COLORADO CREDIT UNIONS

THE CREDIT UNION DIFFERENCE

Colorado credit unions proudly serve 2.5 million state residents who choose not-for-profit financial cooperatives that exist to meet their needs as member-owners. As we navigate the most significant evolution of financial services and consumer expectations in a generation, it's as important as ever that Colorado credit unions have the tools they need to provide the services their members need, expect, and deserve

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.

Credit unions are democratically controlled by their members. They also determine, and can serve on, their boards that help determine the products and services to be offered.

VALUE

Benefits of Membership
Credit unions provide financial tools –accounts, loans, payment services –and support – financial education, skip payments, credit repair programs, etc. - that puts the needs of their members and communities first.

Earnings are reinvested in the members, not paid out to Wall Street stockholders.

IMPACT

Essential to the Economy
$4.1 Billion impact to Colorado's economy.*

Credit Unions headquartered in the state have created nearly 6,300 jobs for Coloradoans, making them a larger employer than the University of Colorado Anschutz Medical campus. More than 19,500 jobs statewide are supported by credit union operations.

In 2021 alone, 19,441 youth and 27,190 adults received financial education from a Colorado credit union.

*ECONorthwest 2022 GoWest Credit Union Association Survey & Analysis. Credit union data for 2021 from NCUA and Credit Union National Association (CUNA) were also used as inputs. The economic contributions of credit unions through employment and purchases of goods and services are considered through three channels: direct impact, indirect impact, and induced impacts.

Serving the Underserved

A vital part of the credit union difference is a commitment to serving the underserved. At the heart of the credit union mission is the cooperative principle of concern for community.

In Colorado, two-thirds of the state's credit unions are designated as Low-Income Credit Unions by the National Credit Union Administration (NCUA). A credit union qualifies for low-income designation if a majority of its members are "low income," earning less than 80 percent of the average median household income established by the Bureau of Labor Statistics.

Additionally, the U.S. Department of the Treasury' s Community Development Financial Institution (CDFI) Certification is an application-based designation to specialized organizations that provide financial services in low-income communities and to people who lack access to financing.

Inclusiv, an association of credit unions that serve economically disenfranchised communities, offers a further designation. Juntos Avanzamos ("Together We Advance") is an application-based designation for credit unions committed to serving and empowering Hispanic and immigrant consumers.

Two-thirds of Colorado credit unions are designated as Low-Income Credit Unions

3 Colorado Credit Unions have received the Juntos Avanzamos designation

There are 4 CDFI designated credit unions in Colorado

Credit Unions are Different From Other Financial Institutions

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.

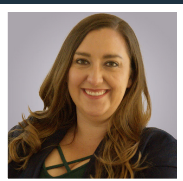
Business Loan Limitation. Credit unions are subject to artificial statutory limits on the amount of business loans they can make and hold.

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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