The Wisconsin Credit Union League
One League, One Focus - Your Success!

FOR THE RECORD

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N25 W23131 Paul Road Pewaukee, Wisconsin 53072-5779
Phone: (262) 549-0200 (800) 242-0833 Fax: (262) 549-7722 www.theleague.coop

Popular banker myths – debunked

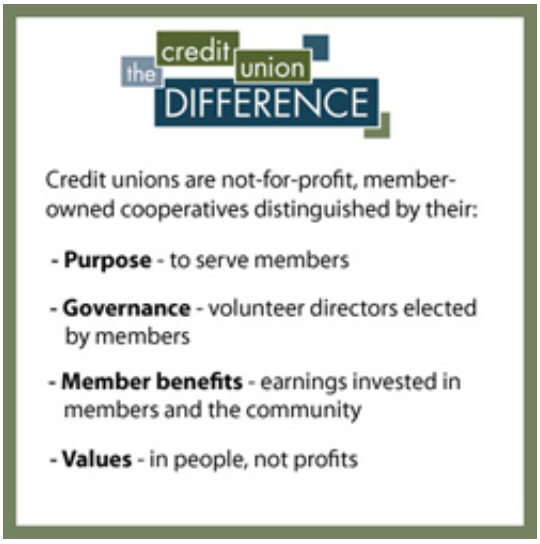
The Wisconsin Bankers Association has been trying for years on behalf of their member banks to tax, regulate or convert credit unions out of business. Here are two statements WBA likes to make about credit unions in support of that agenda that couldn't be further from the truth:

■Credit unions, especially the largest ones, are "just like banks."

Practically and legally, credit unions and banks are completely different entities. Banks are for-profit, so the decisions made by their hand-picked, well-paid boards of directors seek to maximize profits for the few persons who own them. All credit unions, regardless of their asset size, are not-for-profit cooperatives owned by the working people who are their members. And because of that ownership, they return to members any earnings beyond required reserves in the form of lower rates on loans, higher rates on savings, and lower and fewer fees. Last year, Wisconsin credit unions – including the largest ones – returned $176 million to members! Banks, on the other hand, raked in $1.3 billion in profits – but that only benefited shareholders.

■Because credit unions have a "competitive advantage," banks find it "hard to compete" in the marketplace and need a more "level playing field."

Again, despite banks' claims of a credit union "advantage," they raked in $1.3 billion in profits in 2007. That's in part because banks, not credit unions, enjoy unlimited access to capital markets, lower capital requirements, no membership restrictions, and wide authority to make business loans. In fact, banks dominate the financial marketplace with a 90 percent market share for financial services in Wisconsin. In fact, M&I ($53.7 billion in assets) and Associated Bank ($21.3 billion in assets) *individually* hold more in assets than all of Wisconsin's 262 credit unions combined ($17.1 billion in assets). Banks' own competitiveness survey shows that small banks rank each other and big banks as their chief competitors for deposits and business loans; credit unions barely register as a concern. What's more, Wisconsin banks' success is mirrored by the industry's overall performance; in much of this decade U.S. banks out-earned at least five of the most profitable industries in America, including oil and drug companies. So it's no wonder that no bank has ever converted to a credit union charter, despite bankers' claims of a credit union "advantage."



For additional information, please contact:
Tom Liebe, Vice President of Government Affairs • The Wisconsin Credit Union League
(800) 242-0833, Ext. 3150 • tliebe@theleague.coop