

Support for House Bill 2187

Date: March 16, 2021

To: Chairman Jeff Longbine and Members of the Committee
Senate Financial Institutions & Insurance Committee

From: Stephanie Mullholland
Heartland Credit Union Association

Mr. Chair and Committee Members,

Thank you for the opportunity to provide testimony in support of House Bill 2187. Heartland Credit Union Association represents the 690,000+ Kansans who belong to a Kansas credit union. Our member credit unions range from the state's smallest credit union, Catholics United in Hutchinson, to the state's largest credit union, Meritrust Credit Union, which serves the employees of Spirit AeroSystems in Wichita.

As not-for-profit cooperatives, 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. We believe House Bill 2187 is one more tool 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 2187, 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 similarly to the concept of 529 college savings accounts. They encourage people to save for the future by providing consumers with a direct tax benefit.

House Bill 2187 would allow consumers to establish a dedicated savings account at their local credit union, or the 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 2187. 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 three years, credit unions have helped 1,312 Kansans – many of whom did not previously have a savings account – save more than \$4.8 million into their own personal Prize-Linked Savings account.

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 rural and urban communities.

Thank you for your consideration of House Bill 2187. We ask for your support of this legislation.