

March 8, 2021

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mary.tome@dfpi.ca.gov

Commissioner of Financial Protection and Innovation
Attn: Sandra Sandoval
300 S. Spring Street, Suite 15513
Los Angeles, California 90013

Re: PRO 01/20

Dear Ms. Sandoval,

I am writing on behalf of Patelco Credit Union (“Patelco”), a California state-chartered, federally insured credit union (FICU), to provide comments on the AB 857 the Public Bank Act.

The Public Bank Act proposes that by allowing municipalities to create their own local or regional banks, they will fight income inequality through public banking. Additionally, it will allow municipalities to finance their own large infrastructure projects rather than finance them through a bank and it would leverage local public deposits to support public priorities like affordable housing and homeownership, small business lending and alternatives to payday loans. Proponents claim that public banks will not harm or compete with credit unions in that it would be prohibited from providing competing retail banking services, its focus will be on its members and not shareholders, and it will enable local government to assure funds paid by its members in the form of taxes, fees, and fines are kept local. However, this is the very purpose of credit unions.

The mission of credit unions is to provide an alternative to large national banks by providing similar services at affordable rates throughout the state. Credit unions already provide financial services to the unbanked, financing for low-income housing, and lower rates and fees focused on the needs of the members. Further, AB 857 would allow public banks to partner with community development financial institutions that are already making small business loans or payday alternative loans to marginalized members of the community such as immigrants, undocumented citizens and people of color. Patelco and other credit unions provide small business loans to these community members today, but with an interest in improving their financial health.

Finally, the creation of a Public Bank would undermine the liquidity of credit unions, which is needed to continue to provide loans and reduce the number and amount of fees charged to members. Although a noble endeavor to provide local government entities the ability to create a bank to utilize public funds in that community for local initiatives, the current requirements to establish a Public Bank would take unnecessary time and resources, when there is currently a solution in partnering with community banks and credit unions instead of creating additional competition.

Proposed Changes
Section 10.131.7



The proposed amendment expands the factors upon which the Commissioner will determine whether a financial product or service is offered by a local financial institution within the jurisdiction of the public bank and requires the public bank to submit a written request for approval to offer the product or service. However, these changes do not specify that the public bank will be denied the ability to offer products or services in that jurisdiction if there is already a financial institution within the jurisdiction offering the same or similar product or service. As referenced above, this change does not remove the unnecessary competition that public banks would create for community banks and credit unions that are already established in the local jurisdictions.

Proposed Changes
Section 10.140.6

The proposed amendment would state that a financial institution shall not be considered as having a physical presence within the jurisdiction of a public bank if the financial institution has only automated teller machine(s) (ATM), loan production office(s), or non-banking offices performing corporate, administrative or back office functions within the jurisdiction of the public bank. This change is not following the change that is occurring with banking. Fewer branches are being opened due to customers use and dependency on technology. Credit Union's and Banks are making a shift to online banking, mobile banking, and ATMs for member and consumer ease of use, accessibility and availability. Customers no longer bank between 9:00 – 5:00 and they expect their financial institutions to provide access outside of normal branch hours. The Covid-19 pandemic has made this push to digital even more significant as fewer members/customers want to come inside of a branch to do their banking.

For these reasons it is counter-intuitive to include a definition that states a bank or credit union does not have a physical presence if it only has ATMs, loan production offices or administrative back offices in a jurisdiction. A credit union, much like Patelco Credit Union, has a very strong presence in a jurisdiction based on its years of service in that jurisdiction and the number of current members residing in that jurisdiction. "presence" in a jurisdiction should not be limited to a physical presence especially in light of the direction virtual banking is growing.

The modifications proposed on March 5, 2021, do not address the significant negative impact Public Banks would have on credit unions and does not take into consideration the populations that can be served by credit unions in California communities. AB 857 would introduce another financial institution in an already heavily saturated market, therefore, Patelco respectfully requests that AB 857 not be approved.

Sincerely,

Angela L. Jeffers
SVP, General Counsel

