

the

FIGHT IS ON

BANKERS PUSH BACK AS CREDIT UNIONS LAUNCH A CAMPAIGN TO MAKE SURE THEIR VOICES - AND SERVICES - ARE HEARD

BY DIANNA BORSI O'BRIEN

IT'S EASY TO TELL the difference between an apple and an orange, and we know we shouldn't compare the two. But when it comes to banks and credit unions, bankers say the apple is starting to look too much like an orange.

Confused? I'm not surprised.

Credit unions are financial institutions like banks, and like banks they offer a wide range of financial services, including checking and savings accounts, loans, credit cards, ATMs and even mobile banking. Yet credit unions are not banks; they're not-for-profit organizations, member-owned cooperatives, an unusual beast in the financial world. They're also the little guy in this fight. Credit unions account for about 6 percent of credit union/bank financial assets in Missouri and across the nation; banks account for the rest.

In Missouri, there are only 134 credit unions versus 346 banks. However, nationally the numbers are more matched with 7,140 credit unions compared to 7,353 banks, according to a 2011 comparison provided by the Credit Union National Association.

Now these little-known financial organizations are making waves; credit unions are lobbying to ease the limit on their ability to offer commercial loans. Currently credit unions are capped at being able to offer commercial loans at 12.25 percent of their assets; they want it upped to 27.5 percent of their assets. Prior to 1998, there was no limit on credit union commercial lending.

Credit unions also have plans to make their voices and their wares better known to the public. In January, the Missouri Credit Union Association will kick off Consumers Choice, a consumer financial education campaign aimed at increasing the awareness about the ben-

efits of credit unions. The program will include radio and print advertising as well as education for employees on how to better use social media to get the word out about credit unions.

"The campaign is all about explaining our differences and making sure the consumer can make an educated decision about whom and how their assets are handled," says Don Cohenour, interim CEO and president of the Missouri Credit Union Association, the state trade association for credit unions.

Follow the money

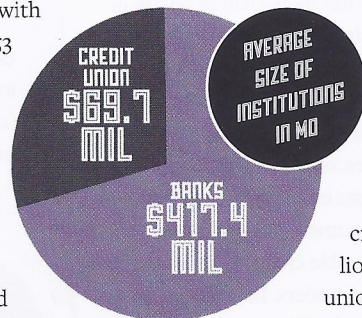
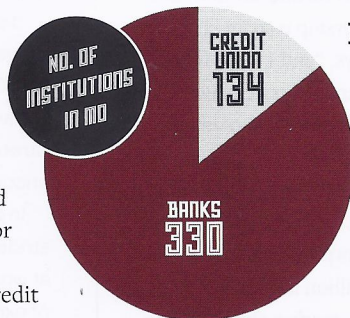
Banks are pushing back on the commercial loan limits, via their state and federal trade organizations, and lobbying to make sure the limits stay in place. Why the fight? Bankers cite two reasons: size and an unfair advantage.

Bankers say credit unions are becoming too big and have expanded their memberships, seemingly taking in everyone.

Naturally, credit unions disagree. By regulation, services are limited to members; eligibility can be determined by where you live, work or by association or affiliation. Cohenour notes that only three credit unions are larger than \$1 billion in assets, and one-third of all credit unions in Missouri have less than \$10 million in assets. In Columbia, the picture is different. Four of the six credit unions responded to a request for asset information; all four have more than \$10 million in assets.

The biggest reason bankers say the limit needs to stay is credit unions have an unfair advantage: They don't pay federal taxes.

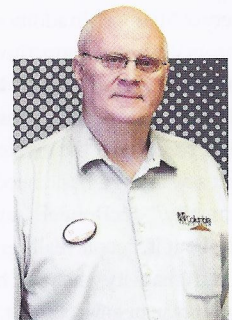
Mary Wilkerson, senior vice president of marketing at Boone County National Bank, says she doesn't mind the



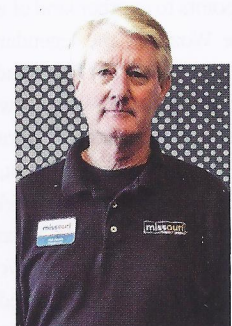
MARY WILKERSON
Senior VP of Marketing
Boone County National Bank



ANDREW BEVERLEY
President
Landmark Bank



DAVID HENDREY
President
Columbia Credit Union



HAL JAMES
President and CEO
Missouri Credit Union

1. ACADEMIC EMPLOYEES CREDIT UNION

573-445-1845
2804 W. Ash St.
academicceu.com
FOUNDED: 1936
MEMBERSHIP: Open to anyone working in or affiliated with public, private, parochial or home-school education and educational-related institutions and organizations in Boone County and seven surrounding counties and family members
MEMBERS: 1,700
ASSETS: \$9.5 million

2. COLUMBIA CREDIT UNION

310 E. Walnut St.
573-256-2500
ccumo.org
FOUNDED: 1935
MEMBERSHIP: Live or work in Boone County and family members
MEMBERS: 2,700
ASSETS: \$19 million

3. MISSOURI CREDIT UNION

Four locations in Columbia, three in Jefferson City
573-874-1477
missouricu.org
FOUNDED: 1969
MEMBERSHIP: Live or work in Boone County or the surrounding counties, plus family members of eligible members
MEMBERS: 31,100
ASSETS: \$250 million

4. RIVER REGION CREDIT UNION

1105 Grindstone Parkway, Suite 107
573-442-1444
rrcu.org
FOUNDED: 1937
MEMBERSHIP: Live or work in Boone, Cole, Osage, Callaway, Moniteau or Miller counties or work for a health care corporation, transportation affiliated firm or 27 other organizations as listed on the website
MEMBERS: 13,000
ASSETS: \$82 Million

5. TIGERS CREDIT UNION

Memorial Student Union, N17
573-443-8462
tigerscu.org
FOUNDED: 1984
MEMBERSHIP: Live or work in Boone County and two other counties and one area and students, faculty/staff, alumni or student organizations of University of Missouri, Stephens College and Columbia College and all familial relatives of eligible members
MEMBERS: 2,600
ASSETS: \$7 million

6. UNITED CREDIT UNION

2909 Falling Leaf Lane in Columbia; one location each in Mexico, Moberly, Vandalia, Troy and Fulton
573-442-6571
unitedcu.org
FOUNDED: 1935
MEMBERSHIP: Live or work in Boone County or 15 other counties
MEMBERS: 16,000
ASSETS: \$100 million

competition. She welcomes going toe to toe with other banks and even credit unions.

"We're a competitive bank," she says. "Bring it on. The real concern is it's not a level playing field." And today, she points out, the competition is hotter than ever. Now, her rivals aren't just the banks across the street or in town, but throughout the state, nation and world.

As for the credit union pointing out a bank's for-profit versus a credit union's not-for-profit focus, Wilkerson notes that banks provide crucial customer services by investing profits in technology and services. "I've got 17 branches to support," Wilkerson says. "What have they got?"

Terms of service

Literally across the street from Wilkerson, Andrew Beverley, president of Landmark Bank, echoes her remarks that it is about fairness — and those tax dollars. He points out if Landmark did not have to pay federal income taxes, they'd save \$8 million this year, money they'd like to invest in Columbia for economic development.

Max Cook, president of the Missouri Banker Association, takes it one step further. Not paying federal taxes, he says, means credit unions are not contributing to the roads we drive on or even the renovations on the dome in the Capitol in Washington, D.C.

Cohenour counters that in Missouri, state-chartered credit unions, which make up the majority of the state's credit unions, pay a 7 percent tax on net profits, so credit unions do subsidize roads and other state-funded public works.

Although Cohenour acknowledges credit unions do not pay federal income taxes, they do pay state income

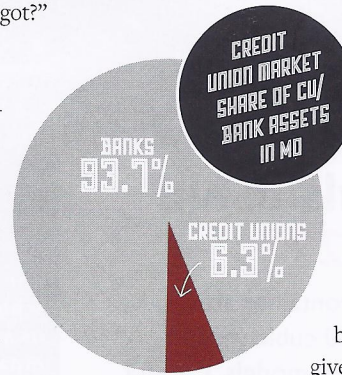
tax, and as cooperatives, members own and manage the credit union. Any profit, he says, goes back to the members or into the business. Credit unions do, however, pay all other applicable taxes, such as employee taxes, social security for employees and so forth.

However, he says the credit union limit on commercial loans is an illusionary and arbitrary limit and one that hampers the economic benefits credit unions could provide. Cohenour says credit unions do make commercial loans, but they're not called commercial loans. He cites the example of providing a loan of less than \$50,000 (the limit for calling a loan commercial), for a pickup truck for hauling trash or for a riding lawn mower for a lawn service company. "In essence, we've been doing business loans," he says. Credit unions, he adds, are regulated by the federal and state governments so the loans can be made safely and securely.

The way he crunches the numbers, giving credit unions the ability to give more commercial loans would create 140,000 new jobs for small businesses nationwide. "That's for people who are unable to get loans now from banks," he says.

Locally, David Hendrey, president of Columbia Credit Union, sums up the fight more succinctly: "Banks keep trying to put us out of business." He says the bankers' complaints are something he's heard throughout his 36 years in the business.

As far as the commercial loan limit, Hal James, president and CEO of Missouri Credit Union, calls their opposition self-serving and adds: "Banks have no business telling us what to do."



SIMILARITIES AND DIFFERENCES

SIMILARITIES

SERVICES: Both banks and credit unions are financial institutions, offering services to consumers and businesses, including checking, savings accounts, ATMs, credit cards, loans and even mobile banking. Through financial networks, accounts at either banks or credit unions may be accessed throughout the world.

INSURANCE: Both banks and credit union deposits are insured by federal agencies in the amount of \$250,000. Credit union deposits are insured by the National Credit Union Share Insurance Fund. Bank deposits are insured by the Federal Deposit Insurance Corp..

REGULATIONS: Both banks and credit unions are regulated and supervised by state and federal agencies. Regulations for both

institutions have increased substantially through the years.

DIFFERENCES

OWNERS: Banks are for-profit corporations, governed by a paid board of directors. As for-profit organizations, banks pay dividends to shareholders. A bank can be sold or merged at the discretion of the board of directors and shareholders. Credit unions are not-for-profit financial cooperatives, owned by members. The credit union is governed by a volunteer board of directors, elected by and from the members. Profits go back to members or into the business, as directed by the members of the cooperative.

TAXES: Banks pay federal income taxes as well as any other applicable taxes. Credit unions

do not pay federal income taxes and pay the same taxes as other organizations, such as payroll taxes, sales taxes, property taxes and state income taxes. Missouri credit unions, however, do pay state income tax.

CUSTOMERS: Banks serve the public. Credit unions can only serve members. Membership eligibility requirements can include residency, employment/workplace, organization affiliation such as a church or social group or family relationship to a member.

ASSETS: Banks may be started through investors or through an investment. Credit unions are formed by a group of people or geographic area and must be started by member deposits. The assets increase in a credit union through the income derived mainly from loans.

Further, he says, credit unions are regulated as much as banks, though by a different federal agency. Then, like a dagger, he says not a single credit union received a government bailout. Credit unions, governed by members, are not involved in investments such as those that stung many of the national banks.

Why the fight?

Choice: Both bankers and credit union officials agree they want to make sure consumers keep on having a choice about where they manage their money. As smaller banks and credit unions fall prey to the rising costs of technology and regulations, both Bill Ratliff, executive vice president of the Missouri Bankers Association, and Cohenour worry about the mom-and-pop financial institutions going out of business. Ratliff points out in 1987, there were 700 bank charters in Missouri, and now there are 346.

For his part, Cohenour says credit unions, even when they expand, maintain the small feel of banks. Hendrey of the Columbia Credit Union says there will never be a “push this” recording at his organization. “I don’t believe in those machines,” he says. Yet, like banks, there are fewer credit unions now than before; they peaked in Missouri at 580 in 1961 and hit 134 in 2011, according to figures provided by CUNA.

Although banks, including local banks, might close, be bought out or merge until they are a worldwide entity, credit unions can only merge if the membership agrees to the change, and no members lose their membership when a credit union merges. For example, Columbia’s largest credit union, Missouri Credit Union, with 31,100 members, grew to this size through the merger of six credit unions.

Choice for consumers was the reason behind the 1934 Federal Credit Union Act that launched credit unions in the United States. These not-for-profit financial institutions were designed to provide financial services to people of modest means.

Yet, there is no getting around history. “It [commercial loans] is not part of their charter,” Ratliff says. And he’s all for choice. Right now, he notes, there are small banks and big banks, places you can

go where people know your name and places that offer every bell and whistle. But like small credit unions, small banks are getting squeezed by costs and regulations. "That bothers me," he says.

Still, the numbers show credit unions are typically smaller than banks. In Missouri, the average size of a credit union is \$69.7 million in assets, compared to the average size of a bank with \$417.4 million in assets, according to CUNA. In Columbia, only two of the four local credit unions that responded to requests for information top the average size of credit unions.

Cohenour dismisses bankers' concerns about credit union size and notes that people in many counties in Missouri currently don't have access to credit membership. Also, credit unions are limited on their ability to expand geographically and financially. First, a credit union can only serve those in contiguous counties, and because credit unions operate democratically, governed by a voluntary, unpaid board, changes in membership requirements are up to the members, so there is no unchecked growth.

Saving money: Like the question of choice, whether credit unions save customers money is up for debate. Credit union officials say the cooperatives save consumers money because typically they charge lower fees, less for loans and credit cards and pay more on deposits. But Cook, of the Missouri Bankers Association, brings that money savings question back to credit unions forgoing the payment of federal taxes, funds that then do not flow into the public coffers.

"They've got the tax benefit," he says.

If they want to keep it, Cook says they should stick to serving whom they were mandated to serve: specific neighborhoods, areas and businesses.

Finally, he says: "This is just round whatever, 40 or 50. They've been pushing hard for years to eliminate the cap."

For now, Cook says, there's no amendment or legislative vehicle that includes what he terms the "business-lending cap for credit unions."

As for the credit unions, they're not waiting for the next round. The Consumer Choice campaign will take the fight to the consumers.

Ding! The fight is on. **CBT**