

A photograph of the Michigan State Capitol building in Lansing, Michigan, featuring a prominent blue dome and classical architectural details. The building is set against a clear blue sky with some light clouds. The foreground shows dark green trees and a glimpse of a road.

# INDUSTRY OVERVIEW & 2019 OUTLOOK

*House Financial Services Committee*  
*February 2019*

# MCUL EXECUTIVE & GOVERNMENT AFFAIRS STAFF

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## **MCUL Executive Team**

Dave Adams, President & CEO

Patty Corkery, EVP/COO and General Counsel

## **Government Affairs**

Kieran Marion, SVP of Advocacy

Jordan Kingdon, Senior Director of State Legislative Affairs

Haleigh Krombeen, Manager of State Legislative Affairs

Kevin Gawronski, Political Affairs Coordinator

Todd Jorns, Director of Federal Legislative Affairs

## **Legislative and Regulatory Affairs**

Sarah Stevenson, Senior Director of Regulatory Affairs

Melissa Osborn, Regulatory and Legislative Affairs Specialist

# CUNA/LEAGUE SYSTEM

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Affiliation in MI

**MCUL: 100%**

**CUNA: 96%**



A *National Journal* survey of policymakers found the CUNA/League system ranked first among all financial service trade associations studied in terms of advocacy effectiveness.

- #1 national trade association fighting for 116.7 million members
- 38 leagues representing all 50 states
- 300,000 credit union professionals
- 5,900 credit unions
- 6,000 credit union service providers
- 70,000 board members



## WHAT IS A CREDIT UNION?

### MCL 490.102(p)

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“Domestic credit union” means a cooperative, nonprofit entity organized under this act for the purposes of encouraging thrift among its members, providing a variety of financial services to its members, and providing an opportunity for its members to use and control their own money on a democratic basis in order to improve their economic and social condition.

# **NOT FOR PROFIT NOT FOR CHARITY BUT FOR SERVICE**

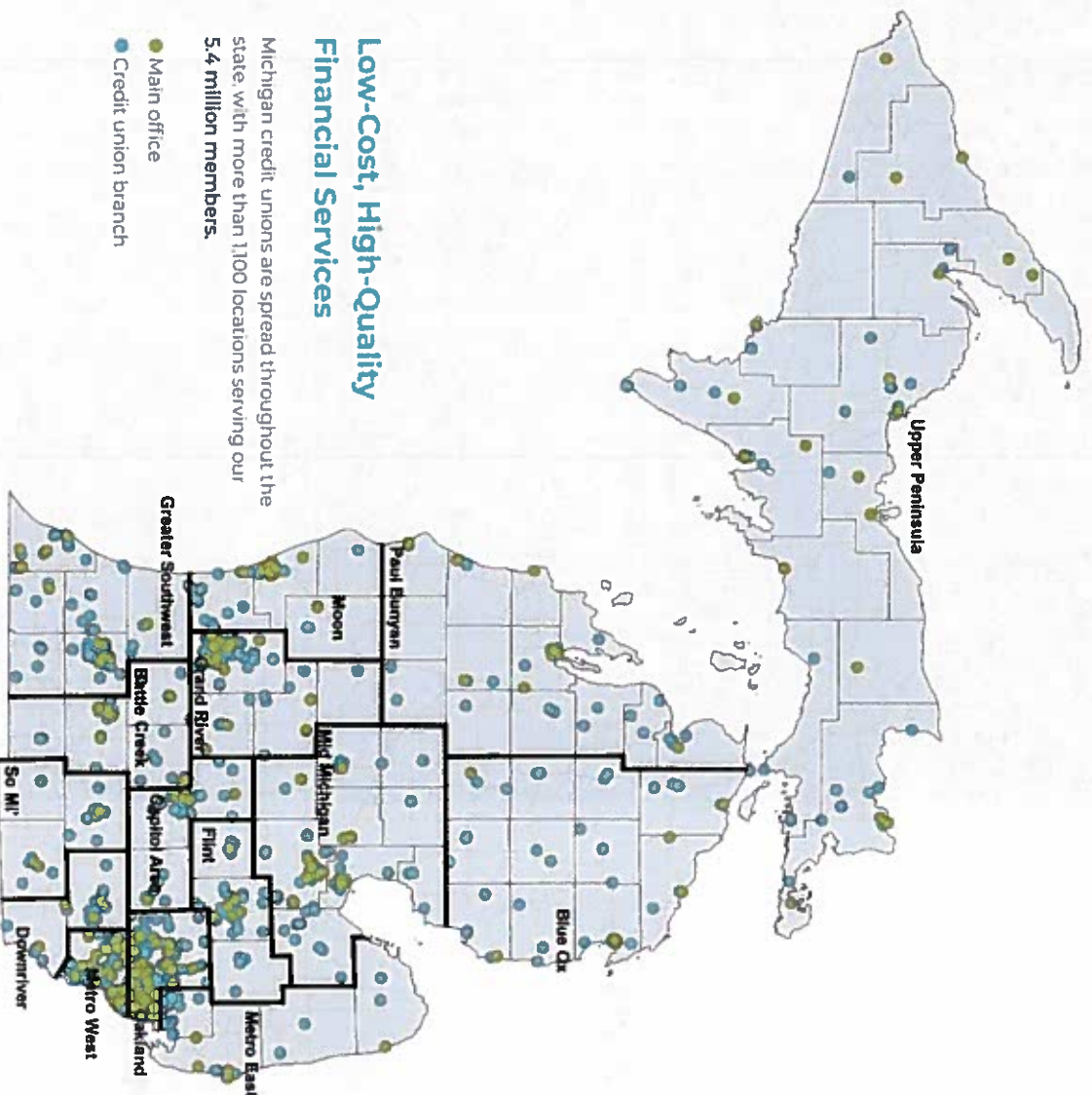
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- Credit unions are not-for-profit financial cooperatives that exist to serve our members. We focus on communities and people, not corporate profit.
- We accept deposits, make loans and provide a wide array of financial services. However, as member-owned institutions, credit unions focus on providing lower rates, fewer fees and high levels of member service.



- **\$397 Million** in Direct Benefits Provided to Members
- Michigan credit unions' **15,088** employees, **\$1b** in salary and benefits, and **\$3b** in revenue generate a combined **\$5.5 billion** in economic activity and **35,086** jobs.
- In addition, Michigan's **5,246,214** credit union members' save **\$398m** in direct financial benefits through lower interest rates, higher deposit rates, and lower fees compared with banks, contributing an additional **3,215** jobs to Michigan's economy and **\$454m** in economic activity.
- Myth: Credit Unions do not pay taxes. While exempt from federal income taxes, credit unions pay payroll taxes, real estate taxes, property taxes and state-chartered pay sales tax.
- Michigan's credit unions and their employees generate an estimated **\$431.7m** in federal taxes, including **\$202.2m** federal taxes directly paid by Michigan's credit unions and their employees.
- Michigan's credit unions generate an additional **\$262.3m** in state and local taxes, including **\$108.5m** directly paid by Michigan credit unions and their employees. These taxes include social insurance taxes, sales taxes, property taxes, motor vehicle taxes, and other taxes.

## CREDIT UNION ECONOMIC ACTIVITY



## Low-Cost, High-Quality Financial Services

Michigan credit unions are spread throughout the state, with more than 1,100 locations serving our 5.4 million members.

- Main office
- Credit union branch

## CREDIT UNIONS PROVIDE LOW-COST, HIGH-QUALITY FINANCIAL SERVICES

### MICHIGAN CU DATA

- 224 Credit Unions
- 5.4 Million Members
- 53.8% of Michigan citizens are credit union members
- \$62,693,000,000 Total Assets
- 1,105 Branches
- 900+ ATMs (32,000 nationwide fee free ATMs in Co-Op Network)

Just like our purpose, our reach extends across the state. With more than 1,000 branches in small towns and large cities, we're always there when our members need us.

# CREDIT UNIONS

YOUR FINANCIAL PARTNER  
FOR LIFE

From buying a car to saving for college, to getting married or buying a home, Michigan residents trust that credit unions will offer high-quality services at lower costs than competitors.

## LOANS (Avg Rates)

			
Credit Unions	3.32%	9.94%	0.14%
Banks	4.33%	13.17%	0.12%

## FEES (Avg Rates)

		
Credit Unions	\$1,151	\$24.56
Banks	\$1,361	\$34.18

Source:

CUNA National Membership Benefits Report—Michigan Specific, Third Quarter 2018



# Promoting the CU Difference Investing in Our Communities

Michigan Credit Union Foundation



  
MICHIGAN CREDIT UNION FOUNDATION



## FINANCIAL REALITY FAIRS

**51**  
Financial Reality Fairs

**OVER 4,600**  
Students Educated About Income, Budgeting and Credit.

## TRAINING

**98**  
New Financial Counselors

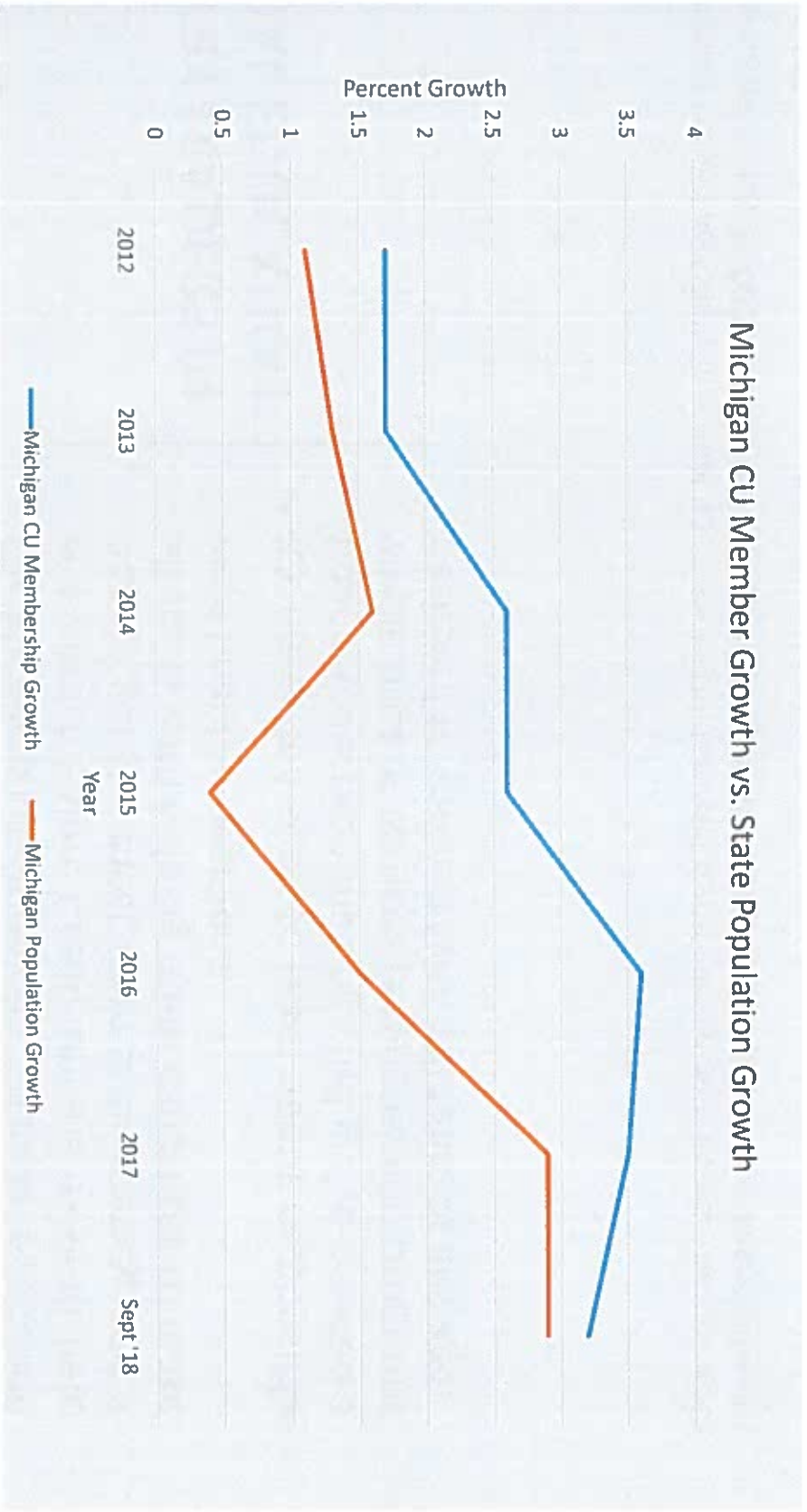
**9,000**  
Financial Counseling Support for Over Youth and Teens

## INDUSTRY LEADERS IN FINANCIAL EDUCATION

- For Michigan credit unions, financial education is a core mission. Credit unions exist to help people get the most from their money, and it all starts with helping them learn how to make wise financial decisions.
- It's never too soon to learn about responsible financial decision making, and we've created a whole host of turnkey resources and programs designed to connect with students of any age.

Michigan was ranked second nationally in school outreach by the National Youth Involvement Board. Through **3,006** presentations, we gave nearly **74,000** students the skills, knowledge and experience to foster future financial health.

# MEMBERSHIP GROWTH



Michigan credit union membership continues to **outpace** Michigan population growth.  
Now nearly **5.4 million** Michigan CU members.

Source:  
Michigan Credit Union Profile 2018 Third Quarter Data,  
<http://worldpopulationreview.com/states/michigan-population/>









# CREDIT UNION PERFORMANCE

## Michigan growth rates:

- New auto 19.7%
- Used auto 10.8%
- First mortgage 12.7%
- Credit cards 7.6%
- Commercial loans 23.1%
- Unsecured loans 5%

## National growth rates

- New auto 12.5%
- Used auto 9.8%
- First mortgage 9.8%
- Credit cards 8.4%
- Commercial loans 10.9%
- Unsecured loans 6%

	 New Auto	 Used Auto	 First Mortgage	 Credit Cards	 Commercial Loans	 Unsecured Loans
Michigan	19.7%	10.8%	12.7%	7.6%	23.1%	5%
National	12.5%	9.8%	9.8%	8.4%	10.9%	6%

*\*Based on Michigan Credit Union Profile 2018 Third Quarter Data*

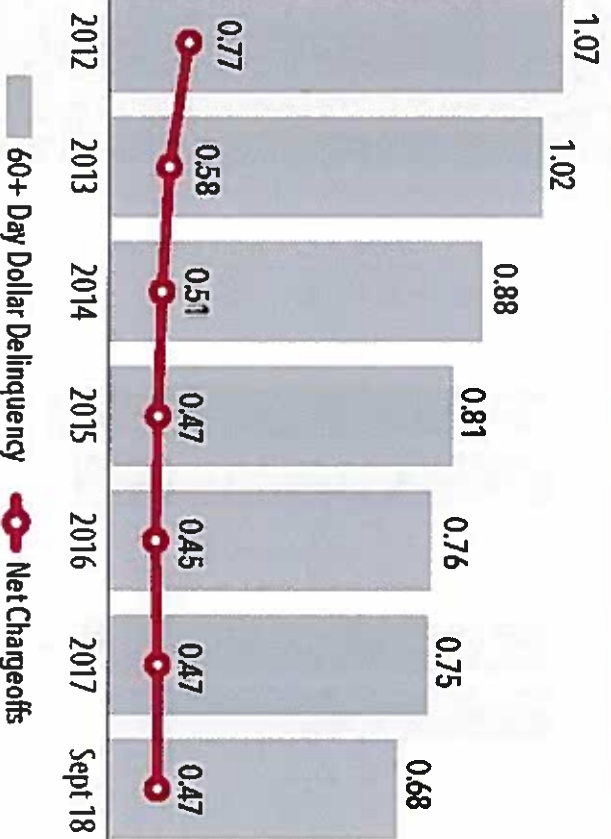
# CU MEMBER BUSINESS LENDING

Serving the Financial Needs of  
Small Business Members

- Even though credit unions have an arbitrary cap (federal) on the amount of member business loans they can provide, they continue to create jobs by providing capital to local businesses and communities.
- Michigan credit union business loans **grew by 23.1%** for the year ending Sep 18.
- This is consistent with Michigan's unemployment rate of 3.9%.



## MI CU ASSET QUALITY (%)



## CURRENT NET WORTH & ASSET QUALITY

- Net Worth Ratio: 11.21
- Growth rates
  - Loans: 12.3%
  - Savings: 5.8%
- Asset Quality: 0.7



# INDUSTRY CONSOLIDATION

- 236 (Jan '18) to 224 (Jan 19') = 5.1% rate of consolidation (as of Q1 2019)

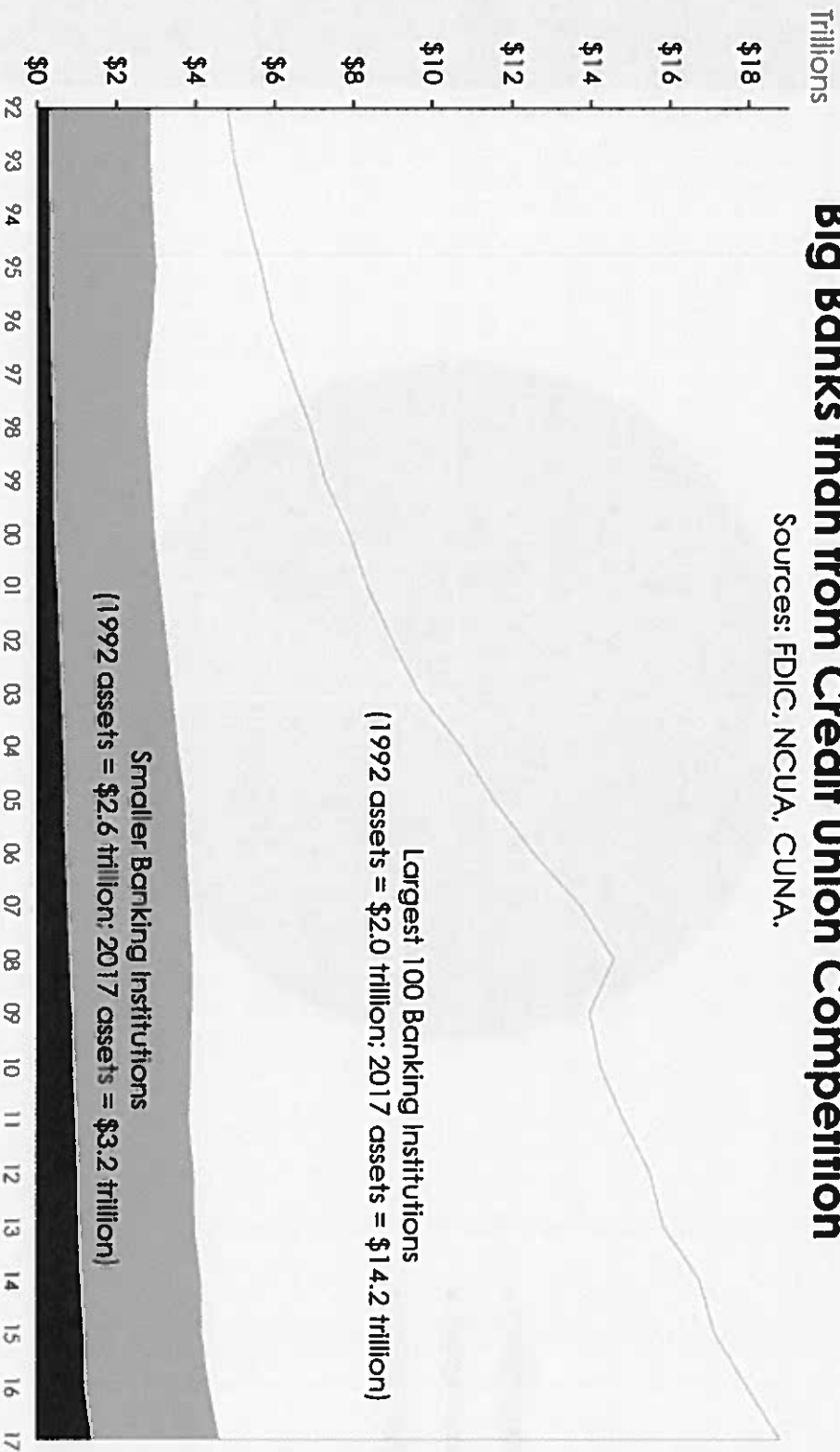


Jan Dec % of Change



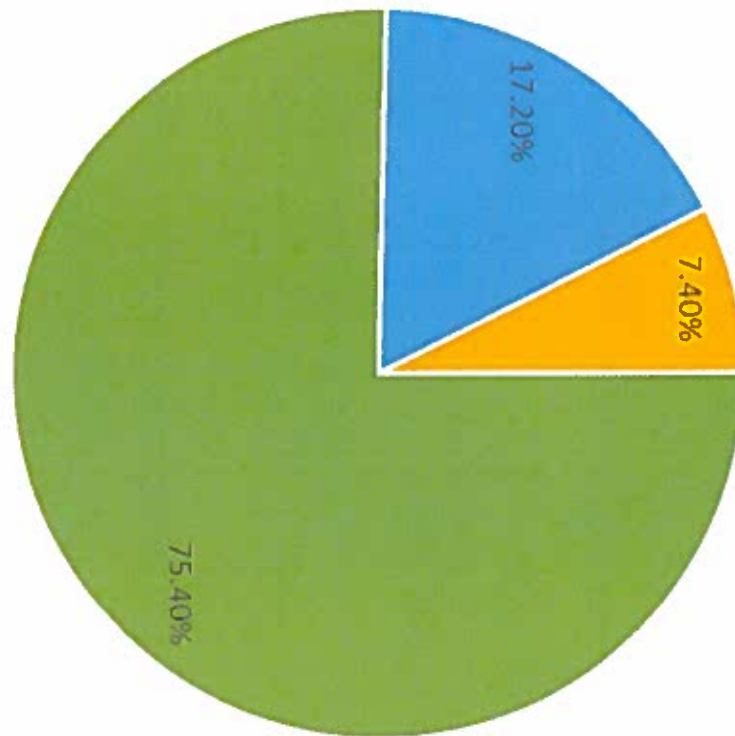
# Small Banks Have More to Fear From Fast-Growing Big Banks than from Credit Union Competition

Sources: FDIC, NCUA, CUNA.



# MARKET SHARE OF TOTAL ASSETS

Sources: FDIC, NCUA, CUNA



- Largest 100 US Banks
- Smaller Banks
- Credit Unions

# QUESTIONS?



