

NASCUS

HIGHLIGHTS AND FAQ NASCUS SURVEY OF THE STATE CREDIT UNION SYSTEM

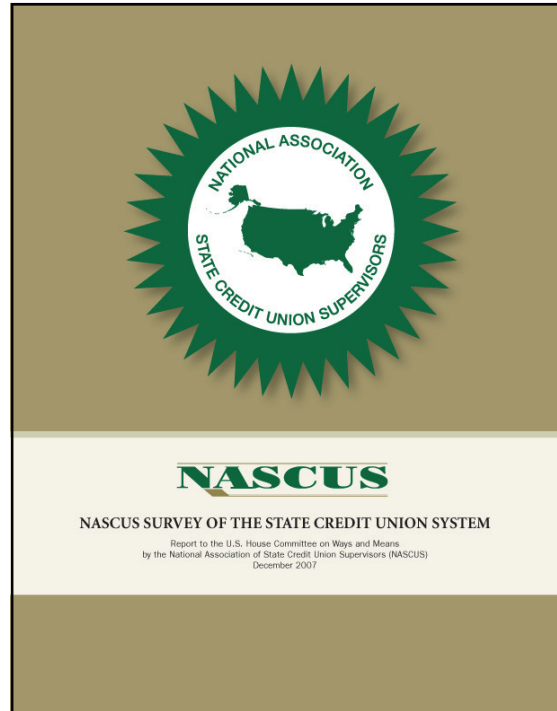
NASCUS was asked by former Representative Bill Thomas (R, Calif.), past chairman of the U.S. House of Representatives Committee on Ways and Means, to provide information on how state-chartered credit unions use their tax-exempt status to serve members. The results are presented in a December 2007 NASCUS report: *NASCUS Survey of the State Credit Union System*.

CONCLUSIONS

(1) More than 38 million members of state-chartered credit unions receive low-cost financial services from these member-owned, democratically controlled institutions.

(2) State-chartered credit unions are formed to serve specific fields of membership, generally based on employment, association or standards of community defined by state law.

(3) Although no state statute, law or regulation specifies that credit unions shall serve individuals of low and modest means, the NASCUS Survey data demonstrates that the members of credit unions, measured by income, track that of the U.S. population. Further, the data in the Survey indicates that state-chartered credit unions provide low-cost services to their members and make significant outreach efforts into the communities served, regardless of their charter type.



SURVEY FACTS

- The report focuses on the Committee's four areas of inquiry: membership; executive compensation; Unrelated Business Income Tax (UBIT); and Credit Union Service Organizations (CUSOs).
- 502 state-chartered credit unions were selected for the NASCUS Survey representing different fields of membership, geographic locations, assets sizes and communities to create a representative sample of the nation's state-chartered credit unions. Of the 502 entities included in the representative sample of state-chartered credit unions, 469 completed the Survey.
- The sample represents approximately 14 percent of state-chartered credit unions and about 34 percent of state-chartered credit union members.
- NASCUS analyzed more than 28 million account records for this report. These records represented accounts held by more than 14 million members of state-chartered credit unions.

Membership and Services

In the average state-chartered credit union, 47 percent of the members earn less than the median family income (MFI) and 53 percent earn more than the MFI.

Approximately six percent of both state-chartered credit union members and the U.S. population earn \$30,000 to \$35,000 annually.

The *NASCUS Survey* showed that 85 percent of members in the representative sample earn less than \$100,000 annually, which is the same as that of the United States population. Most state-chartered credit union members (approximately 67 percent) earn between \$30,000 and \$100,000 annually.

Nearly 89 percent of state-chartered credit unions allow members low-cost access to share draft accounts by offering free checking and debit card access. Sixty-six percent of state-chartered credit unions have no minimum balance requirement for share draft accounts.

Share Account Distribution as a Percentage of Median Family Income (MFI) in the Member's MSA		
Percentage of MSA MFI	Distribution Percentage	Cumulative Distribution Percentage
0 – 10%	0.00%	0.00%
10 – 20%	0.05%	0.05%
20 – 30%	0.19%	0.24%
30 – 40%	0.56%	0.80%
40 – 50%	1.74%	2.54%
50 – 60%	3.05%	5.59%
60 – 70%	5.31%	10.90%
70 – 80%	8.39%	19.29%
80 – 90%	12.42%	31.71%
90 – 100%	14.95%	46.66%
100 – 110%	14.29%	60.95%
110 – 120%	12.28%	73.23%
120 – 130%	8.77%	82.00%
130 – 140%	5.36%	87.36%
140 – 150%	3.91%	91.27%
150 – 160%	2.81%	94.08%
160 – 170%	1.99%	96.06%
170 – 180%	1.13%	97.19%
180 – 190%	0.97%	98.16%
190 – 200%	0.55%	98.71%
> 200%	1.29%	100.00%

Membership Income Distribution (Cumulative Percentage)

Median Family Income < \$60,000	55.99%
Median Family Income < \$75,000	70.72%
Median Family Income < \$100,000	84.56%

Executive Compensation

The House Ways and Means Committee requested that NASCUS report on executive compensation in the states where the credit union regulatory agency files a group Form 990 with the Internal Revenue Service (IRS) on behalf of credit unions chartered in that State. In all, 296 state-chartered credit unions participated in this portion of the *NASCUS Survey* representing 63 percent of the sample. The report also includes information on chief executive officer (CEO), chief financial officer (CFO) and chief operating officer (COO) salaries.

Analysis of Checking Types	
Type of Account	Percentage of Credit Unions
Free Checking	88.72%
No Minimum Balance	66.30%
Access to Debit Cards	88.49%

As expected, larger state-chartered credit unions tend to pay their executives more than smaller credit unions. Average CEO salaries in state-chartered credit unions with less than \$10 million in assets were under \$49,000; the average salary was approximately \$197,600 in credit unions with more than \$500 million in assets.

2005 CEO Compensation				
Asset Size (in millions)	Mean (Average) Compensation	Median Compensation Range	# Which Filed an IRS Group 990	# Reporting CEO Compensation
\$0 - 10	\$ 48,855.94	\$25,000 - 50,000	90	90
\$10 - 50	\$ 93,335.95	\$50,000 - 100,000	88	88
\$50 - 100	\$ 135,281.01	\$100,000 - 150,000	35	35
\$100 - 500	\$ 173,213.80	\$150,000 - 200,000	52	52
> \$500	\$ 197,621.09	Over \$200,000	31	31
Overall	\$ 92,072.99	\$50,000 - 100,000	296	296

Unrelated Business Income Tax

The incidence of unrelated business income tax (UBIT) on state-chartered credit unions could not be readily monitored, as requested, because the tax guidance from the IRS necessary to conduct this inquiry has only recently been released. The survey results did not provide sufficient information to draw statistically valid conclusions about UBIT. The questionnaires were sent to the credit unions selected in the Survey well before the tax guidance was issued.

Credit Union Service Organizations

Credit Union Service Organizations (CUSOs) appear to be formed to provide operational services to state-chartered credit unions. Many are owned by more than one credit union. However, regardless of asset size of state-chartered credit unions, their use of CUSOs does not appear to generate significant income as a percentage of total income, measured in actual dollars or as a percentage of income. CUSO use by non-members does not serve as a significant source of income for state-chartered credit unions.

Asset Size (in millions)	Annual Income From CUSOs and as a Percentage of Total Credit Union Income in the Last Five Years					
	Annual Income Ranges					
	< \$0	\$0 - 1,000	\$1,000 - 2,000	\$2,000 - 5,000	\$5,000 - 10,000	Over \$10,000
\$0 - \$10	1.03%	3.32%	0.00%	0.00%	0.00%	0.31%
\$10 - \$50	1.77%	13.86%	0.05%	1.71%	0.51%	2.94%
\$50 - \$100	9.02%	23.46%	1.83%	1.34%	5.91%	3.41%
\$100 - \$ 500	3.85%	27.15%	2.46%	8.18%	1.74%	24.98%
> \$ 500	11.30%	22.87%	3.74%	0.54%	2.56%	38.91%

State law or interpretation by a state credit union regulator determines the type of CUSO investments permissible by state-chartered credit unions. The Survey also shows that state-chartered credit unions form CUSOs to provide essential services to facilitate the daily operations of the credit unions and reduce the cost of direct services to members. For example, approximately 67 percent of smaller credit unions (those with less than \$100 million in assets) use their CUSO investments to provide back office services.

Even among large state-chartered credit unions (those above \$500 million in assets) a substantial number, nearly 54 percent, reported using CUSOs to provide back-office services.

CUSO CONCLUSIONS

Among state-chartered credit unions with less than \$50 million in assets, only 3.25 percent of those reporting CUSO investments received more than \$10,000 in annual net income.

Approximately 39 percent of large state-chartered credit unions with CUSO investments (those with more than \$500 million in assets) reported earning more than \$10,000 annually in net income from a CUSO. By context, approximately 34 percent, of these large institutions indicated that net income in a CUSO accounted for less than \$1,000 of their income.

Approximately 68 percent of the state-chartered credit unions with less than \$100 million in assets reported CUSO investment income during the past five years of less than 10 percent of total income.

The data indicates that approximately 76 percent of the participating state-chartered credit unions with more than \$500 million in assets derive less than 10 percent of their annual income from CUSOs.

Frequently Asked Questions

How were the credit unions chosen for the representative sample?

NASCUS worked with an expert statistician to create a representative sample of the state-chartered credit union system. Each state regulatory agency provided state-chartered credit union information for their state including charter type, asset size and field of membership to the statistician. Using accepted statistical methods and by applying different weights to unique credit union attributes, a representative sample was formed of 502 state-chartered credit unions. The sample represented 14.6 percent of state credit unions and 34 percent of state credit union members.

When a credit union was selected for the Survey, what was the data collection process?

State regulators administered the data collection process which consisted of two parts: 1) The credit union completed a questionnaire created by state credit union regulators that addressed questions posed by the Committee in four areas: membership, executive compensation, Unrelated Business Income Tax (UBIT) and Credit Union Service Organizations (CUSOs). 2) The credit union provided an AIREs share/loan download for analysis of member income compared to Census 2000 tract data using geocoding software.

Can I access the data that was collected?

Due to confidentiality agreements, the data cannot be made public and therefore cannot be obtained through a Freedom of Information Act (FOIA) request.

How much did the report cost?

It is difficult to estimate the actual cost of the NASCUS Survey. The state credit union system dedicated many resources to the development of this report. State regulatory agencies purchased software at their own expense and allocated staff time to complete the data collection. Staff time and resources to respond to the NASCUS Survey were also required by the credit unions selected in the representative sample. Further, NASCUS committed staff resources and absorbed expenses for the development of this project.

Does the NASCUS Survey compare with federal credit union data?

The state and federal credit union systems are unique. State credit unions are chartered under 47 distinct state laws. The NASCUS Survey did not compare credit unions from state to state nor with federal credit union data. The objective of the NASCUS response was to analyze and respond to questions from former Representative Thomas and to provide accurate and objective information about the state credit union system.