AMERICA'S MUTUAL BANKS
401 9TH STREET, NW, SUITE 1000, WASHINGTON, DC 20004

MUTUAL ALERT

MASS BANKERS OPPOSE TWO BILLS REPORTED OUT OF COMMITTEE AUTHORIZING CREDIT UNION PAY FOR DIRECTORS AND MASS EXCESS DEPOSIT INSURANCE FOR CREDIT UNIONS THROUGHOUT NE AND NY

The Joint Committee on Financial Services reported out favorably two Bills, S.821 and H.1138, which the Massachusetts Bankers Association (MBA) recently testified against. The Association also submitted a written statement in opposition. The Bills would allow credit unions to pay director fees. The MBA argued the legislation is open-ended, lacks safeguards, and enables directors to control their own compensation with limited member oversight. In what the statement described as misdirection, it pointed out that, although credit unions claim democratic member-owned governance, voting is often restricted to in-person meetings with minimal participation. The statement highlights low voter turnout, excessive reliance on special meetings, and potential erosion of member benefits. It urges greater transparency and meaningful member voting before altering long-standing prohibitions on director pay. The statement describes in detail the lack of member involvement in corporate governance. We continue to raise concerns that the opposition to credit union expansion not be based on apathetic member involvement in corporate governance. Our concern is that this might encourage professional depositors to lobby for more corporate governance limitations on savings institution Boards which struggle with member apathy. The significant tax advantage that credit unions enjoy should be ample reason to maintain director service as voluntary.

The MBA has also submitted formal testimony opposing H.3933, legislation that would significantly expand the authority of the Massachusetts Credit Union Share Insurance Corporation (MSIC).

MBA's central objection is that H.3933 would permit MSIC to insure excess deposits at state and federal credit unions throughout New England and New York, including institutions with no branches or business presence in Massachusetts. MBA argues this represents a major departure from MSIC's historic mission and raises substantial public-policy, reputational, and financial-risk concerns for the Commonwealth.

MBA emphasizes that Massachusetts residents uniquely benefit from full deposit insurance above federal limits and warns that this protection should not be placed at risk through unchecked expansion of Mass Credit Union Share Insurance Corporation's footprint (MSIC). Because MSIC is the only excess insurer bearing the Commonwealth's name, MBA contends that any financial stress or failure —

particularly involving out-of-state institutions — could damage confidence in Massachusetts' broader banking and insurance framework.

The testimony identifies multiple statutory deficiencies in H.3933, including:

- No enforceable limits on the volume of excess deposits MSIC may insure.
- Ambiguity regarding the mandatory role of the Massachusetts Commissioner of Banks, due to existing statutory provisions that may allow applicants to bypass state approval.
- No mechanisms to address situations where a credit union's excess deposits pose outsized risk to MSIC safeguards that exist for banks insured by the Depositors Insurance Fund (DIF).
- Expansion of coverage that could ultimately insure deposits gathered well beyond the region contemplated by the bill.

This Bill may call into question the sustainability of supplemental deposit insurance and if passed will certainly give credit unions in New England and New York further advantage over FDIC insured banks.

AMB will lend its resources to MBA's opposition and monitor when these Bills might be scheduled for a vote.

Douglas Faucette
America's Mutual Banks
202 220 6961 O
301 873 6195 C
401 9th Street, NW, Suite 1000
Washington D.C. 20004
dfaucette@troutman.com
www.americasmutualbanks.com