

US Senate Committee on Banking, Housing and Urban Affairs

“Fostering Economic Growth: The Role of Financial Institutions in Local Communities”

Thursday, June 8, 2017

Testimony of John Bissell, President and CEO, Greylock Federal Credit Union

Thank you for the honor of joining you today to share the experiences of Greylock Federal, where we serve more than 75,000 families and small businesses in rural Berkshire County. This county contains about 12% of our state’s land mass, but only about 2% of the population. Our region, like so many across the country, is making the painful transition from a manufacturing base that once offered 12,000 GE jobs, to a service economy with close to zero GE jobs. The population in my hometown of Pittsfield has dropped from 58,000 to 40,000, just during the course of my lifetime. Our largest local employer is now our health system.

We have met these challenges head on as a region. While we are relieved to see our local economy recovering, and a brisk pace of hiring in Berkshire County, we can clearly see that not everyone is participating in the rebound. Many residents are caught in the bind of low-wage jobs and unaffordable housing; 45 percent of renters and 37 percent of homeowners live in homes considered “unaffordable.” 20 percent of families with children younger than five are in living in poverty, and 34 percent of children are growing up in single-parent households. In addition, mass transit is weak, and according to the U.S. Census Bureau, 92 percent of Berkshire County workers rely on private transportation as their primary means to get to work. For working families living on the edge of financial stability, a failed transmission or a dead battery means an immediate loss of income. Others may be in between jobs and have a great idea for a small business, but do not qualify for traditional bank financing.

Local challenges like these need local economic development solutions. As the only CDFI credit union in the region, and with our strong \$1 billion balance sheet, we at Greylock recognize our responsibility to redeploy deposits back into our local economy, help create jobs, boost consumer purchasing power and expand wealth building opportunities. How can we do that? For starters, we have looked to the example of other CDFI credit unions around the country – meaning those with a mission of promoting financial security and community development in lower-income distressed communities – and we were inspired to create our own Community Development department. This team – comprising two full-time employees and seven fully certified counselors – now offers free financial education, credit counseling, and budgeting assistance to every person in our community. Our professionals create new loan and deposit products to help the underserved and collaborate with local nonprofits to improve the financial self-sufficiency of working families. Further, to put more people in our community to work, we are expanding our New Road Auto Loan program for people with credit challenges. When they buy a reliable car, and make on time payments, their credit score goes up and their interest rate goes down. We are also expanding our Safety Net lending so that when a family has an unexpected emergency, they can come to Greylock for help instead of falling in with a predatory lender. Nationally, 16 percent of people take out predatory loans for emergency expenses and 69 percent for reoccurring expenses (e.g. rent), and these payday loans trap consumers into taking out new

loans to pay off previous loans because the lump sum payments are unrealistic, worsening consumer's financial distress. We need to keep our members away from these financial predators in the first place. Finally, we are broadening our small business lending and technical assistance to help more people transition to entrepreneurship. All of these taken together should help nearly 3,000 more local families participate in the economic turnaround.

These are some of the ways that we can help grow our local economy. Greylock is far from an exception; in fact we are still building our programs and our product shelf to emulate the best mission-driven CDFI credit unions in the country.

In conclusion, I want to offer my thoughts on the role of regulation. The people I am concerned about in Berkshire County are still hurting, and make no mistake about it, these consumers need protection. The abuses and predatory practices that brought about the Great Recession destroyed 40% of American household wealth. Black families lost 50 percent of their household wealth and Latino families lost 67 percent. Having one half to two thirds of your wealth taken from you is far too great a price to pay, ever again. And if we thought the abusive and fraudulent practices exercised by big banks had ended, we received a rude awakening with the Wells Fargo scandal. Consumers need, and deserve, much stronger protection than they had previous to 2010. Credit unions did not create the financial crisis, and I am proud of the role we played in helping consumers and our local economies to recover. We are promoting financial literacy, fostering financial inclusion, and helping to grow small businesses, and we respectfully ask that with each new regulation, you consider the impact on our ability to fulfill our mission, especially among smaller credit unions who lack the resources of Greylock. While I want smarter regulation as much as anybody, I ask that you please, do not allow a repeat of the excesses and predatory practices that precipitated the crisis in the first place.

As you think about the best investments and policy decisions you can make, please keep in mind that 6,000 credit unions across this country are hard at work on these challenges already, and that CDFI credit unions deliver \$12 of positive economic impact (in the form of loans to consumers, small businesses and first-time homeowners) for every grant dollar invested. Every dollar you approve for the CDFI fund that is invested through a credit union like mine pays you and the American taxpayer back many times over. Further, CDFI credit unions provide a way for banks to reach underserved communities, by making targeted CRA investments with CDFIs acting as the conduit. Strong community credit unions are a vital force in growing local economies.

I thank you for your kind attention and I am happy to answer any questions you may have.