



Credit Union National Association

NEWS

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CLAIMS OF NCRC REPORT REJECTED BY LARGEST CREDIT UNION TRADE GROUP

WASHINGTON – Claims in a report about credit union growth and lending to underserved communities have been *rejected* by the Credit Union National Association (CUNA) -- the largest credit union advocacy organization, representing more than 90 percent of our nation's approximately 9,000 state and federal credit unions and their 86 million members.

In rejecting the assertions made in the NCRC report released May 19 by the National Community Reinvestment Coalition, CUNA made the following points:

- ✓ The credit union mission and focus remain as true today as in 1934; in fact, as recently as 1998 Congress reaffirmed credit unions' mission and focus.
- ✓ Although credit unions have grown in the more than 100 years of their experience in the United States, they remain a relatively small part of the financial services industry. Further, the vast majority of credit unions remain relatively small institutions.
- ✓ Persons who use only credit unions for their financial services needs are typically people with net incomes, financial assets and net worth below those of persons who use only banks.
- ✓ The annual growth of credit unions pales in comparison to that of large banks, which grow as much as the entire credit union movement in one year.
- ✓ Very large credit unions are among the most committed to the credit union vision and focus, and many of them provide services to members that no bank would ever consider (particularly as the services are not cost effective).
- ✓ Appropriate analysis of data show that low income borrowers are substantially more likely to be approved for a mortgage at a credit union.
- ✓ For 70 years credit unions built their memberships primarily on the working population of the nation. Only recently have credit unions won the ability to serve more people who do not fall into occupationally defined fields of membership. However, in that 70-year period, credit unions developed a stellar reputation for serving ALL of their members; given time, credit unions will do the same with those members it has only recently begun adding to membership rolls.

Following are details of CUNA's response to the NCRC report:

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CREDIT UNION BACKGROUND

MISSION:

In 1998, Congress passed the Credit Union Membership Access Act (HR 1151), which stated in its preamble that: *“Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means.”* Credit unions today continue to meet this mission as outlined by Congress.

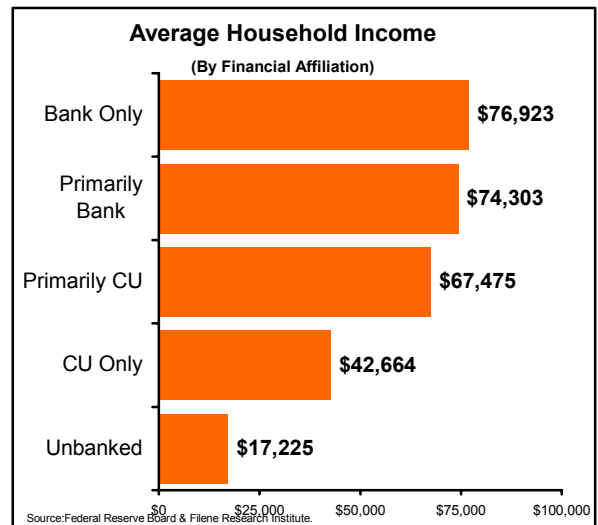
SIZE (at year-end '04):

- ✓ More than three in every five credit unions (61.6 percent) has \$20 million or less in assets (more than three out of every four -- 78 percent -- of all CUs had assets of \$50 million or less)
- ✓ Only 2.7 percent of all credit unions had assets in excess of \$500 million.

WHO USES CREDIT UNIONS?

A Filene Research Institute publication titled “Who Uses Credit Unions” (updated in 2004; originally published in 1999), which uses Federal Reserve data, confirmed that the average net income, financial assets and net worth of people using only (or predominantly) credit unions are ALL below those of people using only (or predominantly) banks.

- ✓ Households with incomes of \$200,000 or more are 68 times more likely to do their business ONLY with a bank rather than only with a credit union.
- ✓ Households with incomes between \$100,000 and \$200,000 are 23 times likely to do their business ONLY with a bank rather than only with a credit union.
- ✓ AVERAGE Household income for those using BANKS only is \$77,000
- ✓ AVERAGE Household income for those using CUs only is \$43,000



COMMITMENT OF LARGE CREDIT UNIONS:

Large credit unions are among the most dedicated adherents of the credit union philosophy of “people helping people.” For example, Navy Federal Credit Union, the world's largest, has approximately 530,000 member checking accounts with a balance of \$100 or less, at the end of each month. Navy Federal offers financial education programs, credit counseling, and maintains branch facilities around the world—some of which operate at a financial loss—to better serve Navy and Marine Corps enlisted personnel, who are the heart of its membership.

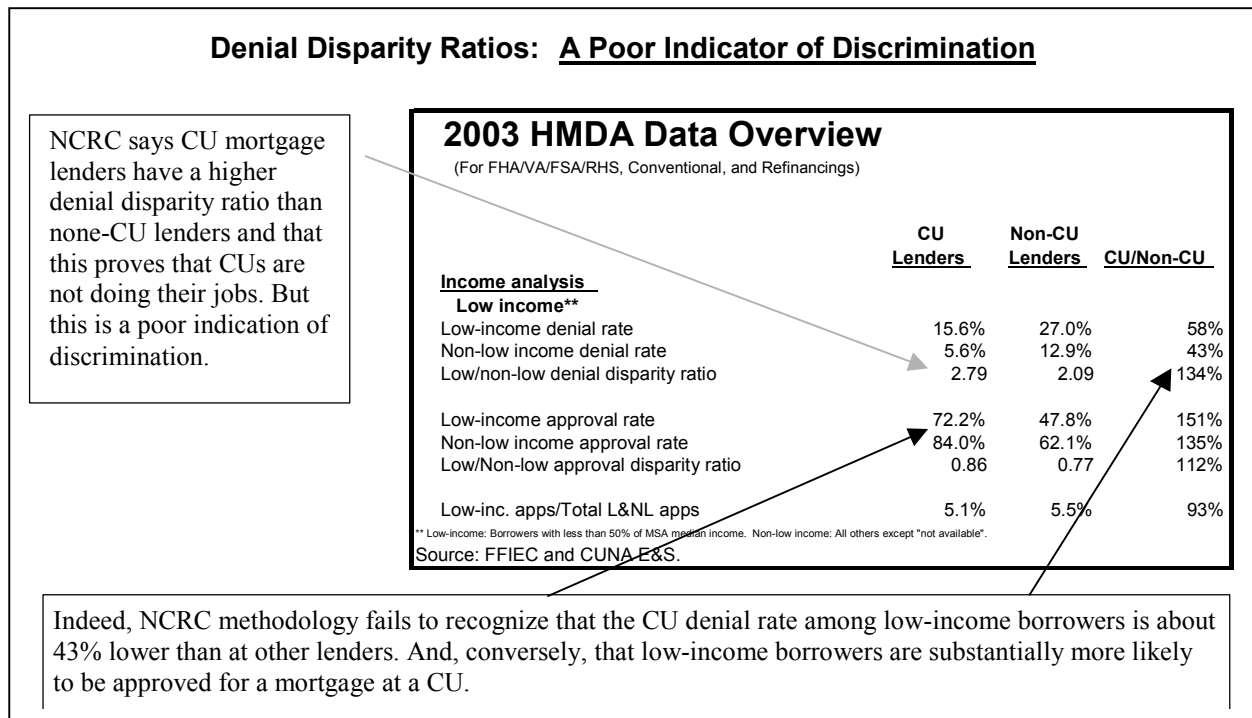
BANK BACKGROUND

SIZE:

The NCRC references three large bank holding companies (Citigroup, JP Morgan Chase and Bank of America). To show how outlandish is their comparison of these banks to credit unions, consider: If the assets of these BHCs were combined, the total (\$3.07 trillion) would be greater than the individual Gross Domestic Products of **all** but six of the nations on earth (including Germany, the United Kingdom, France, Italy, Brazil, and Russia). (All figures as YE '04).

GROWTH:

Between 1992 and 2004, the nation's FDIC-insured banks grew by 140 percent (from \$3.7 trillion in assets to \$8.4 trillion). In 1992, total credit union assets were equal to 7.7 percent of total FDIC-insured bank assets (5.9 percent of all FDIC-insured institutions). In 2004, bank assets grew by \$812 billion – more than 1.2 times the TOTAL ASSETS of credit unions! By 2004, CU assets were equal to 7.9 percent of bank assets (6.6 percent of all FDIC-insured institutions).



LOW-INCOME LENDING

ACCURATE DATA INTERPRETATION:

NCRC typically uses analysis of denial discrepancies to make their claims about credit unions and banks. Reliance on such analysis is misleading. A more useful analysis is to compare denial or approval rates for given groups across lenders. Data from 2003 HMDA reports show that low income borrowers are substantially more likely to be approved for a mortgage at a credit union.

APPROVAL/DENIAL RATES:

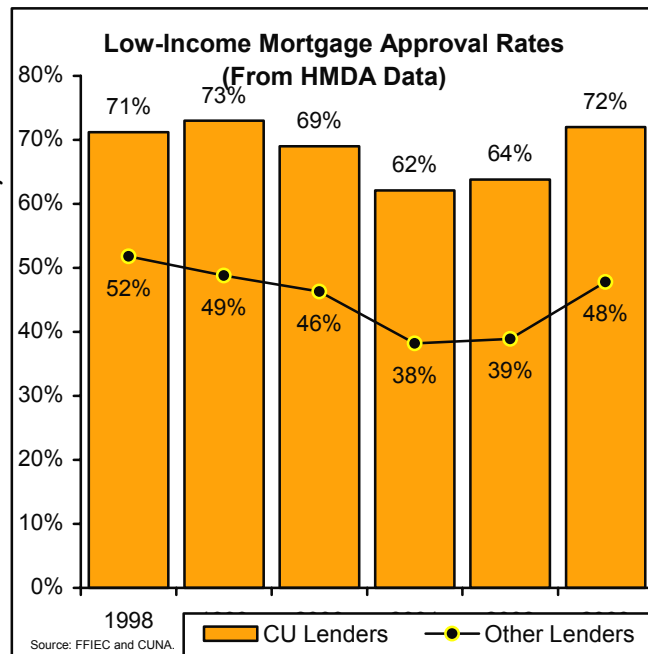
In 2003, credit unions approved 72.2 percent of home mortgage loans to low-income borrowers (up from 69 percent in 2000). By contrast, non-CU lenders approved only 47.8 percent of such loans (up from 46 percent in 2002). In 2003, CUs denied 15.6 percent of mortgage loans to low-income borrowers. Non-CU lenders denied 27.7 percent of the loans to low-income borrowers.

OVER TIME:

From 1998 to 2003, credit union lender approval rates have outdistanced those of non-CU lenders each year, and never by less than a difference of 19 percent (2003 was the greatest difference – 34 percent).

STATE-BY-STATE APPROVALS:

In fact, approval rates in every state by CU lenders (in 2003) were GREATER than that of non-CU lenders, for low-income and non-white members. (See charts at end.)



CREDIT UNION MEMBERSHIP AMONG LOW INCOME BORROWERS

TRADITIONAL FOCUS:

For 70 years, credit unions built their memberships on the working population of the nation as an expedient organization strategy but mostly because law and regulation sharply restricted CU membership.

ADDING MORE WORKERS TO MEMBERSHIP:

Over the past two decades, more working Americans were extended CU services through SEGs. Consequently, credit unions excelled at serving all of their members, including those of modest means, who fall within these relatively restricted membership qualifications.

OPENING THE DOORS TO UNDERSERVED POPULATIONS:

Passage of HR 1151 in 1998 gave occupational-based CUs (those serving working people) a streamlined way to add geographic areas to their memberships that are “underserved.” This provision gives credit unions an opportunity to expand their experience in serving persons from all walks of life – including the lowest income levels – without those potential members having to fall into an occupationally defined field of membership. In other words, more people (including those who are “unbanked”) have only recently become eligible for credit union membership and can avail themselves of credit union services. NCUA reports that more than 20 million more people are now eligible for membership.

Low Income Mortgage Applicant Approval Rates by State in 2003

<u>State</u>	<u>CU Lenders</u>	<u>Non-CU Lenders</u>
Alaska	62%	53%
Alabama	70%	46%
Arkansas	65%	51%
Arizona	58%	50%
California	70%	46%
Colorado	73%	49%
Connecticut	79%	48%
District of Columbia	57%	56%
Delaware	82%	44%
Florida	71%	47%
Georgia	61%	52%
Hawaii	66%	57%
Iowa	76%	49%
Idaho	76%	56%
Illinois	69%	49%
Indiana	76%	52%
Kansas	81%	49%
Kentucky	77%	53%
Louisiana	45%	41%
Massachusetts	80%	51%
Maryland	62%	48%
Maine	79%	49%
Michigan	78%	49%
Minnesota	81%	52%
Missouri	80%	51%
Mississippi	43%	42%
Montana	71%	56%
North Carolina	70%	48%
North Dakota	79%	63%
Nebraska	82%	53%
New Hampshire	79%	47%
New Jersey	71%	47%
New Mexico	83%	47%
Neveda	81%	50%
New York	78%	42%
Ohio	75%	50%
Oklahoma	58%	48%
Oregon	69%	52%
Pennsylvania	61%	46%
Rhode Island	75%	44%
South Carolina	56%	45%
South Dakota	69%	60%
Tennessee	70%	46%
Texas	59%	35%
Utah	72%	46%
Virginia	70%	52%
Vermont	85%	68%
Washington	77%	52%
Wisconsin	83%	55%
West Virginia	80%	50%
Wyoming	77%	49%

Source: FFIEC HMDA data, CUNA E&S.

Non White Mortgage Applicant Approval Rates by State in 2003

<u>State</u>	<u>CU Lenders</u>	<u>Non-CU Lenders</u>
Alaska	70%	55%
Alabama	67%	45%
Arkansas	76%	48%
Arizona	60%	43%
California	64%	57%
Colorado	69%	51%
Connecticut	79%	55%
District of Columbia	75%	64%
Delaware	78%	49%
Florida	76%	61%
Georgia	69%	56%
Hawaii	78%	69%
Iowa	81%	68%
Idaho	73%	62%
Illinois	74%	58%
Indiana	80%	56%
Kansas	85%	53%
Kentucky	78%	51%
Louisiana	54%	49%
Massachusetts	80%	54%
Maryland	75%	51%
Maine	71%	51%
Michigan	74%	53%
Minnesota	78%	54%
Missouri	82%	51%
Mississippi	60%	44%
Montana	82%	48%
North Carolina	73%	49%
North Dakota	74%	53%
Nebraska	89%	51%
New Hampshire	79%	51%
New Jersey	70%	55%
New Mexico	80%	53%
Neveda	77%	52%
New York	78%	51%
Ohio	73%	51%
Oklahoma	66%	50%
Oregon	75%	57%
Pennsylvania	55%	48%
Rhode Island	77%	53%
South Carolina	55%	44%
South Dakota	78%	53%
Tennessee	73%	45%
Texas	71%	47%
Utah	65%	40%
Virginia	76%	57%
Vermont	79%	48%
Washington	83%	59%
Wisconsin	88%	54%
West Virginia	84%	53%
Wyoming	72%	52%

Source: FFIEC HMDA data, CUNA E&S.