

Eva Holbrook

English 1010

MW James Hirst

### Annotated Bibliography

Banks and Credit Unions are just two of the financial options available to consumers, and they compete intently for customers. But in the end, is one type of financial institution that much better than the other? While both banks and credit unions offer a similar range of services, credit unions are better because they are stable, nonprofit organizations that care about people.

Augstums, Ieva M. "Banks, Credit Unions Go Fishing: Who'll Land You?." *Dallas Morning News (Dallas, TX)*. Oct. 4 2004: n.p. *SIRS Issues Researcher*. Web. 15 Apr 2012.

Ieva M Augstums wrote this article when she was working for the Associated Press in 2004. In the article she clearly states her point by asking the question; “.. Is one type of financial institution that much better than the other?” She then goes to describe both the pros and cons of Banks and Credit Unions. It is a very level article, with no opinion on which is better.

Ieva M Augstums is a credible source because she has more than a decade of experience in business journalism and strategic communications, specializing in the financial sector. She once served as a director of corporate communications at the Securities Industry and Financial Markets Association (SIFMA) in Washington, D.C. She

also worked at the Associated Press, where she provided coverage and analysis of the run-up to the financial crisis. She has several articles released from the Associate Press on the financial crisis, and regulatory reform development and implementation. Ieva holds two degrees in Journalism and English from the University of Nebraska-Lincoln.

The following quotes may be used:

- Banks and Credit Unions compete intently for customers. But in the end, is one type of financial institution that much better than the other? Not really experts say. As credit unions try to be more full-service and banks try to be more customer-friendly, differences are narrowing. At both institutions, you can get anything from car loans to mortgages to basic checking and savings accounts.
- Credit Unions are cooperatives owned by the members they serve. In essence, members pool their money and make loans to one another. There are membership restrictions, such as working for specific employers or living in a certain county. This keeps Credit Unions relatively small.
- The primary function of banks, on the other hand, is to earn profit for their owners. They can grow about as large as they want, if the banks' leaders think it is a good business decision.
- Credit Unions are nonprofit institutions, so they pay no corporate income taxes. For that reason, Credit Unions are generally able to offer better interest rates on loan and deposits than banks.
- Some people may prefer a package of services offered by a big bank. Those who have a lot of business transactions or are of great means may

be better off at a bank, while someone building credit for the first time might benefit from a credit union membership.

- But more branches do not necessarily mean better customer service. Many customers complain about the service they get at large banks, which can give the impression you are known not by your name, but by your account number.

Falstad, Jan. "Banks Battle Credit Unions." *Billings Gazette (Billings, MT)*. Feb. 9 1997: D1+. *SIRS Issues Researcher*. Web. 15 Apr 2012.

Award-winning business reporter Jan Falstad started working at The Billings Gazette in 1996 and has been the newspaper's business editor and reporter for 14 years. She started her journalism career in Minneapolis/St. Paul as a statehouse political reporter and has worked in print, radio and TV, including co-producing three national TV documentaries.

"The nation's banks are recording record profits for the fifth straight year, earning \$49 billion for 1995 on assets of \$4.4 trillion. For their part in 1995, credit unions nationwide reported profits of \$3.6 billion on assets of \$334 million after paying dividends to members. So why are these two well-heeled financial institutions fighting each other, and why should consumers care?" (BILLINGS GAZETTE) The issues raised in lawsuits filed by banks and credit unions against each other are described. Statistics and facts about banks and credit unions are presented.

The following quotes may be used:

- Banks claim credit unions are ignoring their 63-year-old federal charter and

- admitting almost anybody as members.
- Banks claim credit unions are growing faster than banks are and have an unfair advantage because, as nonprofits, credit unions don't have to pay federal or state income taxes.
  - Credit unions claim that the banking industry, despite making record profits, is out to force them out of business by cutting off membership growth.
  - The arguments, decades old by now, boiled over in 1990 when the banks sued the credit unions in federal court.
  - Credit unions were set up in 1934 by the Federal Credit Union Act to offer financial services to people "of small means."
  - Credit unions were cooperatives often based around a single company or similar jobs whose members shared resources to make loans to each other. As nonprofits, credit unions paid no federal or state income taxes.
  - Credit unions claim they were losing 4,400 new customers a day or 1.4 million people a year because of a lawsuit by the banking industry.

Gogoi, Pallavi. "More Bank Customers Think Small These Days." *USA TODAY*. 22 Dec 2008: B.1. *SIRS Issues Researcher*. Web. 15 Apr 2012.

Pallavi Gogoi covers banks and consumer finance. She is a prize-winning journalist who has written for USA TODAY, BusinessWeek, The Wall Street Journal and Dow Jones. Prior to that, she wrote for BusinessWeek for eight years, covering among other things consumers and retail. In 2008 and 2007, Pallavi won a "best feature" and "best continuing coverage" award and from The New York Press Club for her coverage of the meat cloning movement and her stories on Wal-Mart. In 2007, she also won a

"Front Page" award from the Newswomen's Club of New York.

"This year's [2008] financial chaos hit its peak in September when investment bank Lehman Bros. collapsed, the government seized insurance giant American International Group, Washington Mutual became the largest bank failure in U.S. history, and an ailing Wachovia was acquired by Wells Fargo. But as the top tier of the financial services industry faltered, small and regional banks, as well as credit unions, started seeing their cash deposits rise dramatically as nervous Americans shied away from big banks." (USA Today) This article explores how consumers, fearful that large banks will fail, are moving their money to small and regional banks. Other reasons for the increase are also addressed.

The following quotes may be used:

- Of course, given that the Federal Deposit Insurance Corp. has decided to insure deposits up to \$250,000 from \$100,000 previously, it's not as if many people will lose their deposits. Rather, the fears on Main Street reflect how shaken the public has become from the financial turmoil. And the government's efforts to save the financial system from collapse by investing in some of the country's largest banks have only spooked Americans further.
- Smaller banks also have most of their loans secured by real assets such as property, equipment, receivables and even personal guarantees from senior management, which makes for better loan recovery in case of failure. So these banks have had less than half the rate of charge-offs in the last 15 years, compared with their larger, undercapitalized counterparts.

- People all around the USA have lost trust and are flailing around looking for security.
- 2008 Bank Failures by Size; Washington Mutual Seattle \$307 billion

Schenk, Mike. "Commercial Banks and Credit Unions." September 2009. Web. 15 April 2012. <[http://www.cuna.org/advice/download/combanks\\_cus.pdf](http://www.cuna.org/advice/download/combanks_cus.pdf)>.

This report was published to the Credit Union National Associations website in 2009. It uses Logos mostly in the form of facts, statistics, charts and graphs.

The source is credible because the writer is Mike Schenk, the Vice President of economics and statistics for the Credit Union National Association (CUNA). He is an expert in the field of economics and credit union issues because he has more than 25 years of experience in the financial services industry. He also has a bachelor's degree in economics from St. Mary's College of Minnesota and a Master of Business Administration degree in finance from DePaul University, with a concentration in banking and financial intermediation. Other of his analyses also regularly appears in publications such as CUNA's Credit Union Magazine and Credit Union Executive.

The following quotes may be used:

- As of September 2009 banking institutions held nearly fifteen times more assets than credit unions (\$13.4 trillion vs. \$885 billion). Each of the nation's four largest banking entities are larger than the entire credit union movement.
- The average banking institution is fourteen times larger than the average credit union (\$1.6 billion vs. \$115 million in assets).

- ...it took 100 years for credit unions to grow to a total of \$885 billion in assets. In contrast, U.S. banking institution assets grew by a similar amount (\$986 billion) in the past 39 months.
- Overall, three banking institutions (J.P. Morgan Chase, Bank of America, and Citibank) are larger than the entire credit union industry. Each of these banking behemoths controls total assets exceeding \$1.2 trillion.
- But credit unions are lending as banking institutions pull back. Consumers and business claim that they are unable to obtain loans from their banks but credit unions are filling this void. Overall, credit union loans grew by almost 3% in the year ending September 2009, whereas bank loan portfolios declined by over 7%.
- The [main] contributors to poor bank performance seem to be (in no particular order) fraud, mismanagement, nepotism, overly aggressive expansion, too many big branches, bad pricing decisions (on either side of the balance sheet), too much credit risk (i.e., overly-aggressive lending decisions), weak ALM, misguided investment decisions, bad service, and lack of synergy in mergers. This, as most bank consultants will tell you, is not an exhaustive list.
- If bankers really believed that credit unions had unfair competitive advantages they would convert their institutions to credit union charters. None do this however because doing so would expose them to democratic ownership and control, would likely cause banker salaries to decline dramatically, and would force these institutions to adhere to a more

restrictive regulatory regime, including higher capital standards.

- ...Credit union presence in the marketplace makes bank pricing more consumer-friendly than it otherwise would be. The benefit this moderating influence has on bank customer pricing is estimated by CUNA to total \$5 billion in the year ending September 2009.

Serju-Harris, Tricia, and Lynn Waldsmith. "Supreme Court Sides with Banks in Credit Union Dispute." *Detroit News (Detroit, MI)*. Feb. 25 1998: n.p. *SIRS Issues Researcher*. Web. 15 Apr 2012.

Tricia Serju-Harris was a personal finance reporter for the Detroit News. I was unable to find her career history. She has written other articles pertaining to black women/white men relationships and the game industry.

Lynn Waldsmith is a English and Journalism teacher at Mercy High School in Farmington Hills, MI. Graduated from Michigan State with a degree in Journalism. Worked for The Detroit News for 7 years as a reporter. Eventually realized she loved teaching so she went back to school to get her teaching certification.

"Fewer Americans will be able to join credit unions, a traditional source of low-cost loans, following a Supreme Court ruling Wednesday [Feb. 25, 1998]. In a 5-4 opinion, the court struck down National Credit Union Administration (NCUA) rules that allowed thousands of federally chartered credit unions to expand their membership over the past 15 years." (DETROIT NEWS) This article describes the debate between credit unions and banks and discusses the ruling's effect on consumers.

The following quotes may be used:

- Credit unions offer many of the same consumer services as banks but often can make better deals on loans and savings rates because they don't pay federal taxes.
- "A lot of people benefit from credit unions even if they don't join (A credit union) puts a limit on what banks can charge."
- "Certainly credit unions have value, but if they go beyond their common bond and want to operate like a full-service bank without limitations, then they should be subject to the same regulations and taxes as any other financial organization. It should be on an even playing field."

"What is the credit union difference?" 2012. Web. April 22 2012.

<[http://www.cuna.org/gov\\_affairs/legislative/cu\\_difference.html](http://www.cuna.org/gov_affairs/legislative/cu_difference.html)>

The following is a direct quote from the website. I just wanted to use the phrase, "people helping people."

***Social Purpose: People Helping People.*** Credit unions exist to help people, not make a profit. Our goal is to serve all of our members well, including those of modest means - every member counts. Our members are fiercely loyal for this reason. They know their credit union will be there for them in bad times, as well as good. The same people-first philosophy causes credit unions and our employees to get involved in community charitable activities and worthwhile causes - just ask us.