



STRAIGHT TO THE POINT

SEPARATING FACT FROM FICTION



The bankers will do anything to misrepresent credit unions...

even if it means using distorted or exaggerated numbers to make their point.

Banker fiction would have policymakers believe that credit unions are taking over the world. The ABA attempts to “prove” this fiction by distributing “case studies” of individual credit unions. However, the ABA’s attack on credit unions is based on skewed data and apples-to-oranges comparisons.

Bankers claim that credit unions are getting “too big”

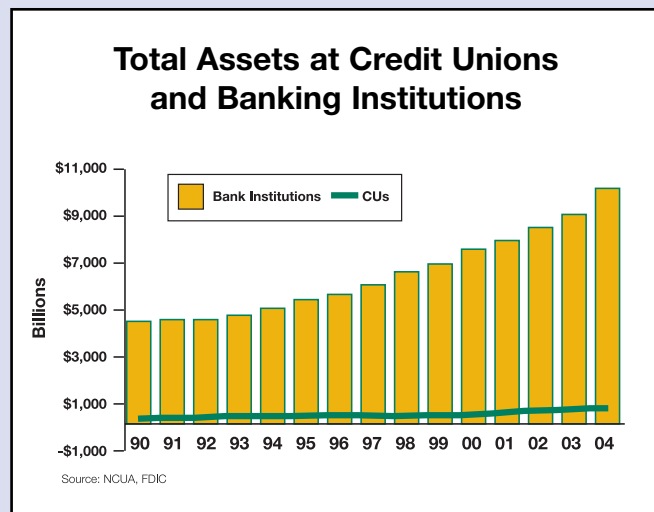
- At year-end 2004 banking institutions held over fifteen times more assets than credit unions (\$10.1 trillion vs. \$662 billion). The nation’s three largest banks are individually larger than the entire credit union movement.
- The average banking institution is over fourteen times larger than the average credit union (\$1.13 billion vs. \$72 million in assets).
- At year-end 2004 over one-half of U.S. credit unions had less than \$12 million in assets. Overall, 1.7% of banking institutions are this small.
- Over one-half (54%) of banking institutions had \$100 million or more in total assets at year-end 2004. Just 13% of credit unions are this large.

	Commercial Banks & Thrifts	Credit Unions
Total industry assets (billions)	\$10,105	\$668
J.P. Morgan Chase	\$967	
Average asset size (millions)	\$1.13 billion	\$72 million
% of institutions with \$11.4 million or less in assets	1.6%	50%
% of institutions with \$100 million or more in assets	54%	13%

Source: FDIC, CUNA

Bankers claim credit unions are “empire builders”

- The first U.S. CU was established on November 24, 1908.
- Assets in all U.S. CUs grew to \$668 billion by year-end 2004.
- In other words it took 96 years of growth for the credit union movement to grow to \$668 billion in assets. In contrast, U.S. banking institutions grew by \$1.03 TRILLION in 2004 alone!
- The November 2003 *U.S. Banker* magazine reported that community banks make up one-third of the fastest growing small companies in America.



Separating The Fact From The Fiction

ABA Fiction: Credit unions have gained too much market share!

Fact: Credit union market share of financial institution assets has not changed markedly over the past decade. Credit union market share was 5.7% in 1993 and increased to 6.2% by year-end 2004. In contrast, bank market share started 1993 at 74.1% but now stands at 78.1% of total financial institution assets.

ABA Fiction: Credit unions are aggressively expanding services to include those that banks offer!

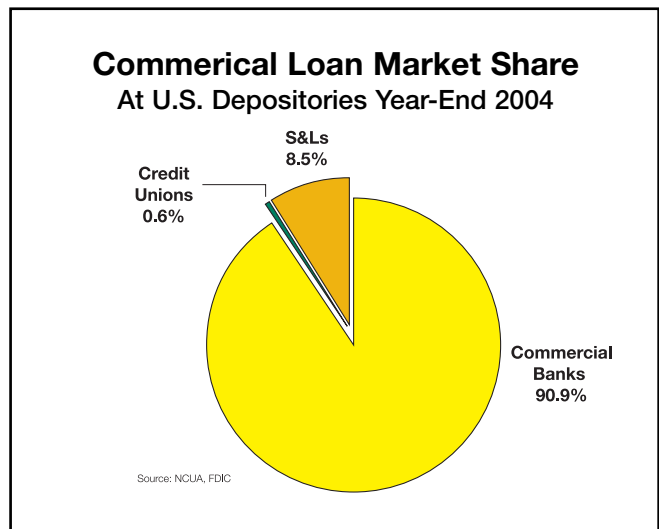
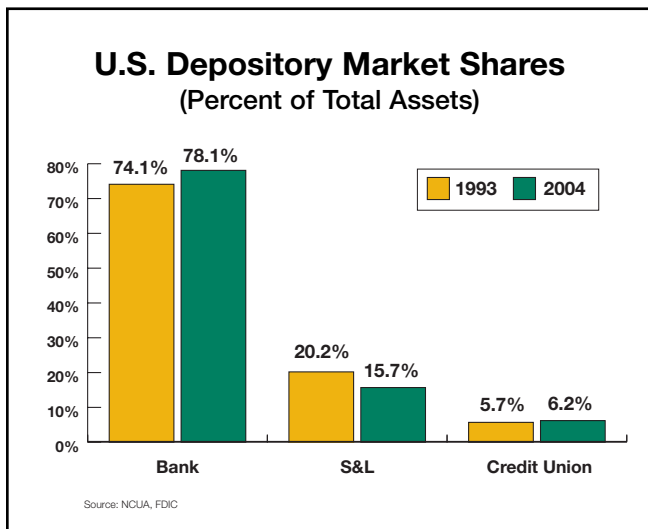
Fact: When credit unions were first established, the range of financial services to consumers was very limited. It's true that credit unions did not then offer their members credit cards, money market accounts, and a wide range of share certificates in the 1930's. But, of course neither did banks. These services had not yet been invented. Today they are part of the normal portfolio of consumer financial services.

ABA Fiction: Credit unions are "morphing" into commercial banks with huge increases in business lending!

Fact: Credit unions have always offered member business loans. Despite nearly 100 years of doing so, credit union market share of commercial loans remains at less than 1% at year-end 2004.

ABA Fiction: Bankers claim credit unions make it difficult for them to compete!

Fact: The dollar amounts of bank profits have increased in fourteen of the past fifteen years. Bank profits as a percent of average assets (ROA) have been above 1% in each of the past twelve years. The 1.31% level of ROA banks recorded in 2004 remains near the modern-day high. In 2004 3,102 banks and S&Ls (nearly one-third of the total banking institutions) recorded full-year ROA greater than 1.3%. Small banking institutions (those with less than \$100 million in assets) recorded a healthy ROA of 1.01% in 2004 up from 0.95% in 2003.



Why are Community Banks so obsessed with Credit Unions?

Credit unions aren't a threat to community banks. In fact, by their own admission it's the mega banks that are taking business away from the community banks!

"The larger banks are getting much larger and they're getting an increasing share of the market."

– ABA Chairman Betsy Duke (2004). "Community Banks Struggle for Survival." The Danville Register and Bee.

It's easier to blame Credit Unions

The ABA is not going to publicly attack and alienate a large dues-paying section of its membership. It's much better trade association politics to vilify an outside entity – credit unions, though in truth credit unions have posed no serious hindrance to the ability of community banks to succeed and earn record profits for their shareholders.

The Bottom Line is That 87 Million Americans Love Their Credit Unions!

73% of credit unions customers report feeling "very satisfied," compared with 58% of bank customers.

– 2004 American Banker/Gallup survey

Banks have invested so much time and money trying to find ways to burden credit unions and other competitors in the financial services industry that they have forgotten about their consumers.

It's not the tax-exempt status that is giving credit unions a competitive advantage in the marketplace; it's their superior member service and their commitment to their communities.



"More banking business is flowing to narrowly focused specialists that concentrate on doing one thing well – whether its catering to investors or...offering mortgages."

– Kadat A. (2005, January) "How to Dump Your Bank." SmartMoney Vol. XIV- No. 1

A growing number of Americans are being turned off by the fees and lack-luster service at their traditional banks and are seeking out other financial service providers including internet banks, mortgage brokerage firms, and credit unions who are more customer oriented and are offering more competitive products.



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