



May 6, 2024

The Honorable Mary Cavanagh
State Senator
Chair, Senate Finance, Insurance & Consumer Protection Committee

The Honorable Jeff Irwin
State Senator

State Capitol
P.O. Box 30036
Lansing, MI 48909-7536

Re: SB 408 and 409 / Garnishment and Bankruptcy Reforms

Dear Senators,

Thank you for including the Michigan Credit Union League & Affiliates (“MCUL”) in your ongoing discussions and workgroups on **SB 408 and 409**, proposing updates and changes to Michigan’s statutory garnishment and bankruptcy provisions. The MCUL is the statewide trade association for 188 Michigan federal- and state-chartered credit unions. As with every issue, we appreciate the opportunity for open dialogue with you on issues of importance to Michigan’ credit unions and the 6 million Michiganders they serve. **Respectfully, we write today to communicate MCUL’s opposition to the bills as introduced.**

Credit unions are not-for-profit cooperative financial institutions, deeply rooted in the communities we serve and committed to providing affordable and accessible financial services to all. Service to low- and moderate-income individuals and communities specifically is a significant part of that mission. Credit unions are risk-based lenders, but our mission often means going beyond simply looking at the borrower’s credit score and credit history, trying to see “them” and stretching to take more risk on the many good borrowers that are challenged on paper. While we believe this legislation is well-intended, if enacted as written, the unintended consequences for even credit unions’ required risk-based lending analysis would be absolutely disastrous. They would significantly and negatively impact front-end access to capital for affordable housing, transportation, emergency situations, and everyday expenses for our credit unions’ most underserved members and communities that have the greatest need. They would also significantly increase the cost of loan products, particularly those offered by Michigan-based community lenders, putting local financial institutions that directly serve your communities at a distinct disadvantage to large national lenders that can better absorb cost and risk.



We understand that the exemption thresholds for both garnishment and bankruptcy are under active negotiation as part of these bills' process. As has been discussed, the introduced version of these thresholds would have Michigan leap to the highest thresholds in the nation and make significant swathes of our population completely, functionally uncollectable. Heightened and unqualified exemptions for homes, vehicles, and other categories compound this problem. The bills as introduced place impractical (and impossible) procedural burdens on financial institutions and attempt to eliminate important tools like "setoff" that are critical in helping smaller local lenders balance their interests with larger creditors. As regulated financial institutions, credit unions are accountable in their lending, regulatory, and accounting processes for the risk they take on loans and the overall risk of their portfolio. Michigan's credit unions take a great deal of pride in going the extra miles needed to serve members that may not otherwise have a chance to secure that first car or home loan, mend a roof, replace an aging hot water heater, or fix a vehicle without resorting to a payday loan. These introduced bills legitimately jeopardize our member credit unions' ability to make many future loans in the first place if the borrowing members become functionally uncollectable from the outset.

The MCUL appreciates that discussions on the language of these bills are ongoing, and we truly appreciate the sponsors' willingness to engage and discuss our concerns. Our team continues to share the details of our objections, and we thank you for engaging with us in these continued efforts. There are certainly elements where we agree that our State can modernize and do better, in particular with protection of public assistance. However, in the absence of curing the provisions of concern, **the MCUL respectfully opposes these measures.**

Sincerely,

Patty Corkery
President & CEO