Credit Unions: Serving Average Americans

This white paper uses the Federal Reserve’s Survey of Consumer Finances (SCF) to explore differences in demographics and financial well-being among households that primarily use credit unions versus households that primarily use banks. Overall, credit unions serve relatively more households in the middle of the income distribution, which is not surprising given credit unions’ legacy of restricted fields of membership, primarily composed of single occupation-based groups. Banks, on the other hand, serve more of the low-income and high-income populations.

Background: Survey of Consumer Finances

The Federal Reserve’s Survey of Consumer Finances (SCF) is a triennial survey of U.S. households that collects detailed information regarding households’ income, assets and liabilities, demographics, and affiliation with financial institutions. Each survey has between 4,400 and 6,500 household-observations, and the following analysis combines data from 2001-2016 (six surveys). Data is collected and weighted to be representative of the U.S. population as a whole.

Findings: Demographics

- 19.2% of households’ primary financial institution is a credit union while 75.5% of households primarily use banks.
- Primarily credit union users are slightly younger than bank users, with a mean age of 48.2 years versus 51.4 years. Furthermore, 24.8% of bank users are older than 65, compared to 16.2% for CUs.
- Credit unions and banks serve approximately the same percentage of ethnic minority households, at approximately 28.5%. However, banks serve relatively larger percentages of Hispanic households (9.0% vs. 5.8%) while credit unions serve relatively larger percentages of African American households (14.9% vs. 11.2%).
- Primarily credit union users are more likely to be employed (68.6% vs. 56.3%); whereas, primarily bank users are relatively more likely to own a business, be retired or disabled, or be unemployed or otherwise not working (43.7% vs. 31.5%).
- Primarily credit union users are more likely to have only a high school diploma or some college education (62.4% vs. 54.5%); whereas, bank users are more likely to have a postgraduate degree, or less than a high school diploma or GED (25.2% vs. 19.7%).

Findings: Income and Net Worth

- The mean household income of primarily credit union users is significantly lower than primarily bank users ($78k vs. $102k), but the median is slightly higher ($61k vs. $55k).
- 60.9% of primarily credit union user-households have between $25k and $100k in income (vs. 54.1% of primarily bank-user households), and 81.1% have between $25k and $200k in income (vs. 71.0%). On the other hand, 14.4% of primarily credit union households have under $25k in income versus 21.0% at banks, and 4.5% have over $200k versus 8.0% at banks.
- The average and median net worth (assets minus liabilities) of primarily bank-using households is $698k and $124k, versus $310k and $115k of primarily credit union-using households.
- The average value of the primary residence of primarily bank users is $315k versus $233k for primarily credit union users.
- Primarily bank users are 47% more likely to own business equity, and among business owners, primarily bank users’ average business equity is $1.1 million versus $275k for primarily credit union users that own business equity.
- Various sources confirm that credit unions offer significantly better interest rates than banks, and the SCF data confirm that consumers that actually receive loans pay, on average, 1.5 percentage points less on credit cards and 0.7 percentage points less on auto loans.

1Primary Financial Institution is determined by whether the survey respondent lists only Credit Unions or Banks as the institution where they do business. Respondents who use both Credit Unions and Banks have their primary institution determined by where they hold the majority of their deposits. These numbers do not add to 100%, as approximately 5% of households do not report any business with a Credit Union or Bank.