

7 Reasons Credit Unions Need North Dakota FOM Modernization

Vote YES to SB 2266

Protect financial choice for ALL North Dakotans

North Dakota is open for business – except for credit unions!

North Dakota state chartered credit unions operate under one of the strictest Field of Membership (FOM) statutes in the nation, particularly in comparison to federally chartered credit unions. As written, only those residing within 75 miles of a credit union's home office, or similar limited radius of a branch, can be a member of an "open charter" North Dakota state chartered credit union. Imagine that! Only 75 miles in one of the largest, most rural states in the country.

North Dakota credit unions seek to have similarity with federally chartered credit unions by allowing an individual to join if they work, or attend school in the community, in addition to the existing residing requirements. We are also looking to expand the radius to allow credit unions to serve more rural communities and banking deserts. To remain viable, stabilize their asset base and diversify their loan portfolio, small credit unions need to be able to expand their FOM. Rural credit unions operating in dwindling population centers need to be able expand for safety and soundness.

North Dakota's state chartered credit unions are left behind.

Help protect financial choice for North Dakotans.

North Dakota's credit unions are dedicated to ensuring that people have a stable financial footing to weather life's emergencies. As more communities face the prospect of becoming a banking desert, credit unions are stepping in to help, even in some of the most impoverished communities in our state. Credit unions work hard to find solutions that meet their members where they are. After all, credit unions serve them, not Wall Street investors.

To create a more equitable and inclusive financial system, the legislature must expand access to trusted, regulated, and proven financial partners. Credit unions stand ready to fill that role. It is time to modernize the North Dakota FOM statute to enhance credit unions' ability to compete in an ever-changing financial service environment.

Allow North Dakota credit unions to remain relevant and compete.

The Original Consumer Financial Protectors and Financial First Responders.

As not-for-profit cooperatives, credit unions aren't driven to enrich investors. They treat their members as if they own the credit union—because they do. This difference comes with more than a century-long track record of doing right by our members. Credit unions need the option of being able to establish a branch in a community that another financial institution has vacated or may not be serving competitively, otherwise compromising consumers' ability to choose.

In 2005, there were 55 credit unions in North Dakota, 35 of which were state chartered credit unions. Today, just 31 surviving credit unions call North Dakota home; of those only 18 are state chartered credit unions. In part, because of the detrimental current FOM statute, 24 credit unions, 16 of which were state chartered credit unions, have been acquired by other credit unions in less than 20 years. What will the next 20 years bring?

North Dakota credit union numbers are decreasing when consumers need us most.

North Dakota credit unions are not a threat to banks or community banks.

- Banks have a near monopoly in North Dakota with a 90% share of financial institution deposits.
- Credit unions have held just 10% market share in deposits since 1994 – nearly three decades!
- Out-of-state banks control 25% of North Dakota bank deposits.
- In the past five years alone, community banks in North Dakota have grown deposits more than credit unions have grown since their inception in the state in the early 20th century.
- North Dakota credit union membership has only grown by 17,000 members, or less than 8% since the last statutory FOM change in 2005 was passed. Nationally, credit union membership has grown by 54% over that same period.
- Assets to Assets as of September 30, 2022: state chartered banks reported \$41 billion in assets, 10X more than the \$4.7 billion in assets held by our state chartered credit unions, according to the North Dakota Department of Financial Institutions (DFI).

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CREDIT UNIONS VS. BANKS

A Comparison of ND Credit Unions vs. ND Bank Powers

Banks and credit unions are not alike. While on the outside they may look similar, offering loans, checking accounts, and other financial services, the similarities end there.

Banks are for-profit institutions. They are profit driven with most of their earnings going to their shareholders and investors, most of which go out of state.

Credit unions are not-for-profit, member-owned financial cooperatives that return earnings back to their members in the form of lower rates, lower fees, and dividends.

Facts about ND credit unions

All North Dakota credit unions are locally controlled, with decisions, services, and products based on their member (your constituents) needs.

Credit unions have held just 10% market share in deposits since 1994 – nearly three decades!

Earnings remain in the community and are returned in the form of lower fees, better rates, and in some cases, cash dividends.

North Dakota credit unions are limited to serving those with a common bond or within a well-defined Field of Membership (FOM); credit union members are owners who elect board members who serve on a volunteer basis.

North Dakota credit unions have limited powers on business loans, interest rates on loans, and type of investments they can make.

Credit unions get paid for money they save.

State chartered credit unions hold \$4.7 billion in assets as of September 30, 2022, according to the North Dakota Department of Financial Institutions.

Facts about ND banks

Banks are expanding outside of North Dakota. Today 30% of North Dakota state-chartered bank deposits are out-of-state.

Banks have a near monopoly in North Dakota with a 90% share of financial institution deposits.

All decisions and products are profit driven with most of the profits returned to shareholders and investors; much of this money goes out of state.

Banks can serve anyone in the general public, the customers have no ownership in the bank, and stockholders elect board members who are generally paid for their service.

Banks have broader powers on business loans, interest rates on loans, types of investments, and other entity ownership.

Banks get paid for the money they make.

State chartered banks hold \$41 billion in assets as of September 30, 2022 – 10X more than credit unions – according to the North Dakota Department of Financial Institutions.