



CUNA Small Credit Union Committee Ten-Year Review

Final Report to the CUNA Board of Directors

December 2009



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I. INTRODUCTION

This year – 2009 – holds special significance for the U.S. credit union system: It is the 100th anniversary of the existence of credit unions in the United States; it is the 75th anniversary of the Federal Credit Union Act; and it is the 75th anniversary of the formation of CUNA.

But 2009 marks another important anniversary as well; it's the ten-year anniversary of the publication of the report of CUNA's Small Credit Union Task Force. The Task Force, appointed in 1998 by then-CUNA Chair Nancy Pierce, was charged with studying small credit union challenges and with recommending creative approaches that could be employed to help ensure the future viability of these smaller institutions.

The 1999 Task Force report contained five key recommendations for the CUNA Board:

1. Adopt a small credit union policy statement to clearly establish CUNA's support for small credit unions.
2. Provide a "call to action" to small credit unions encouraging them to seek out and take advantage of the many programs already in place or likely to be introduced in the future.
3. Embrace a list of solutions to the challenges facing small credit unions.
4. Recognize that the need for small credit unions to offer a sufficient range of technologically-based services stands above all others and encourage the system to seek solutions to this challenge.
5. Establish a permanent Small Credit Union Committee.

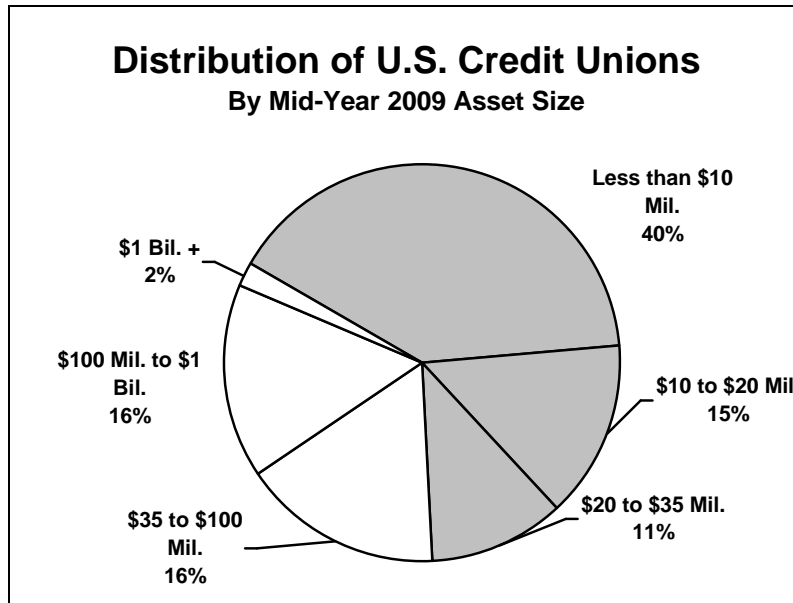
The Task Force presented its summary report to the CUNA Board ten years ago - in the autumn of 1999. And the CUNA Board adopted the Task Force report and appointed a permanent Small Credit Union Committee at the CUNA Annual General Meeting.*

The substantial operational challenges faced by small credit unions have been magnified by the recent U.S. financial crisis and resulting economic downturn. Current Committee members see this ten-year anniversary as an important opportunity to review the assumptions in the Committee's "founding document" and to suggest potential changes to the outlook, attitudes and recommendations contained in that document.

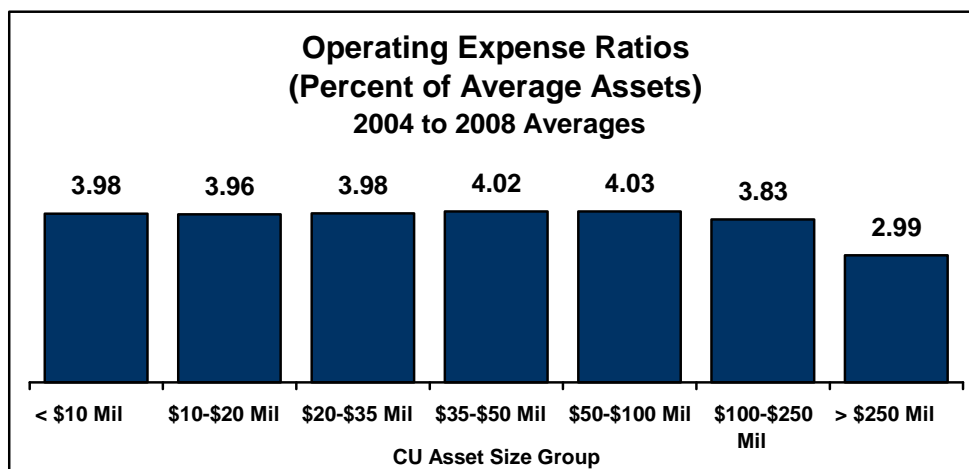
* During its first meeting in February 1999 the Task Force faced the task of defining "small" credit union. The Task Force ultimately determined that no precise cut-off was appropriate. "Smallness" it was recognized could not be defined by a particular asset or member size, but instead by operations and outlook. The Task Force noted, however, that "in most cases small credit unions would reasonably be considered those with assets below \$20 million." For convenience, this threshold also was initially adopted as a guideline for the Small Credit Union Committee. In 2005 the Committee recommended increasing this threshold to \$35 million and this change was approved by the CUNA Board.

II. IMPORTANCE OF SMALL CREDIT UNIONS

Overall, 70% of the nation's 8,000 credit unions are "small" with assets of \$35 million or less. Half of all U.S. credit unions have less than \$16 million in total assets. Members of CUNA's 2009 Small Credit Union Committee confirm the 1999 Task Force view that smaller credit unions should be maintained as a viable component of the credit union system.



The recent U.S. financial crisis and resulting economic downturn have placed obvious and unprecedented strains on the credit union system. Yet it is important to note that supporting small credit unions does NOT imply propping up otherwise unhealthy or grossly inefficient institutions. In fact an examination of recent operating results reveals small credit unions tend to have higher capital ratios, higher asset quality, and similar expense ratios compared to their larger counterparts.



It is true that efforts to preserve small credit unions come at a cost but, as described below, many of those costs could be justifiably borne despite current system strains.

Preservation of small credit unions benefits not only those institutions and their members, but it also benefits the entire credit union movement. Since benefits accrue to all credit unions from the existence of smaller credit unions, the Committee believes that all elements of the credit union movement should be willing to continue to explore ways to devote time, energy and resources to support, assist and nurture smaller credit unions.

Key arguments for this support continue to include the following:

1. **POLITICAL STRENGTH AND UNITY.** Credit unions enjoy a special, legislatively mandated role in the financial services industry. This role derives from credit unions' operation as not-for-profit, democratically-controlled financial service cooperatives. Maintaining the legislative mandate to play this special role requires political strength and unity. The existence of a viable, healthy small-credit-union component of the credit union movement is vital to the continued political strength of credit unions. Before state and federal legislatures, there is strength in numbers. Elected officials need to hear many voices. Small credit unions add to the wealth of politically active volunteers, with over 55,000 volunteers. Those who would do harm to credit unions seek to drive a wedge between smaller and larger credit unions. "Divide and conquer" strategies will be less successful when small credit unions are healthier and when larger credit unions are (directly and indirectly) more involved in supporting and assisting smaller credit unions. A united credit union movement, made up of credit unions of all sizes, is essential to credit unions' continued political strength.
2. **THEIR MEMBERS LIKE THEM.** There are nearly 13 million members in credit unions with assets under \$35 million. These members value the service and benefits of membership they derive from their credit union. They provide access to high quality, personally delivered financial services that many members would not otherwise have. Members receive valuable financial education and advice from small credit unions.
3. **MEMBER CHOICE.** There are unique features available from smaller credit unions: the sense of belonging to a small, closely defined group; greater opportunities for volunteering, more routine access to management and the Board.
4. **PHILOSOPHICAL ROOTS.** Many small credit unions believe that small credit unions are the unique focus of credit union philosophy in action. While Committee members believe that credit union philosophy is just as alive and well in large as in small credit unions, they also believe the movement's philosophy is uniquely manifested in smaller credit unions.

5. **SOURCE OF ALL CREDIT UNIONS.** Today's credit unions of all sizes were once small. In fact, a total of more than 400 credit unions that started 2006 as "small" institutions with total assets less than \$35 million, had grown "up and out" of the small asset designation by mid-year 2009. Many of today's successful large credit unions also received special assistance when they were small, without which they may not be around today.
6. **DEMOCRATIC MODELS.** Small credit unions offer proportionately more members an opportunity to volunteer and participate in the democratic governance of a credit union. There are more than 55,000 volunteers in credit unions with assets below \$35 million.
7. **HELPING OTHERS IS CREDIT UNION PHILOSOPHY IN ACTION.** One tenet of credit union philosophy that operates at the credit union level is "people helping people." The movement level version of that same philosophy is "credit unions helping credit unions." More generally, "cooperatives cooperate" is one of the key cooperative principles. Helping smaller credit unions is an opportunity to put this philosophy into action.
8. **PRESERVING CREDIT UNION CHARTERS.** A credit union charter is a valuable commodity. It is difficult to start up a new credit union, so extreme care should be taken to preserve credit unions already in operation.
9. **DIVERSIFICATION OVER CONCENTRATION.** A credit union movement that continues to be made up of a large number of diverse institutions ensures that the movement will remain flexible enough to respond to future challenges. Concentrating all credit union resources in a few institutions will produce a system that is less robust and able to adjust to a changing world. Just as a financial portfolio is less risky if all of its eggs are not placed in one basket, the credit union movement will be less risk prone, both financially and otherwise, if it remains diversified by size and type of credit union. A large number of consumers remain un-served by credit unions. Maintaining the diversity of choice among credit unions will help the movement continue to spread the word to the public, and provide a more appealing image of the credit union movement as a whole.
10. **SUPPORT TO SPONSORS.** There are a number of small credit unions that are "single sponsor" credit unions. It is important that these credit unions survive because they provide valuable service to the sponsor and its members.

III. SMALL CREDIT UNION CHALLENGES

The 1999 Small Credit Union Task Force identified key credit union challenges by commissioning a series of focus groups of smaller credit unions and by soliciting ideas from state league staff. The results of those studies, along with a similar & updated review conducted with the 2009 Small Credit Union Committee members are summarized in the table below.

Small Credit Union Challenges			
	1998 Small CU CEOs	1998 League Contacts	2009 Small CU Committee Members
First Tier Issues	<ul style="list-style-type: none"> • <i>Need to offer a wider range of services</i> 	<ul style="list-style-type: none"> • <i>Need to offer a wider range of services</i> • <i>Management & staff limitations</i> • <i>Volunteer limitations</i> 	<ul style="list-style-type: none"> • <i>Compliance & the volume of regulations</i> • <i>Too much back-office redundancy & lack of collaboration</i> • <i>Lack of succession planning</i> • <i>Corporate CUs: stabilization costs and future access</i>
Second Tier Issues	<ul style="list-style-type: none"> • <i>Staffing</i> • <i>Marketing</i> • <i>Education/training for staff & volunteers</i> • <i>Regulatory compliance</i> • <i>FOM overlaps</i> • <i>Operating expenses</i> 	<ul style="list-style-type: none"> • <i>Education/training for staff & volunteers</i> • <i>Competition among CUs</i> • <i>Strategic planning</i> • <i>Succession planning</i> • <i>Operating expenses</i> 	<ul style="list-style-type: none"> • <i>Difficulty in attracting & retaining qualified volunteers</i> • <i>Inadequate marketing</i> • <i>Pressures to broaden service offerings</i>
Third Tier Issues	<ul style="list-style-type: none"> • <i>Increasing loan volume</i> • <i>Attracting & retaining good volunteers</i> • <i>Bankruptcy & asset quality</i> • <i>Examiners</i> • <i>Lack of time</i> • <i>Aging membership</i> • <i>Succession planning</i> • <i>Loss of sponsor support</i> • <i>Strategic plans</i> • <i>Lack of contact from system</i> • <i>Lack of national branding campaign</i> 	<ul style="list-style-type: none"> • <i>Employee benefits</i> • <i>Marketing</i> • <i>Lending issues</i> • <i>Member acquisition and retention</i> • <i>Decreasing sponsor support</i> • <i>Growth</i> 	<ul style="list-style-type: none"> • <i>Attracting & retaining qualified employees</i> • <i>Inability to provide competitive salary & benefit packages</i> • <i>Lack of high-quality strategic planning</i> • <i>Lack of standardized policies, documents, training</i> • <i>Poor web presence</i>

There are significant differences in the views across time. The most striking of these are:

- 1) An obvious shift in the level of importance placed on the various perceived challenges and
- 2) The inclusion of corporate stabilization concerns as a high-level concern.

First-tier issues in 1999 focused on breadth of product offerings and staff/volunteer skills. The 1999 Task Force reviewed the issues and concluded that there were three overriding challenges facing smaller credit unions. All three, it was noted, did not apply equally to all small credit unions, but the Task Force believed they would have to be addressed by any actions the movement takes to improve the conditions and operation of smaller credit unions.

The three overriding challenges, it was thought, were the underlying cause of many of the more specific challenges. The three overriding challenges were:

1. **The need to offer a wider range of services**, especially technologically based ones, and the difficulty of doing so. In order to grow, a small credit union must be able to meet basic savings, loan and transactions needs of members. Through time, these needs become more complicated (for example, savings accounts to share draft accounts to ATM access to bill paying), and require more technology to provide. Keeping up is especially difficult for smaller credit unions.
2. **Lack of economies of scale.** A common element of many of the small credit union challenges has to do with operating expenses and resource limitations, i.e., the lack of economies of scale. Lack of scale economies also underlies credit union staffing problems. A very small staff does not allow specialization, and creates special difficulties when a staff member is absent.
3. **Lack of interest in growth.** This, it was noted, did not apply to most small credit unions, but the Task Force believed that a significant number of small credit unions were reluctant to undertake the changes that are necessary for growth.

The landscape has changed dramatically since the Task Force Report was published in 1999. Today, most small credit unions offer a wide range of services and operating expense ratios vary little across credit union asset size groups. In the wake of the financial crisis, credit unions of all sizes suddenly seem more relevant. Anemic growth has been replaced with relatively fast growth. For instance, U.S. bank loan portfolios declined by 7% in the year ending September 2009, but small credit unions experienced 4% loan growth in the same period. Further, membership growth at small credit unions has outpaced population growth (albeit modestly) in the past year.

Today, the overriding small credit union challenges are different. They now include:

1. **Regulatory burden.** This is widely regarded as the number-one concern of small credit unions and was mentioned as a key challenge by nearly every member of the 2009 Small Credit Union Committee. Today, over one-quarter of U.S. credit unions are operated by three or fewer full-time equivalent employees and over one thousand credit unions (about one in seven) are operated by one or fewer full-time equivalents. These dedicated individuals work long hours, helping to improve the lot of working Americans. Yet the crush of post-crisis regulatory initiatives and the constant drumbeat of changes to existing regulations

significantly hamper the effectiveness of these individuals and threaten their ability to continue to provide service. Simple changes, like the quarterly call report changes take employees off task for significant periods of time. While policy makers discuss the theoretical issue of “too big to fail” regulations have small credit unions worried that policy makers see them as “too small to save”.

2. **Back-office redundancies and lack of collaboration.** This issue was cited by one-half of Committee members. Recent substantial increases in operating expense ratios have moderated in 2009 as savings inflows dramatically increased. Nevertheless, small credit unions recognize that this reversal is likely to be short-lived. Small credit union survival hinges on the ability to spend more time interacting with members and less time mired in non-core tasks such as payroll, accounting system management, and data processing.
3. **Succession planning.** This challenge has less to do with small credit union dedication to the succession planning process and more to do with the increasingly obvious difficulty in finding qualified people who are willing to work long hours for (relatively) low pay. The substantial difficulty in finding qualified directors willing to accept the growing risk of oversight responsibility magnifies this challenge.
4. **Corporate credit union issues.** Small credit unions are (not surprisingly) extremely apprehensive about their ability to bear the burden of the significant costs associated with corporate stabilization efforts. And they are very concerned about the NCUA’s willingness to do everything in its power to avoid permanent depletion of corporate capital. They likewise worry that small credit unions will lose access to the system solution that has generally served them well and fear that reliance on outside, non-system entities will not only drive up costs but ultimately drive small credit unions out of business.

IV. SOLUTIONS TO SMALL CREDIT UNION CHALLENGES

The 2009 Small Credit Union Committee identified a number of challenges facing smaller credit unions.

The Committee acknowledges that a substantial amount of resources at leagues and other organizations such as CUNA, CUNA Mutual, corporate credit unions, and the National Federation of Community Development Credit Unions devoted to addressing the needs of smaller credit unions.

The Committee encourages smaller credit unions to seek out and take advantage of the many programs already in place. The Committee notes that the primary responsibility for addressing the challenges of small credit unions rests with small credit unions themselves. No amount of assistance or support from other credit unions or other credit union support organizations will serve any purpose unless the small credit union involved is willing to take actions on its own to seize the opportunity and thrive and grow. Larger credit unions and other organizations can play a supporting role, but outside assistance is no substitute for internal initiative.

The Committee also renews the call for state and national organizations to continue to support initiatives that serve smaller credit unions. All elements and levels of the credit union system have a role to play in supporting the continuance and viability of smaller credit unions. As enumerated in the preceding section of this report, all elements of the system have a stake in the health of smaller credit unions.

The Committee, like the Task Force, stresses that state and federal regulators play a very important role in the viability of smaller credit unions. Most of the suggestions that follow do not apply to actions by regulators. However, regulators have a crucial role to play in fostering a regulatory environment in which smaller credit unions can thrive. Therefore, after the list of suggestions for the overall credit union movement, the Task Force presents a few specific recommendations for regulators.

The Committee did not find any “silver bullet” solutions that will magically address all the problems that smaller credit unions face. However, it did identify a number of actions that if taken by various levels of the credit union movement will assist smaller credit unions to thrive and grow. The Committee hopes this report will serve as a call to action to the credit union movement to begin or continue creative solutions to the problems small credit unions face. The Committee’s suggestions follow:

- 1. Share the burdens.** The responsibility for assisting smaller credit unions does not rest with any single element of the movement, all must be involved.
- 2. Expand and streamline outsourcing for economies of scale.** Because of their size, small credit unions do not enjoy the scale economies that the largest credit unions do. One way for small credit unions to increase efficiency is to purchase operational services from larger firms that do enjoy economies of scale. These

larger firms could be other credit unions or other vendors. Examples of services that might be outsourced for greater efficiency are: data processing, credit card processing, share draft processing, loan centers, call centers, collections, shared branches, WEB site development and maintenance, etc.

In addition, system entities should seek ways to educate, support and otherwise ease the process for small credit unions to establish CUSOs. Committee members see the value in CUSOs providing collaborative services & believe that this construct will be a significant contributor to future success. For example, getting together to develop standard policy language and cost-sharing arrangements will become more the norm in the future. Established CUSOs are likely to expand through collaboration to provide compliance officers, audits and other services that we are now paying for on a piecemeal basis without the power of scale to negotiate pricing.

3. Encourage larger credit unions to continue to assist smaller credit unions.

There are many ways that larger credit unions can help smaller credit unions. These include such things as mentoring programs, donation of used equipment, fill-in staff for vacations and training, access to large volume purchases, assistance with marketing, planning, meetings, etc. However, large credit unions should be particularly sensitive to the needs of small credit unions in providing such assistance. The Task Force found that many small credit unions are suspicious of offers of assistance from other credit unions, believing the offer instead to be the initial steps of a merger investigation. When approaching smaller credit unions, larger credit unions should be up-front about their intentions. It is important that the larger credit union is truly interested in helping the smaller credit union. The relationship that develops between the smaller and larger credit union must be one of trust, not fear. Larger credit unions should realize that they too can benefit from mentoring relationships. For example, specialized staff from a larger credit union has the opportunity to participate in and learn about a much wider range of activities when assisting a smaller credit union.

4. Form peer networks. Small credit unions should routinely meet with their peers in their local communities. They should establish regular meeting dates, such as breakfasts. They can also operate e-mail support groups. Focus group participants who are involved in such groups reported enormous benefits in terms of information exchange, practical ideas, and opportunities for group buying activities. Many of the specific needs identified by small credit unions can be met through peer networks. Often the best source of advice to deal with an issue is a similar size credit union that has already dealt with the same problem.

5. Facilitate recycling and reuse of equipment. Larger credit unions should look for opportunities to make their used equipment available to smaller credit unions. Local and state level organizations should assist in facilitating such transfers with information exchanges and training assistance.

6. **Look for and exploit group buying opportunities.** Small credit unions should try to take advantage of group-buying opportunities with their peers to reduce per-unit costs. This will require coordination of efforts, and will often entail accepting generic items.
7. **Continue to promote small credit union price discounts.** The current economic situation is putting unprecedented strain on state and national organizations, and on other vendors that serve small credit unions. The Committee is deeply concerned that progress on sized-based pricing not be lost in an effort to maintain bottom lines. Further, all entities are encouraged to seek additional opportunities to provide services where smaller credit unions pay less per unit, or at least no more per unit, than larger credit unions. Such policies will only be possible for some services, where the marginal cost of production of more units is very low, such as educational programs for example. Therefore, small credit unions should not expect such pricing on all services. Nevertheless, there are some opportunities to implement such pricing.
8. **Produce basic operations, policy, and compliance manuals for small credit unions.** These manuals could be joint projects of small credit unions and state and national organizations, and could be made available and updated on the Internet.

System providers are urged to work on shared compliance assistance for small credit unions. Compliance consultants could visit small credit unions once per year to review compliance policies and operations for a small fee.

We urge simplified compliance summaries, highlighting the necessary elements for small institutions. Many Committee members mention the InfoSight web-based compliance solution as a particularly useful tool. InfoSight, which links to CUNA's E-Guide, is offered by roughly 25 state leagues as a dues-based service that is widely available to smaller institutions.

9. **Provide low-cost hardware and software to small credit unions.** The presence of a minimum level of hardware and software in each small credit union will greatly facilitate the delivery of certain products and services on a cost-effective basis. With fairly simple computer, communications and printer hardware and software, many products and services such as basic information, ALM modeling, forms, education and training, and transactions based services can be delivered to small credit unions very efficiently.
10. **Consider small credit union shared branching.** Explore the feasibility of small credit unions making their locations available to each other's members for basic counter transactions, to increase accessibility and encourage member growth.
11. **Preserve charters wherever possible.** Recognize the gravity of loss of each and every credit union and look for ways to minimize those losses. When merger is deemed unavoidable, encourage smaller credit unions to join other small credit

unions, to preserve uniqueness and provide growth opportunities to other small credit unions.

The Committee intends the above suggestions to apply to various elements of the credit union movement. State and federal credit union supervisory authorities also have a key role to play. The Committee offers the following suggestions to the regulators:

1. **Simplify compliance with regulations for small credit unions.** The Committee recognizes that most laws apply to credit unions of all sizes, but efforts should be made to spare smaller credit unions from having to wade through volumes of material to determine whether or not they are affected. Regulators should seek opportunities to exclude smaller credit unions from regulations wherever doing so would not create any material risks to the system. Regulators should reduce undue reporting requirements where there is little risk. Also, communications from regulators should **clearly** provide guidance on whether or not the credit union need consider the issue.

Similarly, regulators should seek ways to ensure examiner consistency. Many times credit union compliance dramatically varies from year to year and examiner to examiner creating undue stress and confusion for small credit union staff.

2. **Work to preserve the corporate system & ownership interests.** NCUA should continue to look for ways to minimize the costs associated with corporate stabilization efforts and should specifically explore ways to avoid permanent depletion of corporate capital. Regulatory action should balance safety and soundness concerns with the fact that many of the nation's smallest credit unions – if forced to rely on for-profit sector solutions - may find that non-system entities will drive up their costs to the point that the services become unaffordable. These second-order effects, while less obvious, could raise additional and arguably more complex safety and soundness concerns.
3. **Make mergers a last resort.** In resolving problems at smaller credit unions, regulators sometimes recommend that the credit union “seek a merger partner.” This alternative should be pursued as a last resort when liquidation is the only alternative. Small credit unions facing operational difficulties should be provided every opportunity to address and correct those difficulties and thereby provide needed services to their members. There may be times when the Board of a small credit union decides that its members will be best served by a merger with another credit union. Examiners should permit but not encourage such decisions.

Although some mergers are unavoidable, the NCUA & state credit union regulators should make the bid process for mergers more transparent. Most importantly, small credit unions should be given “equal access” to merger opportunities and regulators should actively seek out and identify smaller credit unions that have an interest and ability in being merger partners.

V. RECOMMENDATIONS [†]

The CUNA Small Credit Union Committee has several recommendations to the CUNA Board. They include the following:

1. Seek ways to foster improvements in credit union efficiency.
 - a. Encourage small credit unions to create or enter into contractual business alliances to achieve economies of scale that will address (a) the regulatory compliance burden, and (b) inefficiencies associated with back-office redundancies.
 - b. Explore the possibility of testing a Desjardins-style model (i.e., many small credit unions sharing one large back office) to see if it can be as successful here in strengthening small credit unions as it has been in Canada.
2. Increase and improve communication.
 - a. Small credit unions want to be “involved in the conversation”. In this regard, we urge CUNA leadership to establish a short, quarterly phone program for small credit unions on hot topics or policies. These topics could “wet one’s desire” to register for upcoming webinars that could be highlighted in such presentations.
 - b. Further, we seek additional ways for credit unions of all asset sizes to come together in dialog sessions for critical issues.
 - c. Committee members acknowledge the logistical difficulties of gathering large numbers of small credit unions on a single call, but argue that this obstacle can easily be overcome with regional call-ins.
3. Help identify and develop a pool of small credit union leaders of the future including future CEOs and board members.
4. Encourage for-profit arms of trades to keep small credit unions in mind and to seek ways to expand small credit union price discounts.

[†] To be considered during the Board’s February 2010 meeting.

Appendix I

CUNA Small Credit Union Committee Activities

CUNA's Small Credit Union Committee, formed in 1999, operates with the following statement of purpose:

The success of smaller credit unions is vital to the future of the credit union movement. The committee will be comprised chiefly of officials from smaller credit unions and will track issues affecting small credit unions. The committee will also promote unity between credit unions of all sizes and strive to defend against any and all threats to their cooperative, not-for-profit, democratic structure.

Although there is no precise measure of "Small", the Committee will use \$35 million in assets as a rough definition, recognizing that factors other than size may determine the characterization of a "small" credit union.

Since its inception in 1999 the Committee has looked to this statement of purpose in guiding its activities. Some of these activities included:

- Participated in a variety of studies aimed at improving small credit union operations including Filene Research Institute studies on "thriving" small credit unions.
- Conducted periodic surveys of state credit union league services and outreach to small credit unions.
- Explored, in conjunction with CUNA Mutual Group, the possibility of providing group insurance programs to small credit unions.
- Authored a "Unity Statement" to deter those seeking to divide the credit union system.
- Conducted regular face-to-face meetings with NCUA staff and Board members to ensure small credit union concerns regulatory relief and other key issues.
- Explored a variety of initiatives to provide discounted pricing to small credit unions.
- Explored franchising and other initiatives in an effort to help small credit unions increase efficiency.
- Explored, with assistance of CUNA Mutual Group, retirement and succession planning programs.
- Studied open-end lending programs with an eye on improving small credit union loan-to-savings ratios and improving efficiency.
- Studied the possibility of establishing data processing standards.
- Evaluated financial performance reporting and associated software programs.

Appendix II: Recent Small Credit Union Operating Results

Small Credit Union Profile

Demographic Information	< \$35 Mil Credit Unions					Asset Groups - Sep 2009				
	Sep 09	2008	2007	2006	2005	< \$5Mil	\$5-\$10	\$10-\$20	> \$20 Mil	
Number of CUs	5,517	5,686	5,959	6,199	6,515	2,014	1,053	1,124	1,326	
Assets per CU (\$ mil)	13.2	12.0	11.0	10.5	10.3	2.1	7.3	14.4	33.6	
Median assets (\$ mil)	8.3	7.6	7.0	6.8	6.6	1.8	7.3	14.1	30.1	
Total assets (\$ mil)	72,596	68,148	65,468	65,315	67,282	4,177	7,716	16,171	44,531	
Total loans (\$ mil)	41,359	40,639	40,884	40,970	40,293	2,197	4,087	8,666	26,410	
Total surplus funds (\$ mil)	28,877	25,238	22,306	22,162	24,935	1,936	3,473	7,030	16,438	
Total savings (\$ mil)	61,992	57,810	55,252	55,277	57,435	3,436	6,503	13,737	38,315	
Total members (thousands)	12,704	12,805	13,189	13,556	14,006	1,262	1,726	2,895	6,822	
Growth Rates										
Total assets	9.0	6.7	2.5	0.0	0.1	3.6	5.5	7.2	10.8	
Total loans	4.3	2.0	2.1	4.2	6.3	-1.6	-0.1	1.5	6.5	
Total surplus funds	17.1	15.8	3.0	-7.7	-9.0	10.3	13.3	15.6	19.4	
Total savings	9.8	7.3	2.2	-0.9	-1.0	4.8	6.6	8.3	11.4	
Total members	1.0	0.0	-0.2	-0.1	-0.1	0.3	0.4	0.3	1.5	
% CUs with increasing assets	75.7	71.2	50.4	36.9	38.4	61.4	77.8	83.7	89.1	
Earnings - Basis Pts.										
Yield on total assets	504	570	611	573	517	509	503	497	507	
Dividend/interest cost of assets	140	189	209	174	131	114	125	130	149	
Fee & other income *	146	109	111	103	94	93	114	140	158	
Operating expense	392	422	417	403	381	406	398	400	387	
Loss Provisions	53	50	35	33	37	42	51	48	57	
Net Income (ROA) after Stab Exp *	4	19	61	66	61	-29	-24	-6	16	
% CUs with positive ROA *	53.7	72.3	85.8	87.4	85.6	49.1	50.1	55.5	61.8	
Capital adequacy										
Net worth/assets	13.1	14.0	14.6	14.3	13.6	17.0	14.8	14.0	12.0	
% CUs with NW > 7% of assets	96.6	98.0	98.6	98.5	97.9	96.9	95.3	97.2	96.5	
Asset quality										
Delinquencies (60+ day \$)/loans (%)	1.88	1.73	1.56	1.40	1.51	3.12	2.43	1.81	1.71	
Net chargeoffs/average loans	0.77	0.68	0.54	0.52	0.61	0.82	0.88	0.73	0.76	
Total borrower-bankruptcies	29,366	22,147	19,080	15,978	42,968	3,938	3,246	6,305	15,877	
Bankruptcies per CU	5.3	3.9	3.2	2.6	6.6	2.0	3.1	5.6	12.0	
Bankruptcies per 1000 members	2.3	1.7	1.4	1.2	3.1	3.1	1.9	2.2	2.3	
Asset/Liability Management										
Loans/savings	66.7	70.3	74.0	74.1	70.2	63.9	62.8	63.1	68.9	
Loans/assets	57.0	59.6	62.4	62.7	59.9	52.6	53.0	53.6	59.3	
Long-term assets/assets	19.2	19.1	16.2	15.4	15.2	4.9	10.2	15.7	23.3	
Liquid assets/assets	26.1	25.2	24.9	24.0	25.1	37.9	32.0	28.7	23.1	
Core deposits/shares & borrowings	55.7	56.7	58.3	62.1	66.7	78.8	68.6	60.0	50.0	
Productivity										
Members/potential members	8	8	8	9	10	20	14	8	6	
Borrowers/members	40	40	40	40	40	32	37	40	43	
Members/FTE	412	411	422	431	441	347	474	433	404	
Average shares/member (\$)	4,880	4,515	4,189	4,078	4,101	2,722	3,768	4,746	5,617	
Average loan balance (\$)	8,056	7,931	7,712	7,576	7,148	5,421	6,382	7,579	8,968	
Employees per million in assets	0.43	0.46	0.48	0.48	0.47	0.87	0.47	0.41	0.38	
Structure										
Fed CUs w/ single-sponsor	18.0	18.2	18.6	18.8	19.3	27.1	20.1	12.6	6.9	
Fed CUs w/ community charter	11.6	11.3	10.8	10.4	9.6	5.0	8.3	14.7	21.5	
Other Fed CUs	34.0	33.8	33.8	33.8	33.8	33.6	36.1	35.9	31.3	
CUs state chartered	36.5	36.7	36.7	37.0	37.3	34.3	35.5	36.7	40.3	

Earnings, net chargeoffs, and bankruptcies are annualized.

Due to significant seasonal variations, balance sheet growth rates are for the trailing 12 months.

US Totals include only credit unions that are released on the NCUA FOIA file.

*Credit Unions did not uniformly report stabilization expense or reversals of the expense.

Therefore some income and expense ratios are not comparable to previous periods.

Use extreme caution when coming to conclusions from this data.

Source: NCUA and CUNA E&S.



Appendix III: State League Small Credit Union Initiatives

The 1999 CUNA Small Credit Union Task Force Report recognized the critical role played by state credit union leagues in supporting small credit unions. Committee members recognize and applaud state leagues for this support.

In 2002 and again in 2007, the Committee surveyed state credit union leagues in an effort to identify small credit union assistance efforts. State-level responses were made available to each credit union league to assist those interested in adopting specific initiatives and to otherwise help with information sharing and program development.

The 2007 survey found that roughly one-half of responding leagues defined “small” credit unions as those with \$10 million or less in assets; 20% use \$20 million or less in assets as their working definition. In contrast, as noted earlier, CUNA’s Small Credit Union Committee uses \$35 million as a working definition.

Three quarters of responding leagues indicated that they promote or distribute CUNA and/or CUNA Mutual small credit union materials. These materials included the CUNA Small Credit Union Staff Salary Survey Report, CUNA Mutual Small Credit Union Connectivity Toolkit, various Filene Research Institute surveys and reports, CUNA “Keys to Success” Reference for small credit unions and the like.

In addition, all but two responding leagues indicated they had at least one small credit union contact person on staff (though league small contacts typically have many other duties).

The survey specifically examined five broad areas: Education and Training (5 items); Technology and Equipment (3 items); Operations and Planning (7 items); Administration and Communication (4 items); and “Other” initiatives. A summary of the most common state league initiatives appears in the chart below.

