



Date: February 11, 2020

To: Chairman Adam Smith & Committee Members
House Rural Revitalization Committee

From: Stephanie Mullholland
Heartland Credit Union Association

Re: Support for House Bill 2516

Chairman Smith and Committee Members,

On behalf of Kansas credit unions and the 672,531 Kansans who belong to their local credit unions, thank you for the opportunity to speak in support of House Bill 2516. Heartland Credit Union Association represents credit unions across the state - ranging from the state's oldest credit union, 1st Kansas Credit Union formed right here in Topeka in 1929, to the state's newest credit union, Catholics United, formed in 2005 in Hutchinson.

Credit unions are not-for-profit cooperatives, like ag and electric coops.

Credit unions were formed by Kansans on the verge of the Great Depression when for-profit financial institutions were unwilling or unable to serve Kansas families and farmers. In order to protect their communities and their families' livelihoods, Kansans took matters into their own hands, pooling their resources to form credit unions and provide each other with affordable opportunities for saving and lending.

As not-for-profit co-ops, credit unions are structured differently than other financial institutions. Chief among those differences:

- Credit unions return the earnings to their members. Last year alone, Kansas credit unions returned more than \$132 million to Kansas consumers.
- Credit unions are member-owned with each member, regardless of their economic status, having an equal vote (one member-one vote).
- Credit unions are managed by a volunteer board of directors that is elected by and from the membership. Board members are not paid and do not derive personal financial gain from serving.
- Credit unions are prohibited from having outside investors or raising outside capital.
- Credit unions remain locally owned and operated, keeping Kansas money right here at home to be recirculated in the local economy rather than shipped to investors outside the community or out of state.

Credit unions were founded on, and continue to operate under, the belief that every Kansan - no matter the economic status they were born into - has the right to improve their financial security and pursue their dreams. House Bill 2516 is one way to help Kansans achieve these goals.

Saving for the future helps families strengthen their financial security.

In Kansas, almost one-third of households do not have a savings account. Many more do not have adequate funds in their savings accounts to fall back on in an emergency or to invest in the purchase of a major asset, like a home. Homeownership is one of the ways families can build long-term financial security. Kansas credit unions welcome opportunities, like House Bill 2516, that allow us to offer new tools to help Kansans build their personal savings. These types of tools can be particularly important to:

1. Help more low- and moderate-income families build assets and increase their financial security;
2. Help more first-time homeowners become equipped with an adequate down payment in order to lower their long-term costs; and
3. Encourage the construction and purchase of housing in rural and underserved communities.

What are First-Time Homebuyer Savings Accounts?

First-time homebuyer savings accounts are structured a lot like 529 college savings accounts. They encourage people to save for the future by providing consumers with a direct tax benefit, ensuring that the tax benefit is serving the Kansans it is intended to serve.

House Bill 2516 would allow consumers to establish a dedicated savings account at their local credit union, or another financial institution of their choice, and to designate that account as a First-Time Homebuyer Savings Account. Contributors to the account would be eligible for a tax deduction (up to \$3,000 for an individual or \$6,000 for a married couple), and earnings on the account would not be taxable at the state level. The beneficiary of the account would be able to use the funds for certain expenses related to the purchase or construction of a first-time home, such as a down payment and closing costs.

Kansas and other states have seen success with similar concepts.

Targeted savings accounts are not a new concept. Besides 529 college savings accounts, which Kansas has had in place for many years, other states have implemented First-Time Homebuyer Savings Account legislation similar to House Bill 2516. In 1998, Montana became the first state to allow for these types of accounts. Since that time, at least 10 other states – including our neighboring states of Iowa, Colorado, Missouri and Oklahoma - have followed in allowing consumers to establish First-Time Homebuyer Savings Accounts.

Credit unions have a strong track record of utilizing tools, like targeted and incentivized savings accounts, to encourage Kansans to improve their financial security. Recently, the Kansas Legislature passed legislation allowing for the creation of Prize-Linked Savings Accounts. Kansas credit unions have begun to develop these accounts to help more families establish a habit of saving and create an emergency fund to fall back on in case of a job loss, a medical issue or other unexpected situation. Over the past year, credit unions have helped 1,082 Kansans – many of whom did not previously have a savings account – save more than \$1.58 million into personal savings accounts.

We believe First-Time Homebuyer Savings Accounts are one more way to help Kansans establish personal savings while at the same time encouraging homeownership in both our rural and urban communities.

Thank you for your consideration of House Bill 2516. We ask for your support of this legislation.