



2009 Annual Report for Wisconsin Credit Unions

*A snapshot of how Wisconsin
credit unions delivered
value to their communities
and 2.2 million members*



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A message from The League President & CEO Brett A. Thompson

It was a challenging year, but 2009 again proved the value of credit unions. As member-owned financial institutions that do not have stockholders – credit unions stepped up to help struggling consumers in ways other lenders wouldn't, precisely because their role is to help people, not chase profits.

Wisconsin credit unions did so by offering REAL Solutions® – services that meet the needs of members and communities regardless of profit. This report outlines many of those successes – all of which were achieved without costly state or federal mandates.

As a result, credit unions earned high praise. Despite unprecedented cynicism concerning the financial industry, credit unions topped surveys in 2009 rating consumer trust and appeared in the nation's top publications as strong, safe lenders consumers can count on.

For example, while new laws began taking effect to protect weary consumers from big banks' unscrupulous credit card practices, credit unions were applauded in the media by Harvard researchers for already adhering to more consumer-friendly standards.

Regulators also applauded credit unions' relative stability – including strong capital and low overall delinquency. Credit unions saw growth in both assets and loans and membership exploded: the increase was more than double the rate of state population growth and nearly double the average rate of membership growth over the past decade – a clear indication consumers were rallying to credit unions for their financial needs.

So against a backdrop of troubling times, credit unions fared well. But they did so by maintaining their core value of putting people before profits – the value that has sustained the movement in America for 100 years.

I'm pleased to report that as we celebrate the 100th anniversary of credit unions in this country – and the 75th anniversary of The Wisconsin Credit Union League – our shared purpose of serving members is as strong and vital as ever.



Brett A. Thompson
President & CEO, Wisconsin Credit Union League



In 2009, Wisconsin credit unions:

- **Consolidated credit card debt** to keep families afloat.
- **Helped prevent mortgage foreclosures** by refinancing troubled loans obtained elsewhere.
- **Reconfigured loan terms:** payment, interest rate or other terms on non-mortgage loans to help families affected by job losses or health problems.
- **Offered lower-cost alternatives to payday loans** to help families make ends meet.

A Message from The League Chair

Kevin Hauser - Westby Co-op Credit Union, Westby

Wisconsin credit unions – financial institutions owned by their 2.2 million members – not only remained strong despite an unstable economy in 2009, but offered members a much-needed source of financial self-help.



Members leaned on each other – through ownership of their cooperatives – to obtain affordable rates for loans while other lenders cut back. This was especially true for small business owners. Many had either been turned away by for-profit banks or – despite having significant equity, assets and stellar credit histories – had bank lines of credit inexplicably withdrawn, threatening job losses and even the viability of otherwise sound enterprises.

Members also flocked to credit unions to refinance high-cost mortgages obtained elsewhere, consolidate debt, sort out budget issues or seek help when faced with a job loss or health problem.

And others used credit unions to access small, short-term loans – for \$500 or even less – without having to pay the exorbitant rates charged by payday lenders. Credit unions even paid off multiple payday loans for beleaguered borrowers with nowhere else to turn.

But, as always, most members saved simply because their not-for-profit credit union offers better pricing on everyday financial services. For example, on average, members who took a 60-month loan on a new car saved over \$900 by using a credit union instead of a bank.

And beyond lower rates on loans, credit union members saw higher rates on deposits and lower and fewer fees.

It all added up. By choosing a credit union as their financial institution, Wisconsin consumers saved almost \$200 million in the 12 months ending September of 2009 (see page 7).

We're pleased that credit unions continue to play such an important role in our national recovery!

A handwritten signature in cursive script that reads "Kevin Hauser".

Kevin Hauser
Chairman, Wisconsin Credit Union League

- **Consolidated payday loan debt** to free members who had been caught in interest-only payment traps.
- **Sorted out complex financial challenges** to help members create or manage a budget.
- **Referred members to credit counselors** for assistance with debt and budgeting.
- **Helped build, re-build or preserve members' creditworthiness** by offering secured credit cards, debit cards, loans or other special programs.

We're not banks...we're better

Credit unions are not-for-profit, member-owned cooperatives distinguished by their:

Purpose — *to serve members*

There are no customers at credit unions, only members who own the institution where they borrow and save. Because credit unions have no outside investors expecting profits, their earnings are invested in members.

Governance — *directors elected by members*

Members elect the board of directors from among the membership, assuring the credit union acts in the best interest of its owner-members.

Member benefits — *earnings invested in members and the community*

Credit unions offer services members can't get elsewhere, make loans considered "too small" for profit-driven institutions, and provide many free or low-cost opportunities that for-profit institutions see as a drain on resources (e.g., financial counseling, educational programs, etc.)

Values — *in people, not profits*

This translates to significant contributions to programs and projects in the community as well as charitable causes.

Credit unions are federally-insured
*In fact, not one penny of insured savings
has ever been lost!*

Your savings federally insured to at least \$250,000
and backed by the full faith and credit of the United States Government

NCUA

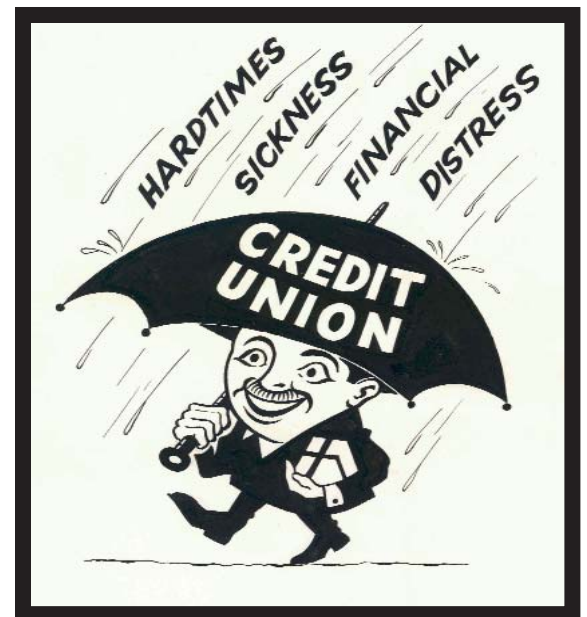
National Credit Union Administration, a U.S. Government Agency

Credit Unions: help for working people then....

THEN

The Umbrella Man, 1924

The Little Man Under the Umbrella made his first appearance as the official movement logo as part of The Bridge, the first official periodical of the credit union movement, now known as Credit Union Magazine. The graphic – which represented the average person besieged by financial difficulties and helped by the credit union – was the creation of Joe Stern, artist for The Boston Herald. During World War II, the Little Man appeared in uniform, carrying knapsack and rifle. He also rode a tank. In these guises, he was used to sell war bonds through credit unions.



Who credit unions serve and how they're different

Credit unions are financial institutions serving 2.2 million Wisconsin consumers. However, you needn't belong to a union or particular company to join. Credit unions serve people in a specific county or multi-county region, or those who share some other common bond, such as belonging to the same church, club or civic organization. Anyone in Wisconsin can find a credit union they're eligible to join. Here's how credit unions differ from banks:

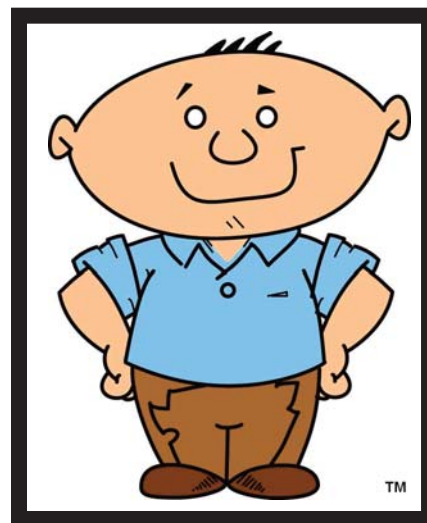
Credit Unions		Banks
Not-for-profit cooperative	Structure	For-profit corporation
Member-owned	Ownership	Stockholders
To serve members	Purpose	To make profits for stockholders
Board members selected by the member-owners look at how to meet members' needs	Governance	Paid directors look at ways to increase stockholder profit
Returned to members in the form of higher interest on savings, lower loan rates and lower and fewer fees	Profits	Returned only to stockholders
Average, working people and the community (via "unprofitable" services like small, short-term loans, financial counseling and education)	Who benefits	Investors who may not live in the community or state
In people	Values	In profits
Members, each of whom has an equal ownership share (1 vote per member)	Serves	Customers with no say in how they're treated, unless they are a stockholder

.....and the working people of today!

NOW

The Little Guy, 2009

Today the working American is represented by The Little Guy, who reminds lawmakers that more than 90 million everyday citizens rely on credit unions. Congress has applauded credit unions' role in providing loans to help return America to economic stability.



Credit unions' REAL Solutions® deliver

Credit unions aren't "just like banks." While they offer financial services, credit unions are owned by the depositors, called members, who do business with them. So they exist to meet members' financial needs, no matter how modest. This practice, of prioritizing people - not profits - is exemplified by credit unions' **REAL Solutions®** effort. And it has been a lifesaver for consumers during this difficult economy.

Help for Members

Wisconsin credit unions:

Return nearly \$200 million to members annually via better rates and lower fees. One example: borrowers can save as much as \$900 on a 60-month new car loan just by using a credit union (see how the savings stack up on page 7).

Make small loans – a low-cost alternative to predatory payday loans. Nearly all credit unions offer small loans of \$500 or less to help a member, and charge rates less than 36% APR – far below the going rate of payday lenders. Credit unions also limit rollovers, may require savings, and work to transition borrowers to lower cost loans. For example, a \$500 StretchPay loan from a credit union costs \$7.40 - a savings of \$142 over payday lenders!

Provide free one-on-one counseling for members facing hard times. For example, credit unions are consolidating debt, refinancing mortgages, modifying loan terms and much more to help people stay in their homes, manage a job loss or weather an illness while maintaining creditworthiness.

Make critical loans to businesses that for-profit lenders deem "too small." Credit unions have saved businesses and jobs by extending credit to companies whose borrowing needs were deemed unprofitable by for-profit banks. The average credit union business loan, for example, is just under \$140,000. More than half of credit union member business loans are to households with incomes less than \$50,000. Yet at the same time, credit unions have a far better safety record than banks with business loans – boasting just one-seventh the charge-off rate of Wisconsin banks.



Cooperation helps

By developing services

Wisconsin credit unions' efforts are the REAL Deal - a commitment by credit unions nationwide to expand and enhance their outreach to consumers through a network of cooperation and best practice sharing.



value in Wisconsin communities

Grant only safe, affordable mortgages. Credit unions didn't create the mortgage mess. Yet their mortgages, which often beat banks on rates, help buyers overcome obstacles to homeownership. For example, Wisconsin credit unions have committed \$43.8 million to HLP (‘‘helper’’) loans - a type of mortgage that caps rates to minimize payment shocks. Essentially, the credit union absorbs certain costs to help borrowers stay in their homes. Plus, credit unions continue to outperform other lenders in mortgages to low-income and minority borrowers. In 2008 - the latest year for available data - credit unions approved 71.8% of mortgage requests for low-income borrowers (compared to other lenders' 53.5%) and 73.9% of mortgage requests for minority borrowers (compared to other lenders' 46.2%).

Assist new Americans. Many credit unions translate information about loans and other services, open savings accounts, offer lower cost wire transfers and participate in events designed to help new Americans establish a financial foothold, seek employment and participate in our nation's tax system.

Pay members dividends and rebates. Credit unions rely on retained earnings to grow and add services. But after their reserves have been met, credit unions may return earnings directly to members. They may offer a bonus dividend on savings or simply send a check repaying members for loan interest they've paid during the year. Credit unions repaid members more than \$125,000 in interest rebates alone in 2009!

Hold free financial workshops and offer free financial management tools on their member websites.

Make low-cost loans that help single parents obtain used cars or child care so they can stay on the job.

Provide free ATM transactions, saving members who frequent ATMs hundreds of dollars annually.

Offer secured credit cards, debit cards and loans to build or re-build members' creditworthiness.



our members!



And improving access to services

Credit union members use shared branching - a system in which 1,595 credit unions share facilities. Members can perform transactions at 40 locations in Wisconsin and 3,887 credit unions nationwide.

Annual member savings in the millions!

Wisconsin credit unions saved their 2.2 million members almost \$200 million* in 2009 by providing member-favored pricing for financial services.

Savings were seen for:

Loans

New car loans
Used car loans
Personal unsecured loans
1-year adjustable rate 1st mortgage
30-year fixed rate 1st mortgage
Home equity/2nd mortgage loans
Interest rebates in period

Savings compared to banks

\$11,838,441
\$36,050,133
\$5,157,643
\$22,361,763
\$269,686
\$22,042,854
\$126,310

\$97,846,830 in total savings in lower loan rates

Savings Accounts

Regular savings accounts
Checking
Money market accounts
Certificate accounts
Retirement (IRA) accounts

Savings compared to banks

\$7,839,806
\$2,166,205
\$20,992,125
\$27,249,144
\$7,406,350

\$65,653,630 in total savings on higher savings rates

Fees

Across all types of accounts

Savings compared to banks

\$35,852,758 in total savings on lower and fewer fees

\$199 MILLION
IN STATEWIDE TOTAL MEMBER SAVINGS

** preceding 12-months ending September 2009 on products that beat banks on pricing. Credit Union National Association, Economics & Statistics Dept.*

Help for communities

Wisconsin credit unions:

Fuel the local economy. Based on the purchase of professional services and other administrative spending, credit unions pump more than \$500 million annually into the state economy. Credit unions also pay millions each year in payroll taxes, sales taxes and property taxes.

Support 3,000 charities and local organizations that improve the quality of life in their communities. For example, one of Wisconsin credit unions' preferred charities is the Children's Miracle Network - nonprofit hospitals treating local children regardless of their families' ability to pay.

Offer free tax preparation assistance and open deposit accounts for tax filers to receive fast, free tax refunds - an alternative to high cost Refund Anticipation Loans. This has saved citizens \$16 million annually and kept more funds circulating in local economies.

Free financial education & counseling. Credit unions offer free workshops for schools and local organizations that teach about credit reports, homebuying and more. For example, during Money Smart Week Wisconsin each October, credit unions join hundreds of agencies, businesses, nonprofits and others in offering Wisconsin citizens opportunities to learn about money matters.

Urge members to use EdVest - the state's 529 college savings plan - to save for future educational needs.

Help for future generations

Wisconsin credit unions:

Supervise 85 in-school, youth-run credit union branches that teach the habit of saving and responsible financial management. While these branches don't make profits, they teach young people the life-long habit of saving. Young people have stashed \$1.6 million in these in-school credit union accounts.

Provide free to all of Wisconsin's public high schools the brass|STUDENT PROGRAM, a lifestyle money magazine and online resources for teachers and students that support state teaching standards. They also offer schools a 7-unit classroom course on "financial basics."

Partner with schools to offer students financial "reality" simulations that teach responsible budgeting and sponsor teachers to attend financial literacy workshops to improve their personal finance lessons.



What credit unions' REAL Solutions® accomplish

For-profit financial institutions are in business to make profits for stockholders. But because credit unions are owned by the local people who do business with them, their goal is to serve members regardless of profit. That unique orientation ensures credit union services are focused on meeting members' financial needs in ways that:

- **Reduce dependency on predatory financial providers**
- **Increase financial literacy**
- **Improve personal financial management**
- **Encourage saving and wealth-building**
- **Build creditworthiness**
- **Provide an avenue to personal financial stability**
- **Improve the financial and economic well-being of Wisconsin communities**

REAL Recognition

Wisconsin credit unions have received three Governor's Financial Literacy Awards in four years for their efforts to help members save and build wealth. Awards were achieved in:

2009

For 85 in-school credit union branches that teach teens to save, lauded as a "best practice" for youth financial education.

2008

For the brass|STUDENT PROGRAM, the free lifestyle money magazine sent free to all Wisconsin public high schools, which includes online tools for teachers and students that support state financial literacy standards.

2006

For the overall REAL Solutions® initiative, which teaches families to save and build wealth. The effort extends services to members and communities without regard for profit.

Credit unions' unique attributes are a prescription to heal the economy

Credit unions are different than the financials that caused the current economic crisis. Credit unions' ownership – as well as how they do business – position them to act safely, responsibly and in consumers' best interest.

Our economy benefits from credit unions':

Local control

Because credit unions make decisions locally, more factors that benefit borrowers can be considered. That's grown in importance with a study of banks' use of TARP funds that found that less than a third of small businesses could obtain needed loans.

Local funding

Credit unions fund loans primarily through deposits. They don't depend on capital markets like banks and finance companies.

Cooperative ownership

Credit unions' member ownership makes it difficult for any outside group to exert influence on strategic decisions. Depositors elect the board from among the membership - the board, in turn, ensures members' needs are met.

Affordability

Because they're looking to return value to their member-owners, credit unions offer some of the best pricing on financial services. Wisconsin credit unions provide an average benefit of \$169 per member household over banks.

Strong capital

Credit union losses have been managed from within the system, and Wisconsin credit unions' capital ratio of 10.07% exceeds the 7% regulators consider "well capitalized."

Lower risk

Incentives applied in the investment banking industry only fueled the mortgage meltdown. But because the cooperative structure does not reward excessive risk-taking, Wisconsin credit unions' delinquency has remained stable at a mere 1.7%.

Consumer trust

Credit unions rank high in independent surveys for consumer trust. Forrester Research's 2009 poll, for example, saw credit unions receive top ratings from consumers – beating U.S. banks, investment firms and insurers.

Purpose focused on people, not profits

Credit unions' largest membership growth came during the Great Depression because consumers flocked to them as a source of financial self-help. That continues today.





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