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REPORT

Cooperation among Cooperatives:

Quantifying the Business Case for Credit Unions and Other Cooperatives

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Table of Contents

Executive Summary

Overview

Credit unions and other cooperatives should work better together. Credit unions would win more members and growth opportunities, and cooperatives could earn billions in extra income over time by moving deposits to their cooperative cousins.

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Credit unions have many cousins. In 2014, cooperatives' assets in the United States totaled $1,754 billion (B) including (1) $346 B in non-financial cooperatives, (2) $1,126 B in credit unions, and (3) $282 B in other financial cooperatives that were owned, at least in part, by non-financial cooperatives.[i] Utilities (with $149 B in assets) and farm-related co-ops ($83 B) are, by far, the largest non-financial cooperative sectors.

And what would happen if credit unions did more business with these cousins? Non-financial cooperatives may obtain banking services not only from credit unions, but also from other financial cooperatives, like the Farm Credit System (FCS, $260 B in assets), the National Rural Utilities Cooperative Finance Corporation (NRUCFC, $20.6 B), and the National Cooperative Bank (NCB, $1.8 B), and also from commercial banks and thrifts (which, for perspective, had $15,349 B in assets).

What Is the Research About?

Credit unions and other cooperatives share similar ownership structures and principles of service to their members. Thus, cooperatives' leaders and media often look for mutually beneficial business collaboration across both sectors. For instance, in 2012, CUNA's Cooperative Alliances Committee released a "Guide on how credit unions can improve their interactions with cooperatives from other sectors" that included detailed lists of possible avenues for collaboration and provided specific examples of credit union-cooperative collaboration.

Examples of collaboration include (1) cross-promoting membership, (2) sharing physical space, such as locating credit union branches or ATMs at or next to non-financial cooperatives, (3) cross-marketing efforts such as co-branding credit cards, and (4) shifting cooperatives' current and future deposits and borrowing from commercial banks to credit unions.

Most evidence of cross sector cooperative collaboration has been anecdotal and qualitative; this report focuses on quantifying several aspects of the potential for cross sector cooperative collaboration.
In particular, the report:

- Quantifies the sizes of non-financial cooperatives, credit unions, and other financial cooperatives

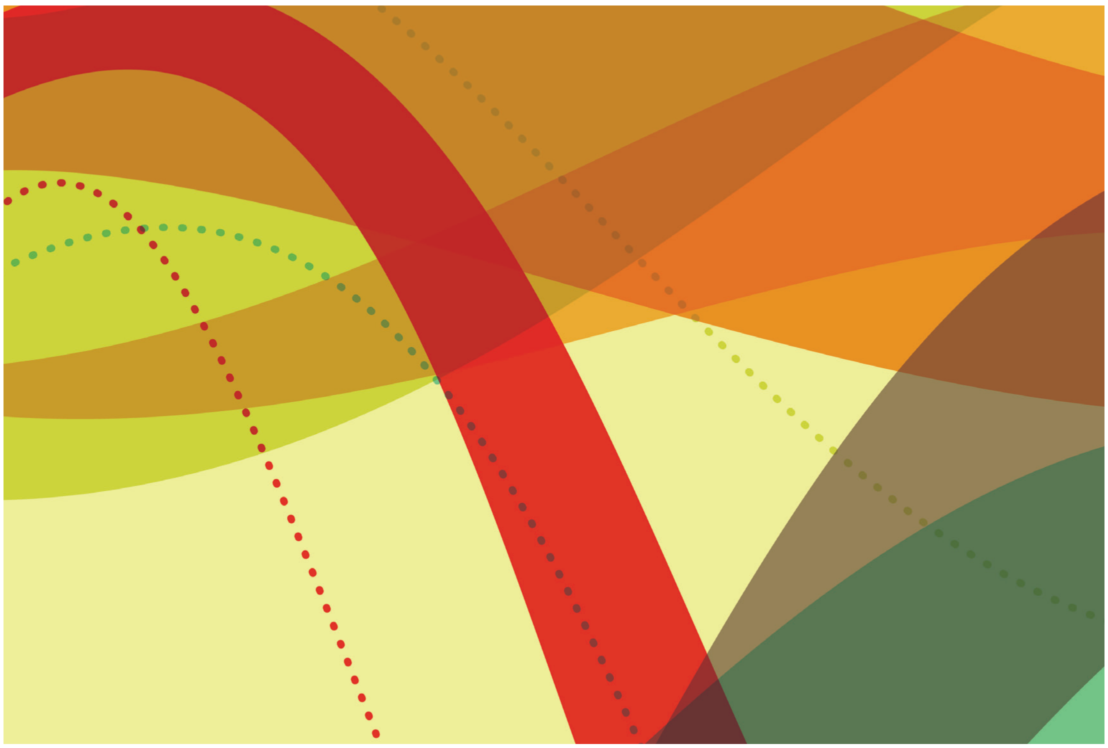
- Estimates the impacts of shifts of non-financial cooperatives' deposits and loans on two key credit union regulatory ratios: capital (net worth) per assets and business loans per assets
- Estimates the interest rate benefits for cooperatives of shifting large fractions of their deposits from commercial banks to credit unions

What are the credit union implications?

- While non-credit union financial cooperatives provide valuable services, cooperatives would benefit from broadening their sources of credit, deposits, and other financial services to credit unions. In particular, few non-credit union financial cooperatives have the capacity, or are even statutorily permitted, to accept large amounts of deposits. Credit unions are a natural destination, instead of commercial banks, for deposits from non-financial cooperatives.
- Non-financial cooperatives have about $75 B in investable assets such as deposits and securities, and owe about $100 B in loans. Non-financial cooperatives could consider switching large fractions of these to credit unions. Indeed, 35% of credit unions have community fields of membership (FOM) making them readily able to accept non-financial cooperatives as members. Many credit unions without community FOMs may also be able to accept non-financial cooperatives as members through memberships in select groups. Moreover, 30% of credit unions are low-income-designated (LID), permitting them to accept deposits from non-members outside of their FOMs.
- If non-financial cooperatives shifted a large fraction of their deposits (50%, or about $37.5 B) to credit unions immediately, credit unions' deposits would grow from $939 B to $977 B, or by 4%, and credit unions' average capital (net worth) per assets ratio would fall from 10.93% to 10.58%. This decline is small, implying that credit unions could readily accommodate large inflows of deposits from non-financial cooperatives.
- If non-financial cooperatives shifted 10% of their (business) loans (about $10 B) to credit unions, the ratio of credit unions' average business loans per assets would rise from 4.55% to 5.47%. This increase is also small, and well under the federal legislative cap of 12.25%. Credit unions could readily accommodate increased loan demand from non-financial cooperatives.

- During 2000-2013, credit unions on average paid their members interest rates on deposits that were 0.58% higher than those paid by commercial banks. Should cooperatives shift 50% of their deposits ($37.5 B) from commercial banks to credit unions, non-financial cooperatives would earn $2.2 B more in interest over 10 years.

Cooperation among Cooperatives:
Quantifying the Business Case for Credit Unions and Other Cooperatives



CHAPTER 1

Introduction

Credit unions and other non-financial cooperatives share similar ownership structures and principles of service to their members (CUNA, 2015a).[ii] Thus, cooperatives' leaders often highlight the potential for business collaboration across both sectors. To date, however, most evidence about the opportunities and challenges associated with this collaboration has been anecdotal and qualitative (CUNA, 2012 and 2013; Passman, 2013; Rapport 2014).

To help assess these opportunities and challenges, this report quantifies several aspects of the potential for cross sector cooperative collaboration. For instance, in Chapter 2, we quantify the assets in non-financial cooperatives ($346 B in 2014), credit unions ($1,126 B), and other financial cooperatives ($282 B). We also identify the (partially overlapping) groups of credit unions that may most readily serve non-financial cooperatives: 35% of credit unions with community fields of membership (FOMs), 30% of credit unions that are low-income-designated (LID), and the 4% of credit unions that are community development financial institutions (CDFIs or CDCUs). We also include some of our own anecdotes.

All non-financial cooperatives would benefit from exploring deeper relationships with one more source of financing that readily understands the cooperative structure.

In Chapter 3, we estimate non-financial cooperatives' deposits (circa $75 B) and loans (circa $100 B) and highlight them as key avenues for future collaboration with credit unions. While many cooperatives receive financing from array of financial cooperatives, all non-financial cooperatives would benefit from exploring deeper relationships with credit unions one more source of financing that readily understands the cooperative structure. Moreover, most non-credit union financial cooperatives are restricted by regulation from accepting deposits. So by default many cooperatives routinely place deposits in stock-owned commercial banks. We also estimate the small impacts that even large shifts of non-financial cooperatives' loans (10% or $10 B) and deposits (50% or $37.5 B) would have on two key credit union regulatory ratios: (1) capital (net worth) per assets and (2) business loans per assets. Given their larger size relative to non-financial cooperatives, credit unions could readily accommodate such shifts.

If cooperatives shifted a large fraction of their deposits (50% or $37.5 B) from commercial banks to credit unions, they could earn an additional $2.2 B in interest over 10 years.

Those shifts could help both credit unions and cooperatives, significantly. In Chapter 4, we quantify the potential benefits to non-financial cooperatives from the most readily identifiable opportunity for cross sector cooperative collaboration. First, we measured the average difference between interest rates paid by credit unions and commercial banks across various types of deposits during 2000-2013 (0.58%). Next, we used that long-term average as the most reasonable long-term estimate of the additional interest that cooperatives could receive if they shifted deposits from commercial banks to credit unions. If cooperatives shifted a large fraction of their deposits (50% of $37.5 B) from commercial banks to credit unions, we estimate that they would earn an additional $2.2 B in interest over 10 years.

In Chapter 5, we review other examples of cross sector cooperative collaboration whose size and benefits may not be quantified as readily. Among many others, these include (1) cross-promoting membership, (2) sharing physical space, such as locating credit union branches or ATMs at or next to non-financial cooperatives, and (3) cross-marketing efforts such as co-branding credit cards. In Chapter 6, we briefly summarize our findings and implications.

CHAPTER 2

Quantifying Cooperatives

Cooperatives come in many forms and are a relatively large and growing sector of the U.S. economy. We estimate that in recent years cooperatives' assets have grown considerably from $1,305 B in 2009 to $1,754 B in 2014, or by 34%, well in excess of the growth during that period in any of: cumulative consumer inflation (10%), nominal gross domestic product (GDP, 21%), or households' assets (excluding stocks, 21%). We estimate that in 2014, non-financial cooperatives had $346 B in assets, credit unions had $1,126 B, and other financial cooperatives had $282 B.

Unfortunately, detailed long-term data across cooperative sectors are not readily available. The University of Wisconsin Center for Cooperatives' report "Research on the Economic Impact of Cooperatives" (UWCC, 2009) provides the most recent and comprehensive census of cooperatives in the United States.[iii] To assess the potential for cross sector cooperative collaboration, this brief combines the findings in UWCC (2009) with more recent, more detailed, but sometimes fragmentary, data from various sources and participants in select cooperative sectors.

Cooperatives' assets have grown by approximately 34% between 2009 and 2014, outpacing cumulative consumer inflation (10%), nominal GDP growth (21%), or households' asset growth (21%, excluding stocks).

UWCC (2009) identified 29,285 entities as cooperatives with $3,126 B in assets. However, this total included 9,978 cooperatives in financial services (with $2,862 B in assets). UWCC (2009)'s definition of cooperatives in financial services included 8,334 credit unions (with then $761 B in assets), 1,497 mutual insurance companies (with $842 B in assets), 104 entities in the Farm Credit System (with $186 B in assets), and 43 other financial cooperatives (with $1,072 B in assets).[iv] The assets in these "other financial cooperatives" were dominated by the twelve Federal Home Loan Banks (FHLBs, with $1,015 B), which largely serve the stock-owned commercial bank sector (FHLBanks, 2015).[v] However, they also included 27 corporate credit unions (with $71 B in assets)[vi] that serve natural person credit unions (NCUA, 2010), and several other lenders specialized in lending to non-financial cooperatives. These included the National Rural Utilities Cooperative Finance Corporation (with $21.5 B in assets, NRUCFC, 2012) and the National Cooperative Bank (with $1.6 B in assets, NCB, 2010).

FIGURE 1

NON-FINANCIAL COOPERATIVES, CREDIT UNIONS, AND OTHER FINANCIAL COOPERATIVES: ASSETS IN 2009 AND 2014. ($ BILLION, EXCLUDING FHLBS, MUTUAL INSURANCE COMPANIES, AND HOUSING COOPS)

	2009	2014	Cumulative growth (not inflation-adjusted)
Non-financial cooperatives	264	346	31%
Non-credit union financial cooperatives (owned, at least in part, by non-financial cooperatives)	209	282	35%
Credit unions (natural person)	761	1,107	45%
Corporate credit unions (owned by natural person credit unions)	71	19	-73%
TOTAL	1,305	1,754	34%

Sources: CUNA (2014b), FCS (2015), NCB (2010 and 2014), NCUA (2010 and 2015), NRUCFC (2012 and 2014), UWCC (2009), and author's calculations.

To highlight the relative sizes of the several key cooperative sectors, Figure 1 (in column 1) summarizes some key data from UWCC (2009). The non-profit, mutual, and cooperative sectors have boundaries that are sometimes blurred (Boris and Steuerle, 2002; UWCC, 2009), with different sources and studies sometimes using differing definitions and boundaries. Since this brief ultimately focuses on opportunities for collaboration between credit unions and non-financial cooperatives, we present separately a group of "non-credit union financial cooperatives." As defined in this brief, non-credit union financial cooperatives (1) specialize, in large part, in providing financial services to non-financial cooperatives,[vii] (2) are owned, in large part, by non-financial cooperatives, (3) thus exclude both stock-owned commercial bank-centric FHLBs and mutual insurance companies and, finally, (4) group together the institutions in the Farm Credit System, the National Rural Utilities Cooperative Finance Corporation, and the National Cooperative Bank.

Thus, the UWCC's (2009) headline figure of $3,126 B in cooperatives' assets in 2009 becomes $1,305 B here. In turn, this total included (1) $264 billion in non-financial cooperatives, (2) $209 B in non-credit union financial cooperatives, (3) $761 B in (natural person) credit unions that primarily serve individual consumers, and (4) $71 B in corporate credit unions that serve natural person credit unions.

Cooperatives assets', and likely many Americans' interest in them, have grown substantially. During this period, cooperatives' assets have cumulatively grown by 34%, well in excess of the growth in the consumer price level (10%), in nominal gross domestic product (21%), or in households' assets excluding stocks (21%) (BEA, 2015; Fed, 2015).[viii] Cooperatives' asset growth has even been roughly at par with the recent, stock-price-recovery-fuelled, growth in households' total assets (37%). By 2014, cooperatives as a group were relatively large, accounting for $1,754 B in assets,[ix] with $346 B in non-financial corporations and $282 B in the non-credit union financial cooperatives that they, in large part, own. ($260 B in the Farm Credit System, $20.6 B in the National Rural Utilities Cooperative Finance Corporation, and $1.8 B in the National Cooperative Bank) (FCS, 2015; NCB, 2014; NRUCFC, 2014).

By 2014, cooperatives as a group were relatively large, accounting for $1,754 B in assets, with $346 B in non-financial corporations and $282 B in non-credit union financial cooperatives.

Figure 2 shows a more detailed breakdown of the limited available data on key subgroups of non-financial cooperatives. In particular, columns 1 and 2 reproduce the number of and assets in several subgroups of non-financial cooperatives as reported in UWCC (2009). Column 3 presents assets in 2014 using actual data for several of the largest subgroups

(CoMetrics, 2014; NRECA, 2015; and USDA, 2014) and, for several smaller subgroups for which comparable data was not readily available, using estimates based on farm cooperatives' growth rates.[x]

FIGURE 2

KEY SUBGROUPS OF NON-FINANCIAL COOPERATIVES: NUMBERS AND ASSETS IN 2009, AND ASSETS IN 2014.

	2009 (UWCC)		2014 (Multiple sources and author's estimates)[xi]
	Number (1)	Assets ($Billion) (2)	Assets ($Billion) (3)
Utilities	4,546	119	149
Farm, forestry, fishing, etc.	2,547	44	83
Groceries	290	0.32	0.56
Other sales and marketing[xii]	626	16	22
Social and public services[xiii]	1,840	1.7	2.3
Housing[xiv]	9,471	N/A	N/A
TOTAL[xv]		264	346

Sources: CoMetrics (2014), NRECA (2015), USDA (2014), UWCC (2009), and author's calculations.

Despite its data and methodological limitations, the figure highlights two key facts.

- Non-financial cooperatives have grown substantially, whether despite or because of the recent housing, financial, and economic crises.
- Utilities and farm-related cooperatives account for huge shares of non-financial cooperatives' assets. Adding together all other non-financial cooperatives (for which we have data) yields a total that is far smaller than that for either utilities or farm-related cooperatives.

Cooperatives can obtain financial services from many sources, cooperative and not. These alternatives include (1) commercial banks and savings institutions (which, for perspective, had $15,349 B in assets in 2014) and, of course, (2) from credit unions. By 2014, 6,350 natural person credit unions in the United States had $1,107 B in assets, $695 B in loans, $50.4 B in business loans, $939 B in share deposits, and about 100 million members (NCUA, 2014).

While credit unions primarily serve individuals, they also serve individuals for business purposes, and entities like corporations and cooperatives.[xvi] Credit unions may serve cooperatives if the cooperatives are within the credit unions' fields of membership (FOM).[xvii] Credit unions that want to make business loans to cooperatives must obtain a waiver from NCUA to avoid requiring a personal guarantee on business loans. Because of their legal structure, cooperatives cannot give personal guarantees, and that requirement is an impediment for many credit unions that would like to lend more to cooperatives. In early 2015, NCUA board members were discussing eliminating that requirement.[xviii]

In 2014, 35% of credit unions had community FOMs (CUNA, 2014b) making them able to accept cooperatives as members, depositors and borrowers. Many credit unions without community FOMs may also explore accepting cooperatives as members through memberships in select groups.

Moreover, credit unions that obtain a low-income-designation (LID) and/or a community development financial institution (CDFI) designation may have better opportunities to serve cooperatives. For instance, neither LID nor CDFI credit unions are subject to the standard federal cap on business lending of 12.25% of assets.[xix] Moreover, LID credit unions may accept deposits from non-members, so cooperatives could place deposits in LID credit union independently of FOMs.[xx] Following an NCUA initiative to expand LIDs in 2012, 1,992 of credit unions had received a low-income designation by the end of 2013 (or 30% of all credit unions, with $178 B in assets) (Dopico, 2014); 240 credit unions (with $40 B in assets) were CDFIs in 2013 (OFN, forthcoming).[xxi]

What Would Happen? Shifting Cooperative Assets to Credit Unions.

Non-financial cooperatives in the United States hold approximately $75 B in investable assets – deposits and securities – and owe about $100 B in loan-like liabilities. These cooperatives could consider shifting large fractions of these assets and liabilities to credit unions. Given their large size relative to non-financial cooperatives, credit unions could readily accommodate such shifts without undue burdens on the key credit union regulatory ratios of capital (net worth) per assets and business loans per assets.[xxii]

Immediately, credit unions would have to account for new inflows of deposits (and assets) and subsequent declines in capital (net worth) per asset ratios. So we estimate the small impacts that shifts in large fractions of non-financial cooperatives' deposits would have on two key credit unions' regulatory ratios.

Large inflows of deposits and of willing borrowers from non-financial cooperatives could be particularly welcome for well-capitalized, slow-growing, small credit unions.

Other impacts, however, would be very difficult to measure or predict. For instance, most cooperatives would undoubtedly benefit from being able to borrow from a broader range of financial service providers. Credit unions might provide a more willing, and understanding, ear than commercial banks to loan applications from cooperatives. In many cases, rural cooperatives might be too far from commercial bank branches or outlets of non-credit union financial cooperatives, and might simply benefit from the physical proximity of a credit union branch for cash deposits and/or withdrawals. In theory, loan applications from non-financial cooperatives might be approved more often, for larger amounts, with lower interest rates, for longer periods, or with various other more accommodating terms, if presented to a credit union than if presented to a commercial bank (Rapport, 2014). But in practice, cooperatives' experiences borrowing from credit unions are not always positive.

If non-financial cooperatives become large net depositors or net borrowers at individual credit unions, they could have disparate effects across credit unions, and across subgroups of existing credit union members. In general, large inflows of deposits and of willing borrowers from non-financial cooperatives could be particularly welcome for well-capitalized, slow-growing, small credit unions. Scale matters. New active members from the cooperatives would help small credit unions achieve:

- Higher asset growth rates and
- Greater economies of scale
- Lower costs (e.g., noninterest expenses per assets),
- Pass-along savings to old and new members in the form of lower loan interest rates
- Higher deposit interest rates
- Lower fees
- Broader ranges of services
- Generally better customer service (Wilcox, 2008)

However, if non-financial cooperatives bring substantially more deposits than they borrow from an individual credit union, that credit union would have more funds available to lend to existing members. While any depository institution's loan approval rates and interest rates are influenced by competitive markets, very large inflows of deposits could result in higher loan approval rates, lower loan interest rates, and perhaps also lower interest rates on deposits for pre-existing credit union members. Conversely, if cooperatives borrow substantially more than they bring in as deposits from an individual credit union, that credit union would have fewer funds available to lend to its existing members. Having non-financial cooperatives as net borrowers could result in lower loan approval rates, higher loan interest rates, and perhaps also higher interest rates on deposits for pre-existing credit union members.

While there are many opportunities for cross sector cooperative collaboration (see Chapter 5), the most readily measurable opportunities involve non-financial cooperatives' deposits, loans, and their associated interest rates. Non-financial cooperatives receive valuable services from the non-credit union financial cooperatives that they, at least in part, own. However, cooperatives would likely benefit from broadening their sources of credit and of financial services to include credit unions.

Moreover, many non-credit union financial cooperatives are regulatorily restricted from providing financial services beyond lending. Unlike other financial cooperatives, credit unions may provide non-financial cooperatives not only with credit, but also with saving instruments, like saving accounts, money market deposit accounts, certificates of deposit, and individual retirement accounts, payment services (e.g., checking accounts, debit cards, credit cards, and money transfers), and other financial services (financial planning, insurance agency, etc.). Thus, credit unions appear as a natural destination, instead of commercial banks, for deposits from cooperatives.

So, how much do non-financial cooperatives currently own in deposit-like assets, and how much do they owe in loan-like liabilities? The great diversity in cooperatives' business models, asset-liability structures,[xxiii] and reporting practices makes it a challenge to determine how large an opportunity serving non-financial cooperatives could represent for credit unions. Analyzing credit unions' asset volumes provide a rough idea of (1) the sum of cash, securities, and loans, and (2) the sum of all types of shares and deposits. Both sums routinely comprise about 85-95% of of all credit union assets.

In contrast, $346 B in assets in non-financial cooperatives do not translate into a potential new loan market for credit unions worth about $346 B or the potential for additional deposits worth about $346 B. While cooperatives do own deposits and securities, they also own significant assets ranging from business inventories to accounts receivable, real estate, buildings, and the equipment they use in their operations. Similarly, while cooperatives may owe substantial amounts of their liabilities in loans, they also finance much of their activities through other mechanisms ranging from accounts payable to non-debt mechanisms.

While data collection is not consistent across cooperative subsectors, some subsectors do have more more detailed and updated data. To help assess the potential size of opportunities for cross sector cooperative collaboration, next we explore the more detailed data available for one cooperative subsector: grocery cooperatives.

Cooperative groceries owed $176 M in loan-like liabilities that could be refinanced with credit unions.

Figure 3 presents several key subtypes of grocery cooperatives' assets, liabilities, and equity as of the end of September 2014. With $555 M in total assets, grocery cooperatives held $139.6 M (25.2%) in assets similar to deposits or securities that they could deposit in credit unions. Grocery cooperatives could work with credit unions on accounts ranging from (1) lower interest rate checking accounts to (2) higher interest rate certificates of deposit, and might even (3) negotiate with individual credit unions to tailor specific types of accounts, such as very long-term certificates of deposit that might mimic structures and interest rates common in corporate bonds). Cooperative groceries owed $175.9 M (31.7% of assets) in loan-like liabilities that could be refinanced with credit unions.

Figure 3 highlights that non-financial cooperatives do own large amounts of financial assets (deposits) and of financial liabilities (loans). However, non-financial cooperatives' asset-liability structures differ markedly from those of financial cooperatives such as credit unions. They include large amounts of inventories (11%), accounts receivable (4%), and fixed assets (52% in real estate, buildings, equipment, etc.). Similarly, loan-like items account for relatively small fractions of (the dollar value of) assets since other types of liabilities (e.g., accounts payable, with 13%) and equity account for large fractions of assets (50%).

Each non-financial cooperative has its own story and very different asset-liability structures. However, until consistent data across cooperative sectors becomes available, we can only use the data that is available. Thus, throughout the remainder of this brief, we use grocery cooperatives' ratios of (1) deposits plus investments-to-assets (25%) and (2) of loans-to-assets (32%) to help us develop rounded estimates of the aggregate volumes of non-financial cooperatives' deposit-like assets ($75 B) and loan-like liabilities ($100 B).

FIGURE 3

GROCERY COOPERATIVES' ASSETS, LIABILITIES, AND EQUITY, SEPTEMBER 2014.

ASSETS			LIABILITIES AND EQUITY		
	$ million	% of assets		$ million	% of assets
Cash on hand	1.5	0.3	Loans, leases, mortgages, etc.	175.9	31.7
Deposits	135.9	24.5	Accounts payable, etc.	71.8	12.9
Investments (excluding coop's equity)	3.7	0.7	Other liabilities	29.5	5.3
Inventories	60.9	11.0	Total Liabilities	277.2	49.9
Accounts receivable, etc.	22.0	4.0	Total Equity	277.9	50.1
Land, buildings, equiptment, etc.	288.5	52.0			
Other assets (including coop's equity)	42.7	7.7			
TOTAL ASSETS	555.1	100.0	TOTAL ASSETS	555.1	100.0

Source: CoMetrics (2014).

These values represent the outward range of the markets that cooperatives potentially represent for credit unions.[xxiv]

However, this report does not predict that cooperatives will shift all their deposits and loans from other financial institutions toward credit unions quickly. Nor do we recommend it. Instead, we simply recommend that individual non-financial cooperatives carefully evaluate their relationships with their financial services providers, and consider whether any local credit unions could provide them with more attractive interest rates, more convenient locations, better service, or products not available elsewhere.

If non-financial cooperatives shifted a very large fraction of their deposits (50%, or about $37.5 B) to credit unions quickly, credit unions' deposits would grow from $939 B to $977 B, or by 4%.

While we do not expect sudden shifts in non-financial cooperatives' deposits and loans toward credit unions, their larger size relative to non-financial cooperatives means that credit unions could readily absorb such shifts without damage to capital ratios or the 12.25% business loan cap.

If non-financial cooperatives shifted a very large fraction of their deposits (50%, or about $37.5 B) to credit unions quickly, credit unions' deposits would grow from $939 B to $977 B, or by 4%. As a result of the sudden inflow of deposits (and assets), credit unions' aggregate capital (net worth) ratio would fall from 10.93% to 10.58%. This decline is relatively small, and would leave the ratio well above regulatory requirements. Actual shifts of non-financial cooperatives' deposits to credit unions would be slower in pace, could eventually be even larger, and would probably be concentrated in credit unions with community FOMs. Should these shifts be distributed over a period of five to ten years, most individual credit unions would accommodate this new source of deposits as they have their long-term growth in the share of the depository industry. (For instance, credit unions' share of assets out of the overall depository industry reached 1% in 1955, 2% in 1969, 5% in 1991, 6% in 2001, and stood at 6.86% in 2013, CUNA, 2015b; FDIC, 2015; FHLBB, 1988).

Similarly, if non-financial cooperatives shifted 10% of their loans (about $10 B) to credit unions, the ratio of credit union business loans to assets would rise from 4.55% to 5.47%. This increase is relatively small, and well under the federal regulatory cap of 12.25% for well-capitalized credit unions. In this example, we posited a far smaller shift (10%) than for deposits (50%) for several reasons: First, many non-financial cooperatives already have access to lending at advantageous terms and rates from other non-credit union financial cooperatives. Second, shifting deposits is much simpler than shifting loans.

Cooperatives may prefer to maintain long-term loans with existing lenders, waiting to shift their borrowing to credit unions until their existing loans mature. Third, non-financial cooperatives may have established relationships with lenders that are well worth continuing to cultivate. Finally, bringing all non-financial cooperatives' loans to credit unions would bring credit unions much closer to the federal cap for business loan per assets.

Finally, while many cooperatives already have access to other non-credit union financial cooperatives and credit unions' capacity to absorb very large shifts in loans from non-financial cooperatives is, unfortunately, regulatorily constrained, ample room still remains for collaboration in lending between non-financial cooperatives and credit unions. Many individual cooperatives, particularly smaller ones and those in low-income or rural areas, would likely benefit from new, geographically closer, sources of lending. Moreover, while credit unions' business loan to asset ratios have grown steadily in recent years, the 12.25% federal cap does not cover all credit union business-purpose loans. The following are exempt from the cap:

- Business loan balances under $50,000 per borrower
- Business loans secured by deposits (at the credit union or elsewhere)
- Business loans by low-income-designated (LID) credit unions and CDFI credit unions, which as of December of 2013 accounted for 30% and 4% of credit unions respectively, with 17% and 4% of credit union assets (NCUA, 2015a; OFN, forthcoming).[xxv]

Focus on Cooperative Deposits

Non-financial cooperatives would obtain many benefits from increasing their collaboration with credit unions. These benefits include:

- Paying lower interest rates on the loans that (some) non-financial cooperatives currently obtain from stock-owned commercial banks.
- Receiving higher interest rates on the deposits that non-financial cooperatives currently place in stock-owned commercial banks.
- Receiving better service. For some, better service would involve a deeper understanding of their cooperative structure and needs. For others, better service would involve a broader selection of financial services at lower fees. And for others, such as non-financial cooperatives in rural and other underserved areas, better service might involve simply greater proximity to a physical branch.

This brief focuses on the benefits that we may estimate most readily: the higher interest rates that cooperatives could obtain if they shifted deposits from commercial banks to credit unions. During 2000-2013, credit unions on average paid their members interest rates on deposits that were 0.58% higher than those paid by commercial banks. Thus, should cooperatives switch 50% of their deposits (i.e., $37.5 B) from commercial banks to credit unions, non-financial cooperatives could earn $2.2 B more in interest over the next ten years.

Unlike most non-financial cooperatives, credit unions are regulatorily required to report very detailed data. These data are readily available on an aggregate basis in annual reports since the 1930s and for individual credit unions since 1979 (Dopico, 2013; NCUA, multiple years; NCUA, 2015a). These data include interest rates on consumer loan and savings products since the early 1980s. Combined with commercial bank interest rates (NCUA, 2015b), these data generate good estimates of the benefits that credit unions provide to their members compared to the alternative of using stock-owned commercial banks or thrifts (CUNA, 2014a and multiple years; Dopico, 2014).

Before we get to deposits, let's talk about loans. Figure 4 shows the difference in interest rates between consumer loans at commercial banks and credit unions in the United States during 2000-2013.

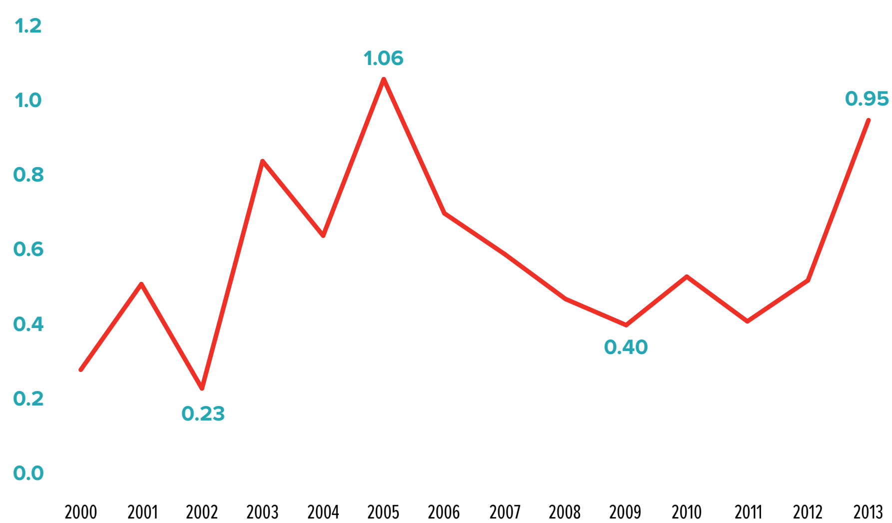
We computed these differences combining:

- Interest rates reported in the NCUA 5300 call reports by each credit union across various key loan types (credit cards, other unsecured loans, new auto, used auto, first mortgages, and other real estate)
- Annual national averages for commercial banks for each loan type
- Volumes of these loan types at each credit union.

Positive values show that commercial banks charged higher interest rates on loans than credit unions. And Figure 4 highlights that credit unions have consistently offered more consumer-friendly interest rates on loans than stock-owned commercial banks, thus benefiting credit union borrowers. These differences have ranged from as low as 0.23% in 2002 to as high as 1.06% in 2005, and averaged 0.58% during 2000-2013. These differences have also exhibited a cyclical behavior with banks increasing loan interest rates earlier and faster during periods when economy-wide interest rates are either climbing or expected to climb.

FIGURE 4

DIFFERENCE IN INTEREST RATES BETWEEN LOANS AT COMMERCIAL BANKS AND CREDIT UNIONS (%), 2000-2013



Sources: CUNA (2014 and multiple years), NCUA (2015a and b), and author's calculations.

As attractive as the lending analysis is, the benefits that credit unions provide to their individual borrowers is only useful for other cooperative members and may not serve as useful guides of the benefits that the cooperatives themselves would receive from credit unions.

In particular, many non-financial cooperatives already benefit from commercial borrowing from the financial cooperatives that they already own. These financial cooperatives typically deliver interest rate advantages to their member-borrowers, emanating from their similar cooperative structure, i.e., from not having to pay dividends to external stockholders, and from their federal income tax exemption.[xxvi] Moreover, the size of the interest rate advantage that credit unions deliver to their members on consumer loans may differ from the size of the interest rate advantage that any financial cooperative (whether a credit union or a non-credit union) would deliver on business loans.

Most cooperatives would still benefit from having a broader set of available lenders, including not only their traditional financial cooperatives and commercial banks, but also credit unions.

Again, we can't readily estimate interest rate-related benefits to non-financial cooperatives from credit unions charging lower interest rates than commercial banks. However, most non-financial cooperatives would still benefit from having a broader set of available lenders, including not only their traditional financial cooperatives (and commercial banks), but also credit unions. A broader selection of lenders might not be associated with the large average differences in interest rates charged by credit unions vs. commercial banks on consumer loans, but it could result in somewhat more advantageous interest rates, and in other less tangible benefits. These less tangible benefits might include (1) having readier access to loan officers that are more familiar with the cooperative structure, (2) that are geographically closer, and (3) possibly higher loan approval rates based on the local information that credit union loan officers have.

Our qualitative interviews uncovered a mixture of credit union familiarity with other cooperatives (see Chapter 5). While some credit unions do focus on cooperatives and take their unique structure into consideration in underwriting, some cooperatives complained that credit unions did not go out of their way to understand cooperatives' unique borrowing needs. That understanding is not automatic. And in many cases, credit union boards and senior leaders must make a conscious effort to seek out cooperatives.

While non-financial cooperatives would likely obtain many other benefits from increasing their collaboration with credit unions, in this brief we focus on the benefits of shifting their deposits from stock-owned commercial banks to credit unions. Anecdotal evidence indicates that most non-financial cooperatives place most of their deposits in stock-owned commercial banks, and thus could reap the advantages of the higher interest rates that credit unions consistently pay to their members.

Credit unions have consistently paid substantially higher interest rates on deposits than stock-owned commercial banks, thus benefiting their member savers.

Figure 5 presents the difference in interest rates between deposits at credit unions and commercial banks in the United States during 2000-2013. We computed these differences combining:

- Interest rates reported in the NCUA 5300 call reports by each credit union across various deposit types (share drafts [checking], regular shares [savings], money market shares [deposits], share certificates [certificates of deposit, CDs], and individual retirement accounts [IRAs])
- Annual national averages for commercial banks for each deposit type
- The volumes of these deposits types at each credit union.

Positive values imply that credit unions paid higher interest rates on deposits than commercial banks. And the figure highlights that credit unions have consistently paid substantially higher interest rates on deposits than stock-owned commercial banks, thus benefiting their member savers. These differences have ranged from as low as 0.28% in 2013 to as high as 0.90% in 2007, and averaged 0.58% during 2000-2013 (which, coincidentally, is the same average as that for the differences in loan interest rates). These differences have also exhibited a cyclical behavior, shrinking during periods when economy-wide interest rates (or margins) are falling or are low.

Over a ten-year period, non-financial cooperatives could earn $2.2 B more at credit unions than if they kept those deposits at commercial banks.

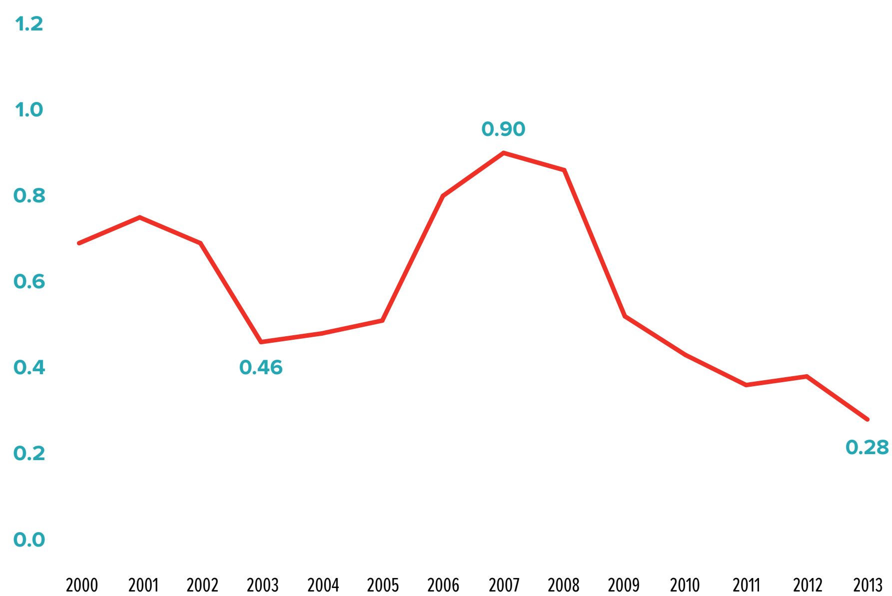
Past differences between interest rates in deposits at credit unions and commercial banks do not, of course, provide precise guidelines for future short-term or long-term patterns. However, few expect the current pattern of historically low interest rates to continue indefinitely. Since we cannot predict the precise timing and pace of likely upcoming interest rate increases, in this brief we forgo one-year estimates that might or might not apply in 2015, 2016, or even 2017. Instead, we focus on long-term effects, assuming that using longer periods may minimize (or average out) the impacts of short-term business fluctuations. Thus, we assume that recent long-term patterns (i.e., credit unions having paid interest rates on deposits that were 0.58% higher than commercial banks during 2000-2013) are likely the most adequate guide, available to us, for future long-term patterns.

Long-term deposit rate patterns show that credit unions pay interest rates on deposits that were 0.58% higher than commercial banks during 2000-2013.

Thus, should non-financial cooperatives switch 50% of their deposits, or $37.5 B, from commercial banks to credit unions, we anticipate that credit unions would deliver interest rate advantages that, over the next ten years, would average about 0.58%. Over a ten-year period, non-financial cooperatives would earn $2.2 B more than if they kept those deposits at commercial banks ($2.2 B = 10 years * $37.5 B * 0.58% per year).

FIGURE 5

DIFFERENCE IN INTEREST RATES BETWEEN DEPOSITS AT CREDIT UNIONS AND COMMERCIAL BANKS (%), 2000-2013



Sources: CUNA (2014 and multiple years), NCUA (2015a and b), and author's calculations.

Other Cooperation among Cooperatives

Beyond interest rate advantages, there are many other potential benefits of increased cross sector cooperative collaboration, many of which are far more challenging to quantify. Earlier literature has focused on presenting possible avenues for cross sector cooperative collaboration and on providing actual, successful examples (CUNA, 2012; Rapport, 2014). In this section, we briefly highlight key points in this earlier literature and add some examples of our own. For instance, CUNA's Cooperative Alliances Committee "Guide on How Credit Unions Can Improve their Interactions with Cooperatives from other Sectors" recommends that credit unions:

- Host a networking event at your credit union, inviting area cooperative leaders to meet and collaborate
- Invite other local cooperative leaders to speak at your credit union's annual meeting
- Assign a staff member as your credit union's cooperative liaison, responsible for cultivating partnerships
- Recruit board members that have cooperative experience
- Schedule an employee training day that focuses on the seven cooperative principles (see, CUNA, 2015a) and how they're demonstrated at your credit union
- Remind employees that they're part of the cooperative movement – something bigger, something different
- Frame your credit union's strategic plan using the seven cooperative principles
- Focus your member business lending on the cooperative community
- Educate high school and/or college students about cooperatives to perpetuate the cooperative business model
- Participate in the National Credit Union Foundation's Development Educator training

Figure 6 presents some examples of cross sector cooperative collaboration that have been highlighted recently in other industry or media reports. These examples include:

- Co-branded, or affinity, credit cards. For instance, a percentage of purchases may be dedicated to cooperative educational or charitable purposes (Mehnert, 2007; CUNA, 2012; Rapport, 2014).

- Hosting credit union branches in non-financial cooperatives and sharing space for occasional events such as meetings, training, and financial seminars (Mehnert, 2007; CUNA, 2012).
- Explicitly including the members of non-financial cooperatives as select groups in the field of membership of credit unions without community charters. Some credit unions such as Spire FCU (formerly Twin Cities Cooperative Credit Union) and Lower East Side People's FCU were chartered specifically to serve cooperatives and non-profits (see sidebars below).
- Cross-marketing efforts ranging from (1) special promotions for members of one type of cooperative that join other cooperatives to (2) cross-promotion in social media (Mehnert, 2007; Passman, 2013).
- Hosting, participating in, and launching formal and informal events (e.g., conferences, Co-opaloozas), think tanks, and local associations (1) to exchange ideas, (2) explore joint business opportunities, (3) develop joint educational initiatives, (4) jointly engage policy makers, etc.
- Partnering with the National Cooperative Bank for larger loans to larger cooperatives (NCB, 2013).

FIGURE 6

EXAMPLES OF COLLABORATION BETWEEN CREDIT UNIONS AND OTHER COOPERATIVES

Credit Union (1)	City, state (2)	Partnering cooperatives (3)	Notes (4)
ASI FCO	Harahan, LA	New Orleans Food Co-op	Loans to the co-op (post-Katrina)
Brewery CU	Milwaukee, WI	Outpost Natural Food Co-op	Co-branded credit card, branch in co-op's building
Lower East Side People's FCU	New York, NY	Housing co-ops in NY	Loans to co-ops and to their members
Northeast Family CU	Manchester, CT	Willimantic Food Co-op	Co-op members specifically included in CU FOM
Park View FCO	Harrisonburg, VA	Friendly City Food Co-op	Co-op members specifically included in CU FOM
Self-Help CU	Durham, NC	Weaver Street Market (food co-op)	Loans to the co-op
Spire CU	Falcon Heights, MN	Wedge Community Co-op Valley Natural Food Co-op Seward Co-op	Co-branded credit cards
Summit CU	Madison, WI	Willy Street Co-op	Loans to the co-op
University FCU	Austin, TX	Inter Cooperative Council (housing co-op)	Refinanced coop loan
Robbins FCU	Warner Robins, GA	Flint Energies	Loans to co-op members for home energy improvements
102 Iowa credit unions	Iowa	National Cooperative Bank	Correspondent bank services
Alaska USA FCU	Anchorage, AL	National Cooperative Bank	Co-financed loans to co-ops

Sources: Brookner (2012), CUNA (2012 and 2013), Mehnert (2007), NCB (2013), Rapport (2014).
Note: The top examples (presented in alphabetical order) involve collaboration between credit unions and non-financial cooperatives. The bottom examples, below a solid line, involve collaboration between credit unions and another financial cooperative, the National Cooperative Bank, which (1) unlike other non-credit union financial cooperatives may accept deposits and (2) has stepped in as an alternative as some corporate credit unions retrench some of their services to credit unions.

Unplugged

Sometimes even obvious opportunities between cooperatives and credit unions don't pan out.

Flint Energies, a rural electric cooperative serving central Georgia, wanted a simple way to help its own members finance energy efficiency upgrades for their homes. If members made small changes like sealing air leaks and upgrading windows, it could have a huge impact on their energy usage. But upgrading isn't free and the utility didn't want to finance the loans itself.

Jimmy Autry, an SVP at Flint, had successfully run on-bill financing credit union campaigns at a previous job in North Carolina. The utility would offer the efficiency upgrade financing right on the bill and members could either call the credit union or the utility to get the process started. Payback was as simple as rolling the payment into the monthly utility bill.

So after a statewide discussion among Georgia utilities about how to finance these improvements, Autry went back to his playbook and called Robins FCU, a $2.0B credit union with a similar service area as Flint. It was a simple proposition: Utility customers could borrow up to $7,500 and get a reasonable payment attached to their regular bill.

Only about 50 loans came of the two-year program. While the loans performed well, the skimpy volume meant the program wasn't attractive enough for Flint or Robins to pursue further. Why didn't demand materialize? "Today people are using home equity and cash," Autry says. "Our last rate with Robins was 5.89%. Better than a credit card but not as attractive as a HELOC," he adds.

The on-bill financing wasn't the cooperatives' first try, either. In 1998 when Flint was looking for novel opportunities, it floated the idea of co-locating with the credit union. Why not take advantage of the overlapping footprint and place Flint employees inside Robins branches? The utility could save a lot of money, and the credit union could gain a new revenue stream from rent.

The credit union and the utility both loved the idea, Autry says, but ran into snags when NCUA got skittish about having unrelated services and the perception of commingled funds under the same roof. The idea died, and Flint built service centers out of its own capital.

Flint Energies is a capital-intensive business. Autry's capital budget is $100M over the next two years, $40M this year alone. Despite an inclination to cooperate, those borrowing figures are too big even for a large credit union like Robins. Flint does its borrowing through the National Rural Utilities Cooperative Finance Corporation and CoBank, both of which are used to underwriting and serving cooperative businesses.

Spire FCU's Cooperative Grocery Niche

Spire FCU ($778M) tucked between Minneapolis and St. Paul sees cooperative grocery partnerships as opportunities to reach more potential members. Spire ATMs dot the premises. One cooperative is a

SEG of the credit union, and those members get deals on Spire products: $85 for opening a checking account, discounts on loans, and a co-op gift certificate to cardholders who open new accounts.

Spire partners with four different grocery co-ops and has issued 305 co-branded credit cards – about 3% of its credit card accounts. Those co-branded cards carry about $500,000 in revolving balances. The credit union shares a portion of its interchange income with those co-ops every month. "I have small food co-ops that call us and say, 'We know you partner with food co-ops, what can you give us?'" says Kellie Eaton, vice president of corporate and member services.

What hasn't worked? The credit union finds that, even with the partnership tie-ins, grocery cooperative members are less likely than the general public to want a credit card, making it harder to cross sell those cards.

Financing challenges

Spire's business lending portfolio is $43 million, $3 million of it from cooperatives mostly for buildings but also for operating lines of credit and equipment. The credit union's pricing is usually a full percentage point better than market on loans, and Spire hangs its hat on relationships and service. "We're a cooperative, and our mission is to improve members' lives and to improve the community," Eaton says. "When you can invest to partner with cooperatives, you get both."

"Commercial lending to a cooperative is more challenging. You don't have anybody to personally guarantee, so your risk is higher," says Cliff Wantz, Spire's VP of business services. "The cash flow model is different than at a commercial enterprise."

That means that Spire has to underwrite differently, Wantz says. "We want to make sure they have enough cash flow to support their operations and pay the loan. [But] there's not a residual cash flow type of requirement," he says.

Of all lenders, credit unions should be most sympathetic to the needs of cooperatives. "The operative cash flow statement is very different. You have different restricted assets and temporarily restricted assets," Wantz says. But those nuances mean cooperatives are often just as strong or stronger than other firms and Spire's approval rates on commercial loans to cooperatives are similar to approvals to non-co-ops.

While lending is at the top of Spire's wish list, the credit union knows that those relationships are stronger with deposit strings attached. The problem: grocery cooperatives have complex deposit needs. So Spire compartmentalizes the deposit services it offers.

Grocery stores deal with high transaction volumes, so they need services like sophisticated cash management, the ability to approve wire transfers directly from their computer, and even to manage payroll remotely. Spire doesn't offer those services, but it does get its borrowers to put excess cash in its CDs and money market accounts, which offer better-than-average rates.

Distant Cousins

Sometimes credit unions and cooperatives just can't come together, despite their family ties. "I know there's restrictions for small business loans, but we couldn't get any money from a credit union, so we don't use a credit union," says Dana Curtis, business team leader at Black Star Co-op Pub and Brewery in Austin, Texas. "They've never given a loan to a co-op."

Austin is the kind of town where cooperatives find fertile ground. Consumers are enthusiastic about economic cooperation, and they're enthusiastic about beer. After raising $500,000 from member owners, the brew pub opened its doors in 2010. It has since grown to 3,300 consumer members and 19 worker members, with 2014 revenue of $2.1 million. Part of that growth comes on the strength of attractive dividends on investment shares. Members who bought early shares in the co-op receive an annual dividend determined by the board. In 2013, the board paid 5% on $641,700 in member investor shares. The payout rose to 6% in 2014. The cooperative recently delayed a patronage dividend because it wants to use capital to open a second location.

Curtis and Black Star are active in Cooperation Texas, a non-profit that promotes worker cooperatives; the Austin Cooperative Business Association; and other sharing economy initiatives. Seeking to strengthen ties between cooperatives and credit unions, Black Star even helped field a survey to determine how many of its and other cooperatives' members banked with credit unions.

"On a theoretical level, I love credit unions. But for my business I use a bank, and I love them," Curtis says. "They're good at working with us. They gave us an equipment loan; we really needed that. It was a $125K and that was really risky. They were willing to take a risk on us." One of the stipulations for that loan was that Black Star had to move its checking account to the lending bank. It was a no-brainer. "When we needed $50K, we got it," she says.

Why not credit unions? Those same business loans wouldn't have come from a credit union, Curtis says. "When people get together and they want to start a cooperative business, one of the barriers is having a personal guarantor," she says. None of the credit unions she has approached has been willing to work around that. Local credit unions have also been slow to partner with other cooperatives, through the local cooperative council or otherwise, Curtis says. "I'm more likely to go to other cooperative lenders than I am to our credit union," she adds.

The personal guarantee is tricky, but not insurmountable. Curtis suggests a different workaround: "Say we wanted to get a really large loan. We have a big base of members. Most of them are … double income, no kids. Instead of having to have a personal guarantor, what if we got our members to open a CD at the credit union and make that the guarantor?"

Cooperative Housing

Sometimes the cooperative is the lifeblood of the credit union. Lower East Side People's Federal Credit Union ($45 million) serves low-income housing cooperatives in New York City. When the city takes over a residential property via tax lien, they will often turn the building into a cooperative and return it to the tenants. After the transition, the buildings and their units are resale-restricted for 25 years, which makes lending to them unattractive for regular banks, says Lower East Side People's CEO Linda Levy. "We're the only lenders to these buildings, because they can't go to a regular bank. These mortgages can't be sold on the secondary market," she says.

The credit union has $11.3 million in outstanding loans to the co-op buildings themselves and $16 million in 200 mortgages to individual shareholders. Because the value of the units is capped under the City's regulations, families typically need to borrow $40,000 to $50,000 to buy in. Once they occupy the unit they can get a second mortgage for things like education and home improvement, Levy says. Those second mortgages average $86,000.

These are nontraditional notes, but the risk is very low, Levy says. The credit union has never charged off or foreclosed on a building loan, and only one building ever needed to rewrite its loan because of delinquency. Building loans are 15-year balloon mortgages, classified as MBLs secured by real estate. The most popular term for a shareholder mortgage is a 10/1 ARM with rates that are similar to conforming loans.

Credit unions are not allowed to lend to cooperatives unless they get a waiver from the MBL personal guarantee requirement from NCUA, Levy says. And although the niche is small, it's attractive. Lower East Side People's frequently participates its loans to other credit unions in amounts for less than $50,000 so they don't need their own waiver.

Summary and Implications

Cooperatives play key roles in the lives of their many members and in several key sectors of the U.S. economy. In 2014, cooperatives' assets in the United States totaled $1,754 billion (B) including (1) $346 B in non-financial cooperatives; (2) $1,126 B in credit unions, and (3) $282 B in other financial cooperatives that were owned, at least in part, by non-financial cooperatives. Cooperatives still represent a small fraction of the U.S. economy, but utilities (with $149 B in assets) and farm-related co-ops ($83 B) are, by far, the largest non-financial cooperative sectors. However, in recent years cooperatives' assets, and perhaps Americans' interest in them, have grown markedly faster than the U.S. economy or households' non-stock assets.

While non-credit union financial cooperatives provide very valuable services, non-financial cooperatives would benefit from broadening their potential sources of banking services to include credit unions. Credit unions are a natural destination for cooperatives, and especially for their deposits.

We estimate that non-financial cooperatives have about $75 B in investable assets such as deposits and securities, and owe about $100 B in loans. Cooperatives could switch large fractions of these to credit unions, especially the 35% of credit unions that have community fields of membership (FOM). Many credit unions without community FOMs may also be able to accept cooperatives as members through memberships in select groups.

During 2000-2013, credit unions on average paid their members interest rates on deposits that were 0.58% higher than those paid by commercial banks. Should they switch 50% of their deposits ($37.5 B) from commercial banks to credit unions, over the next ten years cooperatives could earn $2.2 B more in interest.

Beyond the quantifiable interest-rate benefits that cooperatives could obtain from shifting deposits, investments, and loans to credit unions, cooperatives would benefit from obtaining financial services from a broader range of participants in financial markets. In particular, many smaller and rural cooperatives could benefit from developing long-term relationships with credit unions with nearby offices. Examples of cross sector cooperative collaboration are many, and include cross-promoting membership, locating credit union branches and ATMs in non-financial cooperatives, and cross-marketing initiatives such as co-branded credit cards.

Commonly Used Abbreviations

B	Billion
CDCU	Community development credit union
CDFI	Community development financial institution
CUNA	Credit Union National Association
FCU	Federal Credit Union
FHLB	Federal Home Loan Bank
FOM	Field of membership
LID	Low-income designated
M	Million
NCUA	National Credit Union Administration
USC	United States Code
UWCC	University of Wisconsin Center for Cooperatives

Endnotes

[i] Unlike UWCC (2009), we do not include in this total the assets in stock-owned commercial bank-centric Federal Home Loan Banks or those in mutual insurance companies.

[ii] Credit unions are financial cooperatives. In 12 United States Code (U.S.C.) section 1752(1), the Federal Credit Union (FCU) Act defines a federal credit unions as a "cooperative association organized ... for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes." (The FCU Act of 1934 was last revised in April 2013).

[iii] UWCC (2009) explains that determining what could or should be counted as part the cooperative sector is complex. Moreover, no single government agency collects consistent, detailed data across cooperatives or, even, clearly identifies entities as cooperatives or not cooperatives.

[iv] UWCC (2009) provides a total for other financial cooperatives, but does not break it down. We obtain values for those components from other sources (all data for 2009), with their sum slightly exceeding the value in UWCC (2009) in part because of the dating conventions used across sources do not match exactly.

[v] The Federal Home Loan Banks also service stock-owned thrifts, mutual thrifts, and (cooperative) credit unions.

[vi] In 2014, and following the financial crisis, there were 15 corporate credit unions with $19 B in assets (CUNA, 2014b).

[vii] The Farm Credit System lends, among others, to farm-related cooperatives, to rural utility cooperatives, and to individual farmers, i.e., not only to borrowers organized under cooperative structures.

[viii] According to the Bureau of Labor Statistics' Consumer Price Index, consumer inflation has been historically low in recent years, averaging 1.6% annually during 2009-2014, for a cumulative increase in the consumer price level of 10% (BLS, 2015).

[ix] While many individual consumers, farmers, and workers choose cooperatives, cooperatives account for relatively small percentages of the U.S. economy. For perspective, the (stock-owned) companies in the S&P 500 index recently had about $13 trillion in assets (McGraw Hill Financial, 2015) and commercial banks and savings institutions had about $15 trillion in assets (FDIC, 2014). We computed assets in S&P 500 companies based on total market capitalization of $18,739 B, a price to book (or market capitalization to book value of equity) ratio of 2.9, and the recent book value of equity (and coincidentally debt) to assets of about 50% (J.P. Morgan, 2015).

[x] The USDA releases the most consistent, readily-comparable, long-term data series for any non-financial subgroups of cooperatives.

[xi] The sources and methodologies for 2009 and 2014 are not directly comparable. Thus, one should exercise caution computing and analyzing growth rates comparing the values across columns 2 and 3. For instance, we report UWCC's (2009) value of $44 B for farm-related cooperatives, while USDA (2014) reports values of $61 B in 2009 (not included in Figure 2) and of $83 B in 2013 (included in Figure 2).

[xii] These cooperatives includes ones focusing on bio-fuels, arts, crafts, other retail activities, and other services.

[xiii] These cooperatives include ones focusing on healthcare, childcare, transportation, and education.

[xiv] UWCC reports that reliable, consistent data on housing cooperatives is extremely limited, with many cooperatives potentially not having been identified, many not responding to their survey, and respondents and property records yielding inconsistent data on which assets associated with housing cooperatives were cooperatively or individually owned (common areas vs. living spaces, etc.).

[xv] We compute total assets in 2009 as the difference between the assets in all cooperatives and in financial cooperatives. That total includes estimates for cooperatives not reporting to UWCC, while the data for cooperative subsectors includes data only for reporting credit unions.

[xvi] In 12 U.S.C. section 1759(a), the FCU Act states that a "credit union membership shall consist of … and such other persons and incorporated and unincorporated organizations."

xvii In section 1759(b)(3), the Act further provides for community credit union membership fields defined as "persons or organizations within a well-defined local community, neighborhood, or rural district."

xviii "MBL Waiver Process May Change," Credit Union Times, Jan. 9, 2015.

xix 12 U.S.C. section 1757a (2)(b)(2).

xx 12 U.S.C. section 1757(6).

xxi A very large majority (84%) of, but not all, CDFI credit unions are LIDs.

xxii Quantifying all the possible impacts or benefits from increased cross sector cooperative collaboration would be an extremely difficult task. Some impacts would be felt more clearly by non-financial cooperatives and might be more readily estimated. Chapter 4 estimates the additional interest that non-financial cooperatives may earn from shifting deposits from commercial banks to credit unions.

xxiii USDA (2014) highlights some of the variety in asset liability structures across different types of farm-related cooperatives and across asset sizes.

xxiv While providing less detail across asset and liability subtypes, UWCC (2014) and USDA (2014) provide general breakdowns of assets (e.g., current vs. fixed) and liabilities (e.g., current vs. long-term) for each of electricity, farm, and grocery cooperatives. Their data are generally consistent with, and thus help to buttress, our generalizations from grocery cooperatives to the aggregate for all non-financial cooperatives.

xxv 12 U.S.C. section 1757a.

xxvi To the extent that non-financial cooperatives are currently borrowing from financial cooperatives, the non-financial cooperatives are already receiving the benefits of borrowing from a cooperative structure. To the extent that non-financial cooperatives are currently borrowing from stock-owned commercial banks and thrifts, non-financial cooperatives could receive gains from switching their borrowing to credit unions. Unfortunately, data on the sources of borrowing for non-financial cooperatives (from financial cooperatives vs. from commercial banks vs. from credit unions) is not publicly or readily available either for individual non-financial cooperatives, or in the aggregate.

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List of Figures

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Luis G. Dopico is a consultant for Macrometrix in High Point, North Carolina, and a frequent researcher with the Filene Research Institute. He earned a BA in economics and mathematics from the University of Southern Mississippi and a PhD in economics from Auburn University in Alabama. His ongoing research spans many areas including capital regulation, deposit insurance, and charter conversions, as well as macroeconomic conditions, housing, and consumer finance. His past research has also addressed economies of scale, mergers, small business lending, and securitization markets. He has performed research for the Credit Union National Association, the National Association for Business Economics, Moody's, Mellon Capital Management, PricewaterhouseCoopers of Argentina, the Small Business Administration, the Federal Reserve, and many individual credit unions.

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Ben wrestles economic, consumer behavior, management, and policy questions through Filene Research Institute's research pipeline. Sometimes Ben wins. Sometimes the research wins. As the nonprofit's research director, he speaks widely on credit union topics and has authored nearly twenty Filene reports, on topics as divergent as young adult financial behavior, service channel delivery, noninterest income, and co-operative management. Ben served previously as director of Filene's CU Tomorrow project. Before coming to the nonprofit, he was a Congressional reporter in Washington, D.C., editor of *The CEO Report* and chairman of the National Directors' Convention. Ben has been cited broadly, including in *CNBC*, the *Wall Street Journal*, *Credit Union Journal*, *Credit Union Times*, and *American Banker*. Ben holds a master's degree in Journalism from Northwestern University and a BA from Brigham Young University. He and his family reside in Madison, Wisconsin.

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