March 6, 2023

Chair Stephenson
Members of the House Commerce Finance and Policy Committee
Minnesota House of Representatives
100 Rev. Dr. Martin Luther King Jr. Blvd
Saint Paul, MN 55155

Chair Stephenson and Members of the Commerce Finance and Policy Committee,

The Minnesota Bankers Association, Minnesota Credit Union Network and BankIn Minnesota have reviewed HF 2429, requiring banks and credit unions with assets greater than $500 million to complete a climate survey. Collectively our three organizations represent 380 banks and credit unions in Minnesota, and we share very serious concerns about the bill as drafted, particularly that it unnecessarily singles out smaller, state-chartered financial institutions.

HF 2429 appears to be based at least partially on bills introduced in California and New York, as well as rules being promulgated by the Securities and Exchange Commission. Crucially though, these proposals would affect corporations that dwarf Minnesota financial institutions, both in size and their potential environmental impacts. The California and New York bills would only apply to companies with over $1 billion in revenue, generally with a global reach, while H.F. 2429 would apply only to banks and credit unions with more than $500 million in assets in Minnesota.

To be sure, $500 million in revenue is very different than $500 million in asset size. A bank or credit union with $500 million in assets, is basically a small business, with approximately $20 million in revenue, and around 50 full-time employees, none of which would likely have any expertise in climate requirements aside from evaluating weather-related lending risks. One estimate we've seen indicated that it takes 170 hours to complete this type of survey and would require an employee to have some experience in climate risk, which presumably only the largest financial institutions would have on staff.

Additionally, there are both state-chartered and nationally-chartered banks and credit unions in Minnesota. The state can only regulate state-chartered financial institutions. The OCC regulates national banks and their draft principles for managing exposures to climate-related financial risks (Climate Principles) are targeted at banks with over $100 billion in total assets, which are extremely large financial institutions. The National Credit Union Administration, due to the overall smaller size of institutions, has not issued any call for credit unions to undertake these surveys at all, putting state-chartered institutions at a competitive disadvantage. We can assume the federal regulators only apply climate requirements to the very largest institutions because they are large enough to have some impact on the climate due to their size.

We are also very concerned that your bill is targeted at a single industry – financial institutions - and would include entities both large and small that may not have any business loans in their portfolio at all.

We fail to see the benefit of legislation that would impact only state-chartered banks and credit unions who are not equipped to provide the required information, especially when those financial institutions who are best able to do so will be providing the information federally, where it is most appropriate. We respectfully ask that this legislation not move forward in its current form or at least be modified to only include organizations of a similar size and potential environmental impact as defined federally.

Thank you.

Sincerely,
Minnesota Bankers Association
Minnesota Credit Union Network
BankIn Minnesota