
Hearing Testimony
Wednesday May 13th, 2020
William Mellin

Greetings ...

My name is William Mellin. I am the President and CEO of the New York Credit Union Association, which has advocated on behalf of New York credit unions for more than 100 years.

I thank you for the opportunity to participate in this important hearing today and offer our thoughts and suggestions. Over my career, I have been fortunate to work for big banks, community banks, mortgage companies and of course, credit unions.

I have seen many ups and downs. But, like you, I have never seen an economic and health crisis like this before. Tens of thousands of our citizens have died, and millions of people who had stable employment just weeks ago, now find themselves out of work. And, of course, our biggest concern and fear, is that we don't know when this pandemic will end or how we can return to some sense of normalcy.

The purpose of today's hearing is to review steps taken by the Federal Government and consider what additional steps New York State can take to help its citizens. While actions taken by the Federal Government have helped, there is much more that can be done for thousands of New Yorkers facing economic hardship. Today, I will provide you with meaningful suggestions that will help you plan additional steps and actions that you, as our state leaders, can take to assist New York.

So, on behalf of the New York credit union movement, let me share with you some of our thoughts, comments and suggestions.

Credit unions have long played an important role in helping consumers through difficult times. In fact, here in New York, credit unions were first formed during the Great Depression and charged by the government with a mission of helping people achieve financial independence, and helping them live the American Dream. From the very beginning, credit unions were also active in helping small and mid-size businesses succeed. Often, you'll hear from today's successful business owners that it was a credit union that took a chance on them and gave them a loan when no one else would.

Today, credit unions continue to live by and be guided by our original charge and mission of People Helping People. For example, I am proud to note that, when compared to other states, New York credit unions rank among the top participants in the Paycheck Protection Program. These PPP loans being disbursed by credit unions, along with other more traditional types of loans, are helping members and many small businesses remain open and are keeping thousands of New Yorkers employed. Some of these more traditional loans include short-term, zero-interest-rate loans or loans with a deferred payment plan, each designed to help members and small businesses succeed. These traditional loans are less restrictive than the PPP loans and, from

what we're being told, are giving small businesses a better chance to remain open and avoid bankruptcy. In other words, while the PPP loans are designed to keep Americans employed, which is a noble cause, they may not be the best solution for the survival of small business.

Regrettably, during a recession, most businesses cut staff, as their workload and number of active customers goes down. But a loan, without specific restrictions on how the funds would be used, may just keep small businesses alive and, hopefully, one day in the future, start adding to its payroll.

So, our first suggestion is that you consider developing a guaranteed small business loan program, which would be administered through credit unions and banks. To succeed, this guaranteed loan program would need to be less restrictive and less bureaucratic than the traditional SBA guaranteed loan program. Reasonable underwriting criteria would be required and borrowers would need to document how the funds would be used and applied. These requirements would be considerably different from the requirements for PPP loans, which required little to no underwriting or documentation. Additionally, these would not be forgivable loans, but would offer favorable rates along with extended payback periods.

I can assure you that many New York credit unions would be anxious to participate in such a loan program, which would allow them to assist more of their members, small businesses and communities.

Our second suggestion is the temporary suspension of the field of membership requirements for state-chartered credit unions. Or better yet, a permanent expansion on the field of membership for state-chartered credit unions that would include all of New York State. Why not give credit unions the opportunity to help more members and small businesses regardless of where they are located in our state? This action, which other states have already enacted, will result in zero cost to the state and will help our state and economy move forward.

Our third suggestion is to give municipalities, like school districts, towns and cities, the opportunity to use their local credit union for their banking needs. Why not give New York municipalities the same options that most other states now provide — the option of using the financial institution that offers the best deal and will provide the best return on taxpayers' dollars? We know the difficulties our municipalities are now facing and will be facing for many years to come. Why not give them every tool to help balance their budgets and save them money?

Additionally, by depositing their funds in a local institution, like a credit union, municipalities will give those credit unions the opportunity to make more loans and, again, move our economy forward. This issue has been in front of our state lawmakers for many years and every year politics gets in the way. Let's put politics aside and do what's best for New York. We can show you, with multiple studies, that giving choice to municipalities reduces costs and, yes, saves taxpayers money.

So let me quickly recap our three suggestions: One. A state guarantee loan program that banks and credit unions can use to assist small businesses. Two. Allow state-chartered credit unions the

opportunity to serve more New Yorkers by modernizing the field of membership requirements. And lastly, give our municipalities a choice when it comes to managing their funds.

As a lifetime New Yorker, born and raised in New York City, the greatest city in the world, I thank you for your leadership. My thoughts and prayers are with you as you tackle probably the biggest challenge this state has ever faced.

Thank you again for your time.