Measuring the Difference: Performance and Impact of Community Development Credit Unions

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Laura and Meg...
CDFI Impact

1. CDFI Relevance
2. Financial Impact
3. Economic Impact
4. Service Impact
5. Impact of Taxation
6. Impact of Regulations
Consumers Voting with their Feet!

12-Month Growth in CU Memberships (%)
(Source: NCUA and CUNA)
Obvious, Meaningful Interactions!

12-Month Growth in CU Loans (%)
(Source: NCUA and CUNA)

<table>
<thead>
<tr>
<th>Year</th>
<th>All US CUs</th>
<th>CDFI CUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4.8</td>
<td>5.0</td>
</tr>
<tr>
<td>2013</td>
<td>7.3</td>
<td>8.7</td>
</tr>
<tr>
<td>2014</td>
<td>10.4</td>
<td>11.7</td>
</tr>
<tr>
<td>2015</td>
<td>10.5</td>
<td>11.0</td>
</tr>
<tr>
<td>2016</td>
<td>10.6</td>
<td>12.3</td>
</tr>
<tr>
<td>2017</td>
<td>10.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Jun 18</td>
<td>9.6</td>
<td>11.7</td>
</tr>
</tbody>
</table>
A Massive Financial Impact!
CDFI CU Direct Financial Benefits
Source: CUNA Policy Analysis

$863 Million!
~$250 per member household!

$611.1

$158.5
Higher Savings Yields

$93.3
Fewer & Lower Fees

Lower Interest Rates on Loans
CDFI Credit Unions

• 295 credit unions (5% of all CUs)

• $104 billion in assets (7% of total CU assets)

• Diverse - ranging in size from ~$150,000 to ~$10 billion.

• 9.9 million memberships (9% of CU memberships)

• Operating ratios nearly identical to movement-wide norms
Economic Impact (IMPLAN)
Economic Impact: Components

- Jobs, Earnings, Operating Expenses
- Purchase of Intermediate Goods & Services
- Household Spending

Total Impact
Economic Impact: Jobs

26,658 jobs

24,397 jobs

31,336 jobs

82,391 jobs
Economic Impact: Output

$8.81bil + $4.21bil + $5.1bil = $18.1bil
CDFI Credit Union Service Impact

Based on mid-year 2018 data – CDFI CUs are on track to originate:

• 2.9 million loans overall
• 54,000 first mortgages
• 42,000 second mortgages/HELs
• 8,000 small business loans...that most others won’t originate
• 18,000 payday alternative loans with an average loan size of $625
HMDA Median Applicant Income

Bank Median 24% Higher than CDFI median...

HMDA Median Mortgage Loan Amount

Bank Median 36% Higher than CDFI median...

Based on “Active Mortgage Lenders” with at least 25 originations.
**HMDA Median** Low/Mod Originations as a % of Total Originations

- **CDFI CUs**: 26.4%
- **Non-CDFI CUs**: 23.7%
- **All Banks**: 22.9%

**HMDA Group Average** Low/Mod Originations as a % of Total Originations

- **CDFI CUs**: 29.6%
- **Non-CDFI CUs**: 22.5%
- **All Banks**: 21.7%

Based on “Active Mortgage Lenders” with at least 25 originations.
Impact of CDFI CU Taxation
U.S. Credit Unions & Their Members Make Substantial Contributions to Tax Revenues

U.S. Credit Union Contributions in Federal Tax Revenue - Most Recent Tax Year. Source: IMPLAN.

- **$380 Million**
  Direct taxes paid by credit unions and their employees (e.g. FICA taxes, personal income taxes, excise taxes, etc.)

- **$309 Million**
  Indirect taxes generated by credit unions through purchases of 3rd party contracting goods and services (e.g. office supplies, IT supplies, etc.)

- **$329 Million**
  Taxes generated by credit union employees spending in the local economy.

= $1.0 Billion

U.S. Credit Union Contributions in State & Local Tax Revenue - Most Recent Tax Year. Source: IMPLAN.

- **$238 Million**
  Direct taxes paid by credit unions and their employees (e.g. sales taxes, property taxes, license fees, severance taxes, personal income taxes, etc.)

- **$131 Million**
  Indirect taxes generated by credit unions through purchases of 3rd party contracting goods and services (e.g. office supplies, IT supplies, etc.)

- **$258 Million**
  Taxes generated by credit union employees spending in the local economy.

= $627 Million

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Impact of CDFI CU Taxation

• Any new tax on CDFI credit unions is a direct tax on their 10 million consumer-owners who already bear a substantial tax burden.

• CDFI credit union members paid $144 billion in state and federal income taxes in the most recent tax year.
Impact of CDFI CU Taxation

• CDFIs paid ~$1.63 Billion in 2017 alone!

• Every $ is a $ out of members pockets!

• Members pay too!

• Wouldn’t help the government solve its budget problems
  • Would raise ~$207 million
  • Running the U.S. government for approximately 26 minutes
Impact of Regulatory Burden on CDFI CUs
1 in every 5 employees' time is spent on regulatory compliance.

- $6.1 billion regulatory costs
- $46 million in assets
- 15% of operating expenses

$800 million two-year increase
Small Credit Unions Bear the Brunt of Regulatory Burden

.69%

SMALL CREDIT UNIONS
Under $115 Million in Assets

.43%

LARGE CREDIT UNIONS
Over $1 Billion in Assets

Compares regulatory costs relative to assets
Impact of Regulatory Burden on CDFI CUs

• ~$500 MILLION impact in 2017 alone!

• Every $ is a $ out of members pockets!

• Do we really believe CU members need protection…?

• Operational Impact!!
CUSTAT@CUNA.COM

• New faces!
• Jordan van Rijn
• Samira Salem
• Getting after some big questions:
  • FOM
  • CU/Bank exec compensation
  • Diversity, inclusion, service
  • CRA/HMDA
• cuna.org/economics