

## IDAHO CREDIT UNIONS

# THE CREDIT UNION DIFFERENCE



Idaho credit unions proudly serve 1.3 million members. Credit unions are not-for-profit cooperatives, organized to meet the needs of their members. Over 66% of Idahoans are member-owners of their credit unions, and you will see them in all walks of life — in communities large and small, rural, and metropolitan. Idaho credit unions strive to preserve a legislative climate that recognizes their unique structure and mission.

## Credit Unions' Structure, Value, and Impact Set Them Apart

### STRUCTURE

#### Cooperative

Owned by the members using their services.

#### Not-for-Profit

Credit unions' not-for-profit, cooperative structure inherently holds them accountable to the member-owners they serve.

Members serve on credit union boards and help determine the products and services to be offered.

### VALUE

#### Benefits of Membership

Credit union earnings are reinvested into member benefits. That reinvestment in members means credit unions are often able to offer more competitive interest rates and fees. When those benefits are spent in the economy, everyone benefits.

Services to improve members' financial well-being, including financial education, credit building, and financial services to under-served communities.

### IMPACT

#### Essential to the Economy

\$1.7 Billion impact to Idaho economy.\*

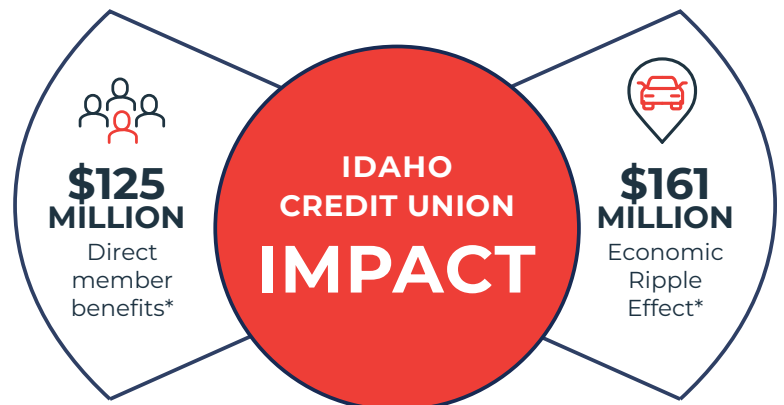
Credit unions directly employ 3,700 people in Idaho, making them a larger employer than Chobani. More than 9,200 jobs statewide are supported by credit union operations.

There are 235 credit union branch locations across the state. This, along with convenient technology, means members can access financial services anytime, from anywhere.

## Credit Unions' Tax Structure is Beneficial to the Economy



Idaho credit union members paid an estimated total of \$14 billion in state and federal income taxes during the most recent federal tax year.\*\* It is the structure and mission of credit unions that is the bedrock upon which their tax structure is based. It has nothing to do with membership size, financial assets, or products provided. Just like all types of not-for-profit cooperatives, credit unions reinvest in their members. For credit unions, this is through benefits such as dividends, fewer fees, lower interest rates on loans, or higher returns on savings. When those benefits ripple out into the economy, everyone benefits.





## Credit Unions are Different From Other Financial Institutions

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**Capital Structure.** Banks can build capital in a variety of ways not available to credit unions, including issuance of stock and subordinated debt. Credit unions can generally only build capital in one way: through retained earnings. Although credit unions qualifying for a low-income designation can issue secondary capital accounts, there are substantial restrictions on the terms and structure of those accounts. This capital structure serves as an inhibitor to growth. If a credit union does not generate enough earnings to ensure that capital grows at the same pace as assets, its capital ratio shrinks. By contrast, a bank can prepare for (or retroactively address) a period of rapid asset growth by raising more capital.

**Capital Requirements.** Banks and credit unions are both subject to minimum capital requirements designed to cushion against financial setbacks. These requirements are far more flexible for banks than for credit unions. Credit unions must maintain a minimum 7% net worth ratio in order to be considered well-capitalized for regulatory purposes. A credit union's allowance for loan losses is not counted as capital for purposes of that ratio. Banks must maintain a 4% core capital ratio (traditional equity), and an 8% Tier 2 capital ratio which, among other things, counts subordinated debt and allowance for loan losses as equity.

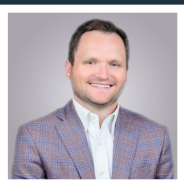
**Business Loan Limitation.** Credit unions are subject to artificial statutory limits on the amount of business loans they can make and hold.

**Mergers Uninhibited.** Banks may freely merge with, or purchase, other banks. In order for two credit unions to merge, field of membership issues must be considered. In some cases, the continuing credit union must give up a portion of the field of membership of one of the credit unions in order to complete the merger. (This can occur when two fields of membership are not the same, especially when a federal credit union is involved.)

**Interstate Branching.** Since the advent of the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994, state-chartered banks have enjoyed substantial freedom to establish branches and conduct operations across state lines. There is no parallel legislation for credit unions. Therefore, the ability to branch and operate across state lines is subject to a patchwork of inconsistent (and sometimes non-existent) state laws and arrangements between state credit union regulators in various states.

**Federal Credit Union Loan Limitations.** Federal credit unions are subject to a 15-year loan maturity limit, with narrow exceptions for certain mortgage loans. This can place federal credit unions at a competitive disadvantage in the market for some business loans and loans for vacation homes and rental properties.

**Compensation.** Because credit unions have no stock, they cannot provide stock or stock options in connection with retirement plans or executive compensation arrangements.



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