



# **SECOND STAGE CONSULTATION ON THE FEDERAL FINANCIAL SECTOR REVIEW**

Submitted to:  
Department of Finance

Submitted by:  
Hamilton Sound Credit Union  
September 21, 2017

Hamilton Sound Credit Union is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework.

### **Our History**

Hamilton Sound Credit Union (HSCU) is a full-service financial institution based in Carmanville, Newfoundland, with branches in Gander and Triton and has been positively contributing to the local economies and serving its members since 1992. Initially, HSCU was a culmination of efforts to replace financial services in Gander Bay as banks sought more lucrative locations. Branches were subsequently opened in Musgrave Harbour, on Fogo Island, in Triton and Gander. Unfortunately due to local economic conditions, branches in Musgrave Harbour and on Fogo Island, eventually closed. Today we provide service to over 4,000 members.

### **Our Commitment**

For 25 years, Hamilton Sound Credit Union has provided quality financial services to the communities it serves and, on behalf of its members, owns very respectable premises in Gander, Carmanville & Triton.

HSCU has a long history of supporting its members and community. We were very proud to be a strong contributor (both financial and volunteer) to the Kids Eat Smart program at many of our provinces schools. We are also responsible for replacing intercom and sound systems in a couple of our schools, which could not afford to do so without help. In addition, we continuously support local Crime Prevention programs, awards of scholastic excellence, safe grads, food drives and the list goes on.

### **Our Results**

As at December 31, 2016, Hamilton Sound Credit Union employed 20 individuals, reported \$47 million in assets, its lending portfolio was \$39 million and member deposit balances sat at \$45 million.

### **Our Members' Security**

HSCU is provincially regulated by Newfoundland and Labrador's Credit Union Deposit Guarantee Corporation (CUDGC). As such, member deposits are insured to a maximum of \$250,000 per account type. *This deposit protection is superior to other financial institutions and a key benefit to our members.*

### **We Are Different and Proud of It. So are our Members.**

They know how and why we are different from banks and are proud of it. However, they often use common banking terms to describe their experiences at HSCU.

1. When people call our credit union, a human being still answers the phone. This keeps people employed and provides immediate attention to all communications.

2. We are able to educate people, so they don't get caught up in the "30 percent plus" interest rates of finance companies and cash advance organizations.
3. Every person who walks through our door is treated with the same level of respect and personal service, regardless of how much they have on deposit or how much they owe.
4. Interest rates are competitive, transaction and service charges are at or lower than market.
5. All decisions are made locally.
6. Service is our prime motivator. While we need to be a viable financial institution, profits are not at the top of our list. We have to satisfy our members, not our shareholders.
7. We can do things that other financial institutions can't. When an 80 year old person comes in for a loan to buy a \$600 washer, they couldn't afford, we didn't turn them away or tell them to put it on their 20% credit card. People are proud and we need to respect that. In this case we set up a 60 month loan with an interest rate of .0001% and set a \$10 per month payment. This person's self-respect being maintained was our only priority.

#### **Our Ask**

We do not believe that credit unions should be forced to invent different words to replace the terms our members already use to describe their dealings with regulated institutions like HSCU. We believe the *Bank Act* should be changed so that it is clear that credit unions, as regulated deposit-taking institutions, can use these terms to describe what they do while ensuring that Canadians know they are dealing with a credit union, not a bank.

The Canadian Credit Union Association (CCUA) estimates that a ban on the use of these terms would force the credit union sector to pay up to \$80 million to remove phrases like "online banking", "mobile banking", and "commercial banking" from signage, websites, forms and advertising. The corresponding cost implications for HSCU to make such changes would be very significant for a credit union of our size and would, most definitely, disadvantage us in our local banking services market.

HSCU remains supportive of the Minister of Finance's proposal to review the *Bank Act* restrictions around the use of the terms "bank", "banker", and "banking". We believe that credit unions should be able to use the verbs "bank" and "banking" to describe our activities and services. While we are proud of our differences from banks and work hard to promote them, we must be able to speak in language that our members and potential members use and understand.

HSCU is a prudentially sound financial institution. We are well regulated provincially by CUDGC and have a proven track record. With our superior deposit protection, consumers can feel very safe and secure banking with HSCU.

Credit unions are fundamentally different than banks, but we need to use common-sense language to explain the services we offer. HSCU has used the terms the same way consumers do – to describe the kind of activities that take place between a member and their credit union. A return to

interpreting the *Bank Act* in this common-sense way - using judgement and discretion in the enforcement of the Act that is consistent with the intent of the Act, would be very much welcome by HSCU and all in the national Credit Union system.

**Our Recommendation**

***We recommend the Department of Finance propose changes to the Bank Act to allow credit unions, as prudentially regulated deposit-taking institutions, to use the terms 'bank' and 'banking' to describe our activities and services.***

Thank you for considering this submission. We welcome the opportunity to work with you.

For more information, please contact:

Daniel Honnor

CEO

Highway 330, Carmanville, NL A0G 1N0

709-534-2224

[dhonor@hscunl.ca](mailto:dhonor@hscunl.ca)