

Basic Information About Credit Unions

Overview: More than 83 million U.S. Consumers are member-owners of, and receive all or part of their financial services from the nation's 10,056 credit unions. Credit unions are not-for-profit financial cooperatives, serving members who share something in common: employment, association membership, or residence in a particular geographic area. As not for profit cooperatives, credit unions generally offer more attractive savings and loan rates, and low or no fees. Surveys consistently rank credit unions first among financial institutions in consumer satisfaction.

Philosophy and Structure: Credit unions are democratically owned and controlled institutions, based on "people helping people" principles. Credit union boards of directors are elected by members; each member has an equal vote, regardless of how much he or she has on deposit. Only members may serve as directors, and directors serve without remuneration. Volunteers are an important credit union resource. Presently, more than 119,500 Americans volunteer for their credit unions, serving as board members, committee members or providing other assistance. Finally, credit unions have no outside stockholders, so after reserves are set aside, earnings are returned to members in the form of dividends on savings, lower loan rates or additional services.

Safety and Soundness: Credit unions primarily engage in consumer loans and, to a lesser degree, residential real estate loans to their members. Due to prudent lending and management practices, credit unions were not adversely affected by the economic downturn of the late 1980's and early 1990's and few are being adversely affected in the current economic downturn. Credit union capital is 10.7 percent and the equity ratio of the federal insurance fund, National Credit Union Share Insurance Fund (NCUSIF), has operated above 1.25 percent for eleven consecutive years.

Insurance Fund: Since 1984, credit unions have operated their own federal deposit insurance fund on a pay-as-you-go basis. In that year, credit unions voluntarily deposited 1 percent of their insured member savings in NCUSIF, to bring its equity ratio up to 1.0 percent. This recapitalization resulted in a one-time reduction in the federal deficit. Each year, credit unions deposit sufficient funds to ensure that the fund's equity ratio is maintained at or above 1.2 percent. While the NCUSIF is backed by the full faith and credit of the U.S. Government, the structure of the insurance fund ensures that only if all the capital in the credit union movement were exhausted, would any taxpayer funds be spent on credit unions. Like other deposit insurance funds, NCUSIF protects member deposits to \$100,000. The voluntary recapitalization of the NCUSIF before problems occurred, and the mechanisms in place to keep the fund highly capitalized, illustrates credit unions' commitment to safety and soundness.

Regulation and Supervision: Federally chartered credit unions are regulated by the National Credit Union Administration (NCUA), an independent agency. NCUA's three board members are nominated by the President and confirmed by the Senate. State chartered credit unions are regulated by their state credit union department. NCUA administers NCUSIF, and all federally-insured credit unions are subject to insurance examinations as well. No taxpayer money is used for regulating and overseeing credit unions, as all activities of NCUA and NCUSIF are funded by credit unions.

U.S. Organizations: Overall, 90 percent of credit unions, both federally and state chartered, representing 93 percent of total credit union assets, are affiliated with the Credit Union National Association (CUNA), and its 50 state-based affiliated (leagues). CUNA maintains headquarters

in Madison, Wisconsin, and the offices of the present and governmental affairs in Washington, D.C.

Market Share: Credit unions are a small, but constant presence in the financial services industry. Credit unions held less than 2 percent of household assets as of June 2002, according to Federal Reserve data, and have held a share below 2 percent since 1980.

Political Involvement and Grassroots: After the massive grassroots mobilization that turned credit union members into credit union activists and led to the successful passage of H.R. 1151, the *Credit Union Membership Access Act*, credit unions leaders vowed that we must never again find ourselves in such a life-threatening situation. It was decided that creating a permanent political and grassroots infrastructure in the credit union community was of utmost importance and over the past three years, CUNA has set out to do just that.

CULAC, CUNA's political action committee, continued to grow during the 2002 election cycle, disbursing over \$2.1 million to credit union friendly candidates. During the 2002 campaign season, credit union volunteers were involved in every level of campaigns, hosting fundraisers, organizing phone banks, running Get Out The Vote campaigns, and publishing voter guides. CUNA will continue to help credit union members be involved politically by working with state leagues to conduct campaign schools across the country.

Through CUNA's popular Hike The Hill program, credit unions have also maintained a constant grassroots presence on Capitol Hill with regular visits to Washington by leagues and credit union staff. Visits to members of Congress have been very beneficial as issues like privacy and bankruptcy abuse have been debated on the Hill. Many credit unions have also used this opportunity to simply educate their members of Congress about credit unions, using their Project Differentiation Statements of Commitment as a tool to demonstrate to elected officials how our commitment to our members makes credit unions stand apart from other financial institutions.

Along with these successful programs, CUNA and the American Association of Credit Union Leagues have created a checklist brochure, the "9 Steps to Political Effectiveness." This brochure gives credit unions multiple ways to be part of a Political & Legislative Action Network (PLAN) – including anything from volunteering on a political campaign to participating in Project Differentiation or Project Zip Code. With the help of CUNA and the Leagues, credit unions have more opportunities than ever before to make a difference in their future.

Promoting Economic Development at Home and Abroad: The credit union philosophy of "not for profit, not for charity, but for service" is illustrated by credit unions' commitment to fostering economic development and helping individuals attain self-sufficiency. CUNA and its member support more than 300 credit unions operating in low-income communities throughout the United States.

CUNA devotes 7 percent of every dues dollar from affiliated credit unions to international credit union development, through the activities of the World Council of Credit Unions (WOCCU). WOCCU delivers technical assistance to credit unions, national associations of credit unions and regulators. WOCCU is implementing 18 programs to strengthen credit unions and create an enabling environment in Africa, Asia, Central Asia, Europe and Latin America. Credit unions in 93 countries are a stabilizing force that gives diverse peoples the opportunity to practice democracy within a member-owned organization. Credit unions stimulate economic growth by offering members safe and affordable access to credit and savings services.

Statistics: (as of November 2002)

Number of U.S. Credit Unions:	10,056
Consumer Member-Owners:	83.2 million
Assets:	\$579 billion
Loans:	\$353 billion
Surplus funds (Cash, government securities, and financial institution deposits):	\$198 billion
Consumer Savings:	\$501 billion
Capital to Assets:	10.7%