service public agencies, just as they do individual members. The public funds program is important to many Oregon communities because increased competition for public fund deposits will produce better rates of return for public dollars. Federally insured local credit unions provide an additional option in the marketplace for these deposit accounts.

We appreciate the addition of credit union employment numbers in the Resolution as credit unions are an important part of the City's economic engine. The resolution highlights that banks are "tax-paying institutions..." While credit unions are tax-exempt institutions, they pay the same share of federal,

---

<sup>1</sup> The Northwest Credit Union Association is a regional trade association representing the interests of more than 200 credit unions and their six million consumer-members; institutions that employ and engage more than 10,000 people and hold more than \$50 billion in aggregate assets. The Association is a nonpartisan advocacy organization representing the interests of its member institutions on a variety of systemically important banking issues.

Credit unions affiliated with the Association are principally domiciled in the Northwest quadrant of the United States, but the Association also has members from the states of Alaska, Idaho, California and Hawaii. Learn more about the Association at [www.nwcua.org](http://www.nwcua.org).

Oregon Office  
8205 SW Creekside Place, Suite 220  
Beaverton, OR 97008

Washington Office  
33301 9th Avenue S., Suite 200  
Federal Way, WA 98003

Phone Numbers  
+ 1 800 995 9064 toll free  
+ 1 877 928 6397 fax

NWCUA Comment Re: Responsible Banking  
May 9, 2012

state, and local taxes as any business, including real and personal property tax and employment taxes. The credit union tax exemption only applies to corporate income tax because of the not-for-profit structure. Cooperatives like credit unions typically do not pay income tax because they must pay all their income to their members. After transferring a portion of their income to reserves and loss accounts, credit unions must return all surplus earnings to the members as dividends, lower rates, and higher savings returns.

Credit unions continue to be cooperative financial institutions, dedicated to meeting their members' financial service needs, with a volunteer board and democratic control. Credit unions pass their savings on to members in the form of competitive interest and dividend rates, fewer or no fees, and convenience.

The Northwest Credit Union Association supports the City's Responsible Banking Resolution. We appreciate the effort of the City in putting together this Resolution and the groundbreaking steps being taken to help increase competition and reward community-minded institutions. We believe this is an important move for the City, its citizens, local financial institutions, and the people of Oregon.

Sincerely,

Jaycee Winn  
Director of Regulatory Advocacy  
Northwest Credit Union Association



36926

*The Voice of Oregon Banking • Since 1905*

February 10, 2012

The Honorable Sam Adams  
City of Portland  
1221 SW 4<sup>th</sup> Ave., Room 340  
Portland, Oregon 97204

RE: Proposed "Responsible Banking" Resolution, Dated February 3, 2012

Dear Mayor Adams:

On behalf of the Oregon Bankers Association (OBA) and its membership of Oregon's state and national banks, we appreciate the opportunity to comment on the proposed "Responsible Banking" Resolution (Resolution) dated February 3, 2012. We also thank you for the opportunity to meet with you and your team in January regarding the Resolution. While some of our early suggestions appear to have been taken into account in the current draft, we continue to have serious concerns with the Resolution.

**Credit Unions Were Never Meant to Serve as Public Depositories**

First and foremost, credit unions were never intended to be public depositories. Rather, their primary mission and the reason for their tax exempt status is to serve *consumers*, and especially those of modest means. In 1998, Congress in the Credit Union Membership Access Act found that:

"(4) Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because *they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means.*"

Credit unions should not further stray from their mission, and the City of Portland should not be seeking to deposit funds in financial institutions that (A) were never intended to serve as public depositories, and (B) pay no state or federal income taxes on their substantial profits. Public funds should be deposited in FDIC-insured banks that are experienced in commercial and public banking and that pay taxes to support federal, state and local government services. It is poor public policy to take the City of Portland's public funds out of tax-paying banks and put them into credit unions, as it only serves to depress taxable income (and therefore tax revenue) and shifts funds away from commercial banks that are focused every day on the banking needs of Oregon's business community.

**Public Fund Protection is a Complex System Designed to Safeguard Publicly Held Funds**

Beyond concerns about credit unions straying from their mission – and competing against tax-paying community banks for commercial and public customers – the resolution does not acknowledge the significant expense and complexity associated with protecting public deposits in Oregon through the Oregon Public Deposit Protection Program. The Resolution declares support for the implementation of Oregon House Bill 3700. However, the Resolution does not recognize that implementation of the bill is largely up to the credit union industry, which undoubtedly recognizes the considerable risk, expense, expertise and staffing associated with creating and

managing a shared-liability collateral pool to protect public funds above NCUA insurance limits. When and if enough Oregon credit unions are willing and able to establish a viable pool depends on many critical business decisions; it is not simply a matter of directing "the Treasurer to evaluate local credit unions who are approved as qualified depositories by the State Treasurer..." How the public's money is safeguarded and managed should be the paramount concern of the City of Portland when it comes to its banking relationships.

### Banks, Large and Small Serve a Vital Role in Portland's Economy

Lost in the anti- bank rhetoric that currently dominates much of our discourse is the fact that banks both large and small are economic engines in our communities. This Resolution plays into common misconceptions about banks and suggests that credit unions somehow better serve our overall economy, business environment and job market than Oregon's banks. This is just not true. Banks of all sizes doing business in Oregon are significant local business lenders. They are major employers. They pay federal, state and local taxes. They provide many convenient, safe places for Portlanders to deposit their hard-earned dollars. We are fortunate that Oregonians and Oregon businesses have many choices of healthy, tax-paying and community-minded banks.

We appreciate that the Resolution acknowledges the important role banks of all sizes play in employing Oregonians and serving the complex financial needs of Oregon businesses, including large employers. In fact, the City of Portland should expect the same level of expertise and service in its banking relationships.

We'd also like to note that the Resolution does not fully acknowledge the role Oregon's banks play in supporting Oregon communities beyond their traditional banking services. Oregon's banks donate more than **\$13 million** and **200,000 hours of volunteer time** every single year to hundreds of Oregon non-profit and community organizations – many of which are located in the City of Portland. They also serve as major funders of the affordable housing, community development and small business expansion projects occurring all across our state. Banks of all sizes share a commitment to building healthy, vibrant and sustainable communities. Please see the enclosed publication – *Oregon Banks: Cornerstones of Our Communities* – which showcases some of the many ways Oregon's banks of all sizes and charters invest in the communities they serve.

Related to community support, the Resolution seeks to incorporate greater evaluation of community re-investment into its selection criteria for banking services. Oregon banks welcome the opportunity to showcase their community re-investment, and this information is publicly since all banks are subject to and rated under the Community Reinvestment Act. Credit unions are not subject to the Community Reinvestment Act.

### Conclusion

OBA stands ready to work with the City of Portland to address issues related to its banking options. And while OBA supports the City of Portland taking a pro-active role in evaluating its banking services, it must remain focused on the facts about credit unions, banks and the City's fiduciary duties to the public.

Thank you for the opportunity to comment. If you have any questions, please feel free to contact me.

Very best regards,



Linda W. Navarro

President & CEO

Oregon Bankers Association & Independent Community Banks of Oregon