Searching for the Public Benefit in Oregon’s Largest Credit Unions

What actions support nonprofit status?

January 2015

This report is a sequel to the 2013 report entitled, “Oregon’s Credit Unions: Growing, Consolidating, and Often Indistinguishable from Commercial Banks” www.oregoncreditunionfacts.com. The 2013 report demonstrated that large multi-branch, full-service Oregon credit unions had grown to be mainstream federally-insured financial institutions that were indistinguishable from commercial banks either by the products they provided or whom they served. Regardless of whether or not their tax-subsidized operations and separate regulatory treatment are factors, bank-like credit unions continue to grow and compete in the Oregon marketplace.

For decades, the credit union tax exemption was granted so that workers could pool financial resources for their mutual benefit. It was explicitly focused on individuals of “modest means.” Unlike some credit unions, which remain committed to the traditional model of serving a specific class of members (customers), Oregon’s largest credit unions no longer focus on employees of a particular business, industry sector, or income level. They are essentially available to anybody in the state, regardless of where they work or how much money they make. This has led to a strategic focus on expanding membership in regions with a higher concentration of wealth, providing more services to upper-income individuals, and expanding into business lending. In turn, this has led to a marketplace in which fewer, larger credit unions are the dominant players.

“Oregon’s largest credit unions no longer focus on employees of a particular business, industry sector, or income level.”

The fact that Oregon credit unions are growing, consolidating, and having a positive economic impact on Oregon communities is self-evident and indisputable based on data.

This report explores a different question: what public benefit is Oregon’s credit union industry performing in exchange for its tax subsidy? Surely it can’t be economic benefit alone or every tax-paying business in the state — whether they’re a financial institution or not — would be lining up for a tax exemption. And it can’t be anecdotal evidence of community involvement. Again, nearly every tax-paying business actively supports community nonprofit organizations with financial resources or staff volunteers. Economic benefit and community involvement are impacts nearly every tax-paying business considers a priority.

So, what is the right criteria to use when evaluating the public benefit of Oregon’s credit unions? From a policy standpoint, it’s difficult to imagine that lawmakers intend to provide subsidized financial services to higher-income individuals or businesses. Even Oregon’s largest credit unions describe themselves as “nonprofits,” which suggests a mission that supports lower-income or underserved populations over the profit motive. So, this report seeks to identify the activities of Oregon’s largest credit unions as they apply to prioritizing resources toward serving lower-income populations. In short, it seeks to enumerate a public benefit that justifies the credit union industry’s nonprofit status.

Although there are some credit unions in the United States that specialize in providing services to low-income individuals, or what some would call underserved populations in distressed communities, most credit unions, including most of those in Oregon, do not. Just like Oregon banks, most Oregon credit unions serve a broad range of people from all walks of life who have a wide range of household incomes. This report presents regulatory information, credit union statistics, credit union membership eligibility descriptions, and comparative logic to dispute the prevailing conventional wisdom about credit unions. Historically the industry's service to low-income individuals and those of modest means have been used by credit union advocates to justify special tax exemptions and separate regulatory treatment.

The burden of demonstrating the need for credit unions to continue receiving special tax exemptions and separate regulatory treatment falls on Oregon credit unions, and indirectly falls on their government supervisors. Despite indistinct low-income designations and a few questionable community development certifications, Oregon credit unions and their state and federal regulators cannot prove that these institutions support low-income populations and thereby merit across-the-board subsidies and privileges. The final decisions concerning tax and regulatory treatment will be made by state and federal policymakers based upon whatever rationale resonates with a majority of them. This report's contents and findings merely add to the public policy conversation.

Of all the 2013 Home Mortgage Disclosure Act-reported mortgages originated by credit unions in Oregon, 1% were made to lower-income borrowers, 14% were made to moderate-income borrowers, 53% were made to middle-income borrowers, and 32% were made to upper-income borrowers. In 2013, all five of Oregon's largest credit unions' mortgage loan originations were skewed towards middle- and upper-income borrowers in the state. In the absence of any other conclusive income-based data, the logical conclusion is that Oregon credit unions serve any and all members (customers) who are eligible to join the institution and that choose to do business with the institution. Nearly every Oregon citizen is eligible to join one or more of Oregon's 66 credit unions headquartered in the state. "All Oregon citizens" describes a wide-open and inclusive group of individuals with varied income ranges, not just an exclusive low-income group or group of individuals of modest means.

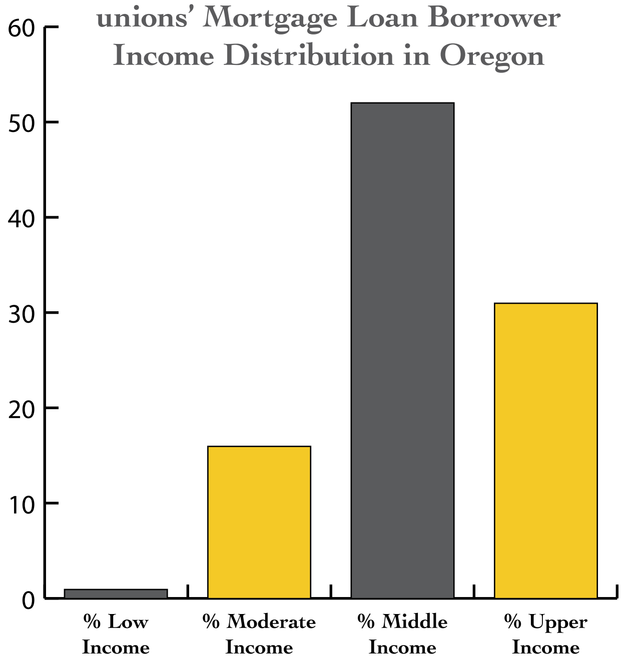
"Of all the 2013 Home Mortgage Disclosure Act-reported mortgages originated by credit unions in Oregon, 1% were made to lower-income borrowers."

Oregon was estimated to have a 2013 population of 3.9 million. The 66 Oregon-based credit unions reported nearly $17 billion in assets and 1.5 million members (customers) at mid-year 2014. It is extremely unlikely that Oregon credit union members are primarily low-income as most policymakers would define the term. The historic rationale for keeping Oregon credit unions' special tax exemption and separate regulatory treatment is not supported by the data and no longer appears valid.

The public policy conversation about Oregon's largest credit unions' public benefit needs a reality check. Even credit union critics including bankers, community activists, government policy analysts, and financial services industry researchers, recognize that, “The public policy conversation about Oregon’s largest credit unions’ public benefit needs a reality check.”

like many Oregon businesses, credit unions are beneficial to local and state economic development. As stated above, this report makes no attempt to refute that, and, in fact, assists in supporting the point. Instead, the information in the report and its key findings illustrate that Oregon’s largest credit unions are in nearly every way like other federally-insured depositories in the manner in which they benefit the state and its citizens.
The report also demonstrates that Oregon’s largest credit unions are definitely not primarily benefitting low-income Oregonians and are not focusing on underserved or distressed communities. Their non-profit tax subsidy has been rhetorically based on a public benefit that doesn’t exist.

In-State Headquartered and Out-of-State Headquartered Credit Unions’ Mortgage Loan Originations to Lower-, Moderate-, Middle-, and Upper-Income Oregonians: Credit unions’ Mortgage Loan Borrower Income Distribution in Oregon



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

THE REPORT’S KEY FINDINGS:

Oregon’s credit union industry continues to consolidate into fewer, larger institutions

At mid-year 2014 there were 66 credit unions headquartered in Oregon with combined assets of nearly $17 billion and collectively serving over 1.5 million members (customers).

2000	2014
115 Institutions	66 Institutions
$7.4B Total Assets	$17B Total Assets
1.25M Customers	1.5M Customers

This is a reduction of 8 credit unions in two years, signaling the continued consolidation of the industry into fewer, larger institutions. As a historical reference, in 2000 there were 115 Oregon credit unions with a combined $7.4 billion in assets. So, in the last 14 years the number of Oregon’s credit unions has shrunk by nearly half while the industry’s assets have more than doubled. Of today’s 66 credit unions, 48 are federally chartered credit unions representing $5.2 billion of the total assets, 517,876 members, with 144 branches. Additionally, 18 are state chartered credit unions representing $11.6 billion of the total assets, 986,095 members, with 149 branches.

The five largest Oregon credit unions dominate the industry

Five of Oregon's 66 credit unions —

OnPoint Community Credit Union, Oregon Community Credit Union, SELCO Community Credit Union, Advantis Credit Union, and Unitus Community Credit Union

— collectively hold nearly half of the Oregon-based credit unions assets, over $8 billion at mid-year 2014. These five largest credit unions together operate 64 branches (nearly 22% of Oregon-based credit union total branches) serving a combined total of 637,289 members (over 42% of the state's total members).

Credit Unions	Combined Assets	Customers
Top 5 CUs	50%	43%
Other 61 Credit Unions	50%	57%

Oregon credit unions primarily serve larger, wealthier regions

The five largest Oregon credit unions' branch office locations are primarily located in the state's population centers clustered near Interstate 5. Among the most popular locations are Portland, and Portland-area cities like Beaverton, Clackamas, Gresham, Hillsboro, Lake Oswego, Milwaukie, Oregon City, and West Linn. Multnomah County, Washington County, and Clackamas County have median household incomes of $51,582, $64,375, and $63,951 respectively. The paired cities of Eugene and Springfield also have many of these five larger credit unions' branches located within their borders. Salem and McMinnville in Oregon and Vancouver, Washington round out the list of branch locations in cities near these Interstate 5 population centers. OnPoint Community Credit Union also has branch locations in Bend and Redmond. SELCO Community Credit Union has additional branches located in Bend, Burns, Christmas Valley, and Redmond. With the exception of the Burns and Christmas Valley locations, the largest five credit unions' branches are all located in heavily populated metropolitan areas in the state. None of the physical locations of the branches are specifically targeting distressed or low-income communities.

Profit motive drives location of credit union branches

Most credit unions make branch locating decisions either to service existing members (customers) where they are known to be clustered, usually at the workplace or within the community, or to attract new profitable members. The consulting firms that assist banks with identifying locations for bank branches also serve the credit union industry. The same type of profitability and customer

Banks and CU Branch Distributions by Census Tract

Census Tract Income Level (as % of median income)	Banks	Credit Unions
Low (<50%)	5.9%	3.0%
Moderate (50-80%)	25.4%	29.2%
Middle (80-120%)	52.8%	53.8%
Upper (>120%)	15.9%	14.0%

Source: Federal Deposit Insurance Corporation and National Credit Union Administration.

traffic criteria are used to determine the best locations. Usually a branch is placed where it will recoup its start-up costs within two or three years and begin to show a profit. With the exception of a few credit unions that specialize in serving low-income populations, credit unions do not routinely establish branches to deliberately serve low-income or underserved nonmember communities. In fact, the newest branch of Oregon's largest credit union, OnPoint Community Credit Union, opened in 2014 in the heart of downtown Portland's business district.

Membership criteria now tied to large geographic regions, not workplace

The $3.5 billion in assets OnPoint Community Credit Union's field of membership (FOM), which describes membership eligibility, includes individuals who live or work in 13 Oregon counties and two counties in Washington. The $1.2 billion in assets Oregon Community Credit Union covers anyone who lives or works in 28 counties in Oregon – essentially the entire western half of the state. The $1.2 billion in assets SELCO Community Credit Union has a FOM encompassing anyone who lives or works in 26 Oregon counties. SELCO Community Credit Union's 26 counties encompass nearly the entire state except for three counties in the northwestern-most corner and 7 counties on the northeastern-most corner bordering the Columbia River. The $1.1 billion in assets Advantis Credit Union's FOM includes anyone who lives or works in 24 counties in Oregon and in the entire state of Washington. The $938 million in assets Unitus Community Credit Union includes individuals who live or work in 15 counties in Oregon and also includes anyone who lives, works, worships, or goes to school anywhere in the state of Washington as eligible to join.

Data shows loans mostly provided to middle- and upper-income, not low-income

Of Oregon's total 11,755 credit union mortgage loan originations, only 96 mortgages went to low-income borrowers, compared to 9,975 mortgages originated to middle- and upper-income borrowers, according to the 2013 Home Mortgage Disclosure Act (HMDA) data. Seven credit unions only originated mortgages to upper-income individuals. Additionally, 117 HMDA reporting credit unions, based in-state and out-of-state, that originated mortgage loans in Oregon did not make a single mortgage loan to a low-income individual. Of all the 2013 HMDA-reported mortgages originated by credit unions in Oregon, 1% were made to lower-income borrowers, 14% were made to moderate-income borrowers, 53% were made to middle-income borrowers, and 32% were made to upper-income borrowers. Income

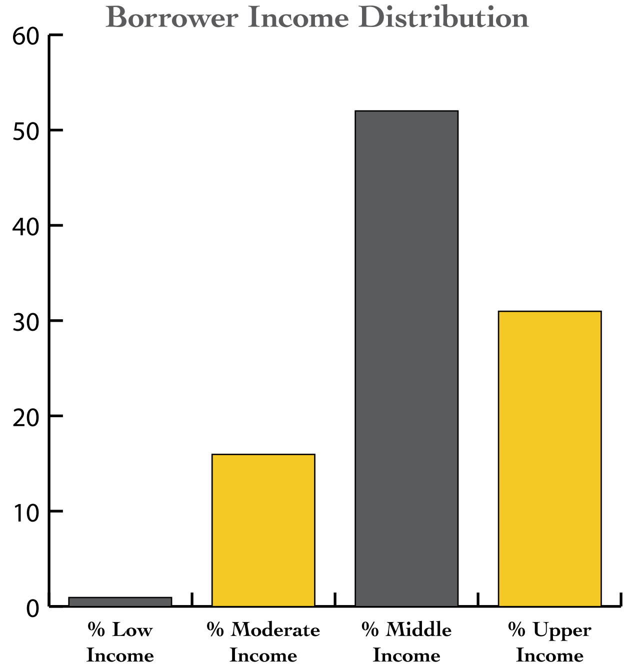
> "Credit union mortgage loan originations to low-income Oregonians was half the average originated by all U.S. credit unions to low-income borrowers."

information was not available on 1% of the originations. That 1% mortgage loan originations to low-income borrowers was rounded up from 0.8%. Credit union mortgage loan originations to low-income Oregonians was half the average originated by all U.S. credit unions to low-income borrowers. HMDA considers "low-income" to be income less than 50% of the median household or family income for the local metropolitan statistical area (MSA). "Moderate-income" is 50-79% of the median household income for the MSA. "Middle-income" is 80-119% of the median household income for the MSA and "upper-income" is over 120%. The HMDA data irrefutably indicates that credit unions' mortgage loan originations are not focused on low-income populations or distressed communities in Oregon.

Largest Oregon credit unions' skew mortgage lending away from low-income

In 2013, all five of Oregon's largest credit unions' mortgage loan originations were skewed towards middle- and upper-income borrowers in the state. In fact, Oregon credit unions made 18 mortgage loans on homes of $1 million or more. The $3.5 billion OnPoint Community Credit Union originated 2,282 HMDA-reported mortgage loans. Only 1% of the originations went to low-income borrowers, 16% went to moderate-income borrowers, 52% went to middle-income borrowers, and 31% went to upper-income borrowers. OnPoint made four mortgage loans of at least $1 million. The $1.2 billion Oregon Community Credit Union originated 652 HMDA-reported mortgage loans with 1% made to low-income borrowers, 11% made to moderate-income borrowers, 49% made to middle-income borrowers, and 38% made to upper-income borrowers. The $1.2 billion SELCO Community Credit Union made just 41 HMDA-reported mortgage loans of which none were made to low-income borrowers. Of those mortgage loans, 12% went to moderate-income borrowers, 63% went to middle-income borrowers, and 22% went to upper-income borrowers. Income information was unavailable on 2% of SELCO Community Credit Union's HMDA-reported mortgage originations. The $1.1 billion Advantis Credit Union originated 1,378 HMDA-reported mortgage loans with 2% of them made to low-income borrowers and 18% made to moderate-income borrowers. Middle-income borrowers received 50% of Advantis Credit Union's mortgage loan originations and upper-income borrowers received 31%. The $938 million Unitus Community Credit Union made 614 HMDA-reported mortgage loans. Of those mortgage loan originations 1% went to low-income borrowers, 21% went to moderate-income borrowers, 47% went to middle-income borrowers, and 31% went to upper income borrowers.

OnPoint Community Credit Union's Oregon Mortgage Loan Borrower Income Distribution



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

Oregon credit unions not established to target low-income

Unlike the HMDA definition of low-income, the National Credit Union Administration's (NCUA) designation of a low-income credit union (LICU) only requires that a simple majority of a designated credit unions' members live in metropolitan areas that report median family household incomes at 80% of the local or national metropolitan area median household income, whichever is greater. Although above the national average percentages in both numbers of LICUs and in assets held by LICUs, the majority of Oregon credit unions and assets are not in LICUs. Moreover, it is unlikely that all of a LICUs' members are low-income (only 50% plus 1 is required for designation by NCUA) so it is logical to assume that the actual percentage of assets deployed in loans to low-income individuals is less, perhaps substantially less, than 50% plus 1 of a LICU's total loans outstanding.

Oregon credit unions' economic benefit not unique

Oregon credit unions benefit the state's economic development, but that is hardly unique when compared with tax-paying financial institutions that have the same impact. Oregon's credit unions — at least the largest among them — do not focus on supporting low-income populations or those of modest means. The historic rationale for keeping Oregon credit unions' special tax exemption and separate regulatory treatment is not supported by the data and no longer seems valid. Their nonprofit tax subsidy has been rhetorically based on a public benefit that doesn't exist. The five largest Oregon credit unions dominate the industry — Five of Oregon's 66 credit unions — OnPoint Community Credit Union, Oregon Community Credit Union, SELCO Community Credit Union, Advantis Credit Union, and Unitus Community Credit Union — collectively hold nearly half of the Oregon-based credit unions assets, over $8 billion at mid-year 2014. These five largest credit unions together operate 64 branches (nearly 22% of Oregon-based credit union total branches) serving a combined total of 637,289 members (over 42% of the state's total members).

"Their nonprofit tax subsidy has been rhetorically based on a public benefit that doesn't exist."

CONTENTS

Oregon Credit Unions Continued Growth and Consolidation

In recent years the Oregon credit union industry continued the historic trend of asset and membership (customer) growth. Concurrently the number of Oregon credit unions decreased due to consolidations. As an illustration, in June of 2012 there were 74 Oregon credit unions with $15.4 billion in assets. In June of 2013 there were 69 Oregon credit unions with nearly $16.1 billion in assets. Back in 2012 Oregon still had two credit unions in the National Credit Union Administration's (NCUA) less than $2 million in assets Peer Group category. Today there are none. This pattern reflects the national pattern of fewer credit unions and increasing assets. Due to a variety of pressures ranging from regulatory compliance burdens to increased competition, smaller credit unions continue to merge with larger ones. As a result, both the industry in Oregon and in the United States have become dominated by fewer, but much larger credit unions.

At mid-year 2014 there were 66 credit unions headquartered in Oregon with combined assets of nearly $17 billion and collectively serving over 1.5 million members (customers). This is a reduction of 8 credit unions in two years, signaling the continued consolidation of the industry into fewer, larger institutions. As a historical reference, in 2000 there were 115 Oregon credit unions with a combined $7.4 billion in assets. So, in the last 14 years the number of Oregon's credit unions has shrunk by nearly half while the industry's assets have more than doubled. Of today's 66 credit unions, 48 are federally chartered credit unions representing $5.2 billion of the total assets, 517,876 members, with 144 branches. Additionally, 18 are state chartered credit unions representing $11.6 billion of the total assets, 986,095 members, with 149 branches.

Oregon Credit Union Industry Overview: Assets & Members

Asset Category	#CUs	%CUs	$ Assets	% Assets	# Members	% Members
>$500 Million	10	15.15%	$12,051,214,761	71.71%	1,027,460	68.32%
$100-$500 Million	16	24.25%	$3,172,855,083	18.88%	298,439	19.84%
$50-$100 Million	12	18.18%	$944,815,620	5.62%	99,545	6.62%
$10-$50 Million	20	30.30%	$601,911,054	3.58%	70,083	4.66%
< $10 Million	8	12.12%	$33,240,900	0.20%	8,444	0.56%
Total	66	100.00%	$16,804,037,418	100.00%	1,503,971	100.00%

Source: National Credit Union Administration as of June 30, 2014

Collectively Oregon's 66 credit unions saw assets grow at an annualized rate of 7.53%. Loans grew at a rate of 9.95% and membership grew at 5.60%. The 10 largest Oregon-based credit unions out-performed the industry in the state with a combined 8.01% in asset growth, 11.40% in loan growth, and 8.49% in membership growth. On June 30, 2014 the ten largest credit unions in Oregon held 71.71% of the total assets and served 68.32% of the total members. The next group of 16 Oregon credit unions in the $100-$500 million in assets category held 18.88% of the assets and served 19.84% of the members. Together these two groups of larger credit unions constituted approximately 90% of the Oregon-based credit union industry's marketplace footprint.

Not surprisingly, the larger credit unions deployed the most branch offices. Of the statewide total of 293 branches, the 10 largest Oregon credit unions collectively had 148 branches — approximately half of all Oregon-based credit union branches in the state. Those 10 large credit unions also employed nearly 65% of the full time credit union staff in the state. The smallest credit unions usually had only one location and one full time or part time employee.

A branch is often considered to service a 25-mile area, but the customer usage usually increases the closer the customer lives or works to the actual brick-and-mortar branch location. Most people use a branch close to where they live or work and won't drive 25 miles to do in-person banking if they have other alternatives. Many (and an ever-growing number of) customers use remote access banking and rarely visit a physical branch office. However, branch location still serves as a proxy for the credit union's targeted market and retains a certain validity for the illustrative purposes of this report.

Oregon Credit Union Industry Overview: Branches & Employees

Asset Category	# CUs	# Branches	% Branches	# Full Time Employees	% Full Time Employees	# Part Time Employees	% Part Time Employees
>$500 Million	10	148	50.51%	2,566	64.76%	165	53.92%
$100-$500 Million	16	82	27.99%	988	24.94%	104	33.99%
$50-$100 Million	12	26	8.87%	261	6.59%	11	3.59%
$10-$50 Million	20	29	9.90%	134	3.38%	22	7.19%
< $10 Million	8	8	2.73%	13	0.33%	4	1.31%
Total	66	293	100.00%	3,962	100.00%	306	100.00%

Source: National Credit Union Administration as of June 30, 2014

Most credit unions make branch locating decisions either to service existing members (customers) where they are known to be clustered, usually at the workplace or within the community, or to attract new profitable members. The consulting firms that assist banks with identifying locations for bank branches also serve the credit union industry. The same type of profitability and customer traffic criteria are used to determine the best locations. Usually a branch is placed where it will recoup its start-up costs within two or three years and begin to show a profit. With the exception of a few credit unions that specialize in serving low-income populations, credit unions do not routinely establish branches to deliberately serve low-income or underserved nonmember communities. In fact, the newest branch of Oregon's largest credit union, OnPoint Community Credit Union, opened in 2014 in the heart of downtown Portland's business district.

The State's Largest Credit Unions

Five of Oregon's 66 credit unions —

OnPoint Community Credit Union, Oregon Community Credit Union, SELCO Community Credit Union, Advantis Credit Union, and Unitus Community Credit Union

— collectively hold nearly half of the Oregon-based credit unions assets, over $8 billion at mid-year 2014. These five largest credit unions together operate 64 branches (nearly 22% of Oregon-based credit union total branches) serving a combined total of 637,289 members (over 42% of the state's total members). Collectively the five largest credit unions employed 1,463 full time and 64 part time staff. Those numbers represented nearly 65% of the full time credit union staff in the state.

All five of the five largest Oregon credit unions have community-based fields of membership, meaning anyone who lives or works in multi-county areas in Oregon is eligible to join. Their asset sizes range from just under $1 billion in assets to over $3.5 billion. OnPoint Community Credit Union is the largest credit union headquartered in the state and the second-largest financial institution headquartered in Oregon. At mid-year 2014, it reported having 269,549 members that were served from 24 branch locations by 501 full time staff and 30 part time staff.

> "OnPoint Community Credit Union is the second-largest financial institution headquartered in Oregon."

In terms of identifying credit union service to low- and moderate-income individuals, the membership eligibility of the largest credit unions in the state becomes relevant. Membership in many of these larger Oregon credit unions is so wide-open that it is nearly impossible to discern their actual population demographics. In the absence of proprietary customer data about incomes held by the credit union, even a geographic placement of a branch is not conclusive.

One must assume that in the absence of tangible evidence otherwise, the credit union's membership as a whole does not qualify as being primarily low-income, unbanked, underserved, or of modest means. The credit union's membership is much more likely to be reflective of the general population of the regions in Oregon in which the financial institution operates.

5 Largest Oregon Credit Unions' Profiles

Name & HQ Location	CU Profile as of 06/30/14	HQ Community Profile
>OnPoint Community CU Portland, OR http://www.onpointcu.com	$3,524,154,177 in assets 269,549 members 501 full time staff 30 part time staff 24 branches	Portland's median household income was $51,238; 17.2% of persons living in Portland lived below the poverty level
Oregon Community CU Eugene, OR http://oregoncommunitycu.org Designated Low-Income CU	$1,233,216,530 in assets 114,065 members 288 full time staff 2 part time staff 9 branches	Eugene's median household income was $41,525; 23.1% of persons living in Eugene lived below the poverty level
SELCO Community CU Eugene, OR http://www.selco.org Designated Low-Income CU	$1,182,752,909 in assets 112,217 members 293 full time staff 15 part time staff 17 branches	Eugene's median household income was $41,525; 23.1% of persons living in Eugene lived below the poverty level
Advantis CU Milwaukie, OR http://www.advantiscu.org	$1,146,157,095 in assets 55,657 members 159 full time staff 9 part time staff 6 branches	Milwaukie's median household income was $52,192; 14.8% of persons living in Milwaukie lived below the poverty level
Unitus Community CU Portland, OR http://www.unitusccu.com	$937,898,705 in assets 85,801 members 222 full time staff 8 part time 8 branches	Portland's median household income was $51,238; 17.2% of persons living in Portland lived below the poverty level

Source: National Credit Union Administration as of June 30, 2014. The U.S. Census Bureau median household income for the nation was $53,046 for 2008-2012. In Oregon statewide it was $50,036. The percentage of persons below the poverty level for the U.S. was 14.9% and for Oregon as a whole it was 15.5%.

Wide-Open Credit Union Membership Eligibility

In Oregon the "community-based" field of membership" (FOM), which describes membership eligibility, is among the most popular with both state and federally chartered credit unions. Most FOMs, that are essentially descriptions of the credit union's desired service area, are now multi-county geographical designations ranging from one county to almost all of the counties in Oregon. Because of reciprocity statutes in the Oregon and Washington Credit Union Acts, Oregon credit unions can include anyone who lives, works, worships, or goes to school in the entire state of Washington in their Oregon FOM. Inclusive membership eligibility policies are the prevailing practice at larger Oregon credit unions.

The $3.5 billion in assets OnPoint Community Credit Union's FOM includes individuals who live or work in 13 Oregon counties and two counties in Washington. The $1.2 billion in assets Oregon Community Credit Union covers anyone who lives or works in 28 counties in Oregon — essentially the entire western half of the state. The $1.2 billion in assets SELCO Community Credit Union has a FOM encompassing anyone who lives or works in 26 Oregon counties. SELCO Community Credit Union's 26 counties encompass nearly the entire state except for three counties in the northwestern-most corner and 7 counties on the northeastern-most corner bordering the Columbia River.

The $1.1 billion in assets Advantis Credit Union's FOM includes anyone who lives or works in 24 counties in Oregon and in the entire state of Washington. The $938 million in assets Unitus Community Credit Union includes as eligible to join individuals who live or work in 15 counties in Oregon and also includes anyone who lives, works, worships, or goes to school anywhere in the state of Washington.

Clearly, credit union members are not all low-income or of modest means. The July 2014 edition of the Credit Union National Association's (CUNA) Credit Union Magazine reported about the results from the national trade association's 2014 National Member and Nonmember Survey. The Credit Union Magazine article said, "Overall, credit union members are an attractive consumer market. Four of 10 have college degrees, compared with 24% of nonmembers. More than half (54%) of members are employed full time, while only 39% of nonmembers have full-time jobs. And 76% of members are homeowners, compared with 52% of nonmembers." That statement suggests the typical member is wealthier than average.

5 Largest Oregon Credit Unions' Membership Eligibility: Who can join the CU?

The various descriptions of membership eligibility for each of the five large credit unions included in this report were found on each credit union's respective website. The descriptions are paraphrased here.

OnPoint Community Credit Union
Anyone can join who lives or works in one of the eligible counties in Oregon: Benton, Clackamas, Columbia, Crook, Deschutes, Jefferson, Lane, Linn, Marion, Multnomah, Polk, Washington or Yamhill; anyone who lives, works, worships, or goes to school in one of the eligible counties in Washington: Clark or Skamania; anyone who is a family member of a person who is eligible for OnPoint membership.

Oregon Community Credit Union
Anyone who: 1.) lives or works in a 28 county area [Benton, Clackamas, Clatsop, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Gilliam, Hood River, Jackson, Jefferson, Josephine, Klamath, Lane, Lincoln, Linn, Marion, Morrow, Multnomah, Polk, Sherman, Tillamook, Washington, Wasco, Wheeler, Yamhill], 2.) is an immediate family member of an OCCU member or someone living in the membership area, county area, 3.) is a University of Oregon student or member of the Alumni Association, 4.) is employed by Bi-Mart or a family member of an employee of Bi-Mart, or 5.) is a state employee – can join Oregon Community Credit Union.

SELCO Community Credit Union
Anyone who lives or works in Benton, Baker, Clackamas, Coos, Crook, Curry, Deschutes,

Douglas, Grant, Harney, Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Malheur, Marion, Multnomah, Polk, Wasco, Washington, or Yamhill County is eligible to join SELCO Credit Union. All businesses located in any of the qualifying counties are eligible for membership.

Membership at SELCO is open to family members of SELCO account holders and those who are family members of someone who may be eligible to have an account at SELCO (even if they are not a member). This includes: spouses, parents, grandparents, children, stepchildren, grandchildren, brothers, half-brothers, sisters, half-sisters, uncles, aunts, in-laws, foreign exchange students, and domestic partners (as defined below). Membership is also open to spouses of persons who died while within the field of membership of SELCO Community Credit Union. Domestic Partners: Two people who have verbally acknowledged the following circumstances: (1) They share the same regular and permanent residence; (2) They have a close, personal relationship; (3) They have agreed to be jointly responsible for basic living expenses and for one another's common welfare.

Once a member, individual family members may also join, no matter where they live or work. SELCO membership is a lifelong benefit. A member need not relinquish membership, despite retirement, change in employment, residence, or marital status.

Advantis Credit Union
Three ways an individual is eligible to join: 1. Individual lives or works in the Portland area — plus any of the following Oregon Counties: Benton, Clackamas, Clatsop, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Hood River, Jackson, Jefferson, Josephine, Klamath, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Wasco, Washington, and Yamhill. 2. Individual lives or works in Washington State. Individual lives, works, worships, or attends school in the State of Washington. Individual is related to someone eligible for membership.

Unitus Community Credit Union
Unitus Community Credit Union's only membership requirement is that an individual or a member of the individual's direct family live or work within the credit union's field of service. Spouses and parents, children and siblings, aunts and uncles, grandparents and grandchildren – individual qualifies because they qualify. Even if the individual's qualifying family member isn't a member, the individual is still eligible. Qualifying Oregon Counties include: Benton, Clackamas, Columbia, Deschutes, Douglas, Hood River, Jackson, Josephine, Lane, Linn, Marion, Multnomah, Polk, Washington, and Yamhill. Qualifying Washington State Counties: You live, work, worship, or go to school anywhere in the State of Washington.

Large Out-of-State Credit Unions in Oregon

In addition to Oregon-based credit unions, there are other credit unions that are not headquartered in the state that do business in the state. For example, the $6.8 billion in assets, Mountain View, California-based First Technology Federal Credit Union operates nine Oregon branch offices and one in Vancouver, Washington just across the Oregon border. At mid-year 2014 First Technology Federal Credit Union reported that it had 373,629 members. Formerly headquartered in Beaverton, Oregon the then $2.2 billion asset First Technology Credit Union merged in 2011 with Addison Avenue

Federal Credit Union of Palo Alto, California. The consolidated institution kept the First Technology name, retained the federal charter of the California-based credit union, and designated California as its headquarters.

According to information located on First Technology Federal Credit Union's website, membership eligibility requirements include working for any of many high-tech companies, working for the state of Oregon, working or living in Lane County, being an immediate family member of an existing member, or being a member of the Financial Fitness Association. The First Technology Federal Credit Union website includes a link to how to join the Financial Fitness Association. In addition to its Oregon state employees government agencies, it lists more than 1,100 select employee groups including some of the world's most well-known companies such as Agilent Technologies, Cisco, Google, Hewlett-Packard, Intel, Microsoft, Netflix, Nokia, and Sun Microsystems.

Reportedly, First Technology Federal Credit Union is the fifth-largest mortgage provider in the credit union industry in the United States, and the 10th largest overall. The credit union's mortgage operations are headquartered in Beaverton, Oregon, but the credit union has sales people in the northern California market. Much of the credit union's mortgage volume comes from activity in the San Francisco Bay area, followed by Oregon and Washington. The credit union has three branches in Beaverton, two in Salem, one in Portland, one in Corvallis, one in Springfield, and one in Eugene.

First Technology Federal Credit Union is not the only credit union based outside of Oregon that does business in the state. The credit union appears in this report since it was formerly an Oregon-based institution and illustrates the marketplace presence of credit unions not based in the state. However, this report is primarily focused on credit unions headquartered in Oregon. The report references the marketplace presence of other credit unions in the state to ensure their inclusion in the public policy conversation. The financial services marketplace in Oregon and in the U.S. is a complex and interwoven phenomenon that is not bound by geography or arbitrary lines on a map.

5 Largest Oregon Credit Unions' Branch Locations

The five largest Oregon credit unions' branch office locations are primarily located in the state's population centers clustered near Interstate 5. Among the most popular locations are Portland, and Portland-area cities like Beaverton, Clackamas, Gresham, Hillsboro, Lake Oswego, Milwaukie, Oregon City, and West Linn. Multnomah County, Washington County, and Clackamas County have median household incomes of $51,582, $64,375, and $63,951 respectively. 17.1% of persons in Multnomah County live below the poverty level. 10.9% of persons living in Washington County live below the poverty level. And 9.7% in Clackamas County live below the poverty level.

> "The five largest Oregon credit unions' branch office locations are primarily located in the state's population centers clustered near Interstate 5."

Multnomah County had an estimated 2013 population of 766,135 and a median household income of $51,582. Washington County, with a 2013 estimated population of 554,996, and

Clackamas County, with an estimated population of 388,263, have median household incomes of $64,375 and $63,951 respectively. The paired cities of Eugene and Springfield also have many of these five larger credit unions' branches located within their borders. Lane County had a 2013 estimated population of 356,212. Its median household income was $42,628 and 16.8% of persons live below the poverty level.

Salem and McMinnville in Oregon and Vancouver, Washington round out the list of branch locations in cities near these Interstate 5 population centers. Salem is located in Marion County and McMinnville is in Yamhill County. Marion County had an estimated 2013 population of 323,614, a median household income of $37,191, and 18.0% of persons lived below the poverty level. Nearby Polk County had an estimated 2013 population of 76,135, a median household income of $52,365, and 14.6% of persons lived below the poverty level. Yamhill County had a 2013 estimated population of 100,725, a median household income of $53,950, and 13.9% of persons lived below the poverty level. Vancouver, Washington is in Clark County that had an estimated 2013 population of 443,817, a median income of $58,764, and a 12.0% poverty level.

OnPoint Community Credit Union also has branch locations in Bend and Redmond. SELCO Community Credit Union has branches located in Bend, Burns, Christmas Valley, and Redmond. Bend and Redmond are located in Deschutes County that had an estimated 2013 population of 165,954. The Deschutes County median household income is $51,468 and 13.1% live below the poverty level. Burns is located in Harney County and Christmas Valley is located in Lake County. Harney County's 2013 estimated population was 7,146 and Lake County's estimated 2013 population was 7,820. Harney County's median household income is $39,674 and 13.4% live below the poverty level. Lake County's median household income is $40,049 and 17.2% live below the poverty level.

With the exception of the Burns and Christmas Valley locations, the largest five credit unions' branches are all located in heavily populated metropolitan areas in the state. None of the physical locations of the branches are specifically targeting distressed or low-income communities.

The Oregon Department of Consumer & Business Services Division of Finance and Corporate Securities' website http://dfcs.oregon.gov and the individual credit union's websites were the sources for the following branch location information.

OnPoint Community Credit Union — 24 Branches

Corporate Offices (No Teller Services)
2701 NW Vaughn St.,
Portland OR 97210

Downtown Bend Branch,
950 NW Bond St.,
Bend OR 97701

South Bend Branch,
61276 S Hwy. 97, Ste. 100,
Bend OR 97702

Beaverton Branch,
2755 SW Cedar Hills Blvd., Ste. 100,
Beaverton OR 97005

Murrayhill Branch,
14733 SW Teal Blvd.,
Beaverton OR 97007

Coburg Road Branch,
207 Coburg Rd.,
Eugene OR 97401

Gresham Branch,
1700 NW Civic Dr., Ste. 100,
Gresham OR 97030

Orenco Station Branch,
7130 NE Cornell Rd.,
Hillsboro OR 97124

Kruse Meadows Branch,
6300 SW Meadows Rd.,
Lake Oswego OR 97035

McMinnville Branch,
2430 McDonald Ln.,
McMinnville OR 97128

Oak Grove Branch,
2915 SE Oak Grove Blvd.,
Milwaukie OR 97267

Oregon City Branch,
19753 S Hwy. 213, Bldg. C,
Oregon City OR 97045

205 Place Branch,
9730 SE Washington,
Portland OR 97216

Clackamas Corner Branch,
11750 SE 82nd Ave., Ste. H,
Portland OR 97086

Lloyd Center Branch,
1720 NE 9th Ave.,
Portland OR 97212

Rose City Branch,
6901 NE Sandy Blvd,
Portland, OR 97213

SW 5th & Stark Street Branch,
517 SW Stark Street,
Portland OR 97202

Sellwood Branch,
8085 SE 13th Ave.,
Portland, OR 97202

Vaughn Street Branch,
2688 NW Vaughn St.,
Portland OR 97210

South Redmond Branch,
1380 SW Canal Blvd., Ste. 105,
Redmond OR 97756

160th & Mill Plain Branch,
16020 SE Mill Plain
Blvd., Ste. 109,
Vancouver, WA 98684

Andresen Branch,
6711 NE 63rd St., V
ancouver WA 98661

Burton Branch,
2615 NE 112th Ave.,
Vancouver WA 98684

Salmon Creek Branch,
13023 NE Hwy 99,
Vancouver WA 98686

Wilsonville Branch,
9460 SW Wilsonville Rd., Suite 101
Wilsonville OR 97477

Oregon Community Credit Union — 9 Branches

Corporate Offices (No Teller Services),
2880 Chad Drive,
Eugene, OR 97408

Barger Branch,
4239 Barger Dr.,
Eugene OR 97402

Coburg Road Branch,
2525 Coburg Rd.,
Eugene OR 97408

Downtown Branch,
488 E 11th,
Eugene OR 97401

Campus Service Center in Duck Store,
895 E 13th Ave.,
Eugene OR 97401

Santa Clara Branch,
45 L Division Ave.,
Eugene OR 97404

South Eugene Branch,
2890 Willamette St.,
Eugene OR 97404

W 11th Branch,
3065 W 11th,
Eugene OR 97402

Salem Service Center,
2755 Commercial St., SE,
Salem OR 97302

Mohawk Branch,
1981 Mohawk Blvd., Ste B,
Springfield OR 97477

SELCO Community Credit Union — 17 Branches

Albany Branch,
1823 14th Ave. SE,
Albany OR 97322

Bend Branch,
501 NE Bellevue Dr.,
Bend OR 97701

Old Mill Branch,
88 SW Scalehouse Loop,
Bend OR 97702

Burns Branch,
743 Hines Blvd.,
Burns OR 97720

Christmas Valley Branch,
57269 Park Rd.,
Christmas Valley, OR 97641

Downtown Branch,
299 E Eleventh Ave.,
Eugene OR 97401

Main Office,
1050 High Street,
Eugene OR 97401

Santa Clara Branch,
221 Division Ave.,
Eugene OR 97404

West 11th Branch,
3630 W 11th Ave.,
Eugene OR 97404

Forest Park Branch,
2465 NW Thurman,
Portland OR 97210

VA Hospital Branch,
3710 SW US Veterans Hospital Rd.,
Portland OR 97239

Redmond Branch,
825 SW 17th St.,
Redmond OR 97756

Walmart Branch,
300 NW Oak Tree Ln.,
Redmond OR 97756

Salem Branch,
3833 Commercial St. SE,
Salem OR 97302

Mohawk Drive-up Branch,
2011 N 19th St.,
Springfield OR 97477

Gateway Branch,
925 Harlow Rd.,
Springfield OR 97477

Thurston Branch,
5531 Main St.,
Springfield OR 97478

Advantis Credit Union — 6 Branches

Main Office
10501 SE Main St. Ste 300,
Milwaukie OR 97222

Belmont Branch,
3010 SE Belmont,
Portland OR 97214

Downtown Branch,
120 SW Taylor,
Portland OR 97204

Fremont Branch,
3515 NE 15th Ave.,
Portland OR 97212

Lloyd Center Branch,
825 NE Multnomah,
Portland OR 97232

West Linn Branch,
21900 Willamette Dr.,
West Linn OR 97068

Unitus Community Credit Union — 8 Branches

Unitus Plaza Branch,
1300 SW 6th Ave.,
Portland OR 97201

Beaverton Branch,
10580 SW Beaverton-Hillsdale Hwy,
Beaverton OR 97005

Clackamas Branch,
9200 SE 82nd,
Clackamas OR 97086

Tanasbourne Branch,
1855 NW 188th Ave.,
Hillsboro OR 97006

Mall 205 Branch,
1052 SE 96th Ave.,
Portland OR 97216

Peterkort Branch,
11200 SW Barnes Road,
Portland OR 97225

Salem Branch,
3820 Market St. NE,
Salem OR 97301

Mill Plain Crossing Branch,
800 SE 192nd Ave.,
Vancouver WA 98683

Credit Unions' Public Benefit Not Well-Defined or Documented

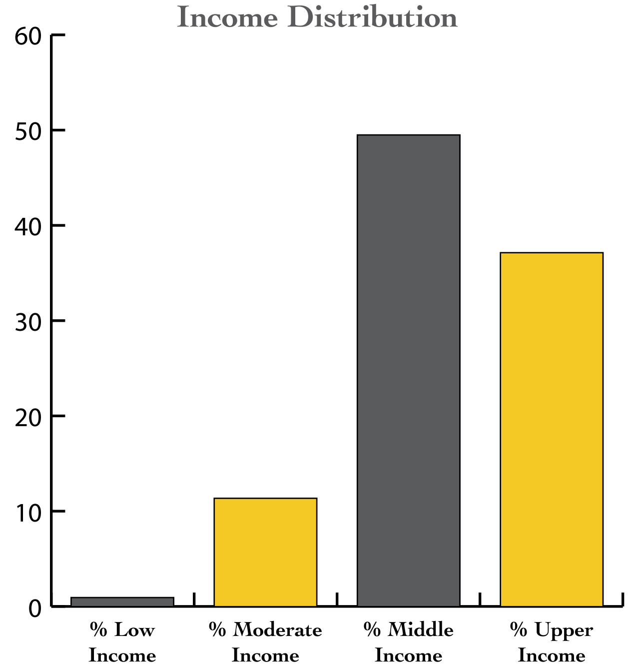
Unlike banks, credit unions have never been subjected to the 1977 Community Reinvestment Act (CRA) and have not had to report CRA-like information to their state regulator or to the federal regulator and/or deposit insurer, the NCUA. The CRA was intended to encourage banks and thrifts insured by the Federal Deposit Insurance Corporation (FDIC) to meet local credit needs, including those of low- and moderate- income neighborhoods, consistent with safe and sound operations. As part of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Congress mandated the public disclosure of an evaluation and rating for each bank or thrift that undergoes a CRA examination. There exists no similar rating system for credit union service to those of modest means or low-income communities.

Unlike banks and thrifts, credit unions do not publicly report lending or deposit information for each branch location. Certain credit unions have met the threshold for reporting the required borrower demographic data under the Home Mortgage Disclosure Act (HMDA). The Consumer Financial Protection Bureau (CFPB) is now the custodian of that HMDA data. The agency is in the process of revising the nature of the HMDA data it will be collecting and is concurrently making the HMDA data more publicly accessible. However, the HMDA data provides an incomplete picture of service to those of "modest means" since it is focused on mortgage lending and does not address other types of consumer lending. However, the HMDA data irrefutably indicates that credit unions' mortgage loan originations are not focused on low-income populations or distressed communities.

On September 22, 2014 the NCUA and other bank regulator member agencies of the Federal Financial Institutions Examination Council (FFIEC) announced the availability of the 2013 HMDA data on mortgage lending on the FFIEC website and on the Consumer Financial Protection Bureau's website. The HMDA data included applications, originations, purchases, sales of loans, denials, and other actions related to applications. The data also included disclosure statements for each financial institution, aggregate data for each metropolitan

> "The HMDA data irrefutably indicates that credit unions' mortgage loan originations are not focused on low-income populations or distressed communities."

**U.S. Credit Unions 2013:
U.S. Credit Unions' Nationwide
Mortgage Loan Borrower
Income Distribution**



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

statistical area (MSA), nationwide summary statistics regarding lending patterns, and Loan/Application Registers (LARs) for each financial institution that were modified to protect borrower privacy. The FFIEC also cautioned that the HMDA data alone cannot be used to determine whether a lender is complying with fair lending laws. They do not include many potential determinants of loan application and pricing decisions, such as the applicant's credit history, debt-to-income ratio, the loan-to-value ratio, and others.

Of the total 703,962 HMDA-reported mortgage loan originations made by all credit unions in the United States in 2013, 1.6% went to low-income borrowers. HMDA considers "low-income" to be income less than 50% of the median household or family income for the local metropolitan statistical area . Moderate-income borrowers, defined as those with household incomes between 50% and 79% of the median household income, received just 12% of credit union mortgage originations. These two HMDA borrower categories might fit under the label of "modest means." The lion's share of U.S. credit union 2013 mortgage originations (49%) went to middle-income borrowers with between 80%-119% of median household income and to upper-income borrowers (37%) with over 120% of median household income.

"Banks are almost 40 percent more likely to originate home purchase loans to minority borrowers than credit unions, according to the 2013 HMDA data."

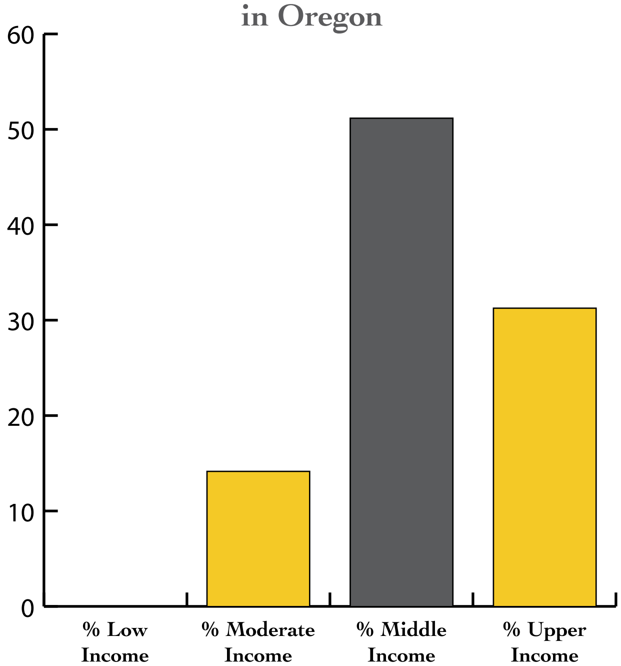
Banks are almost 40 percent more likely to originate home purchase loans to minority borrowers than credit unions, according to the 2013 HMDA data. The data showed that 16.3 percent of bank home purchase mortgages and 16.5 percent of bank subsidiary home purchase mortgages went to minority borrowers. Only 11.8 percent of credit union home purchase loans went to minority borrowers. The same pattern existed for refinance loans as 14.6 percent and 13.9 percent of bank and bank subsidiary loans, respectively, went to minority borrowers, while only 10.9 percent of credit union refinance loans went to minority borrowers.

Credit Unions' Home Mortgage Disclosure Act Data for Oregon

In the following paragraphs (and as used above), "low-income" is less than 50% of the median household income for the local metropolitan statistical area (MSA). "Moderate-income" is 50-79% of the median household income for the MSA. "Middle-income" is 80-119% of the median household income for the MSA and "upper-income" is over 120%. Additionally, the percentages of mortgage loan originations for each income category by the five credit unions have been rounded to whole numbers so they do not always add up to 100%.

Of Oregon's total 11,755 credit union mortgage loan originations, only 96 mortgages went to low-income borrowers, compared to 9,975 mortgages originated to middle- and upper-income borrowers, according to the 2013 Home Mortgage Disclosure Act (HMDA) data. Seven credit unions only originated mortgages to upper-income individuals. Additionally, 117 HMDA reporting credit unions, based in-state and out-of-state, that originated mortgage loans in Oregon did not make a single mortgage loan to a low-income individual.

In-State Headquartered Credit Unions and Out-of-State Headquartered Credit Unions' Mortgage Loan Originations to Lower-, Moderate-, Middle-, and Upper-Income Oregonians: Credit Union's Mortgage Loan Borrower Income Distribution in Oregon



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

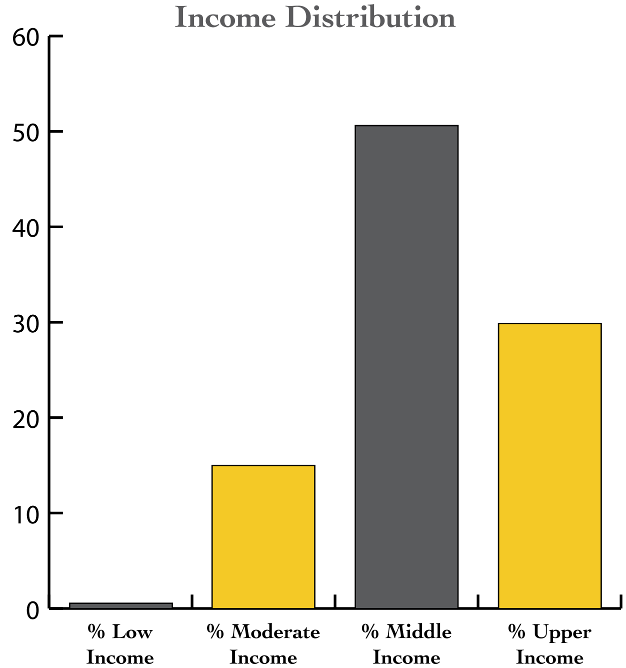
Of all the 2013 HMDA-reported mortgages originated by credit unions in Oregon, 1% were made to lower-income borrowers, 14% were made to moderate-income borrowers, 53% were made to middle-income borrowers, and 32% were made to upper-income borrowers. Income information was not available on 1% of the originations. That 1% mortgage loan originations to low-income borrowers was rounded up from 0.8%. Credit union mortgage loan originations to low-income Oregonians was half the average originated by all U.S. credit unions to low-income borrowers.

> "Of Oregon's total 11,755 credit union mortgage loan originations, only 96 mortgages went to low-income borrowers."

The 2013 HMDA-reported track record of the five largest Oregon-based credit unions further illustrates that low-income persons are not their primary focus, at least in terms of mortgage lending. All five of Oregon's largest credit unions' mortgage loan originations were skewed towards middle- and upper-income borrowers.

In 2013 the $3.5 billion OnPoint Community Credit Union originated 2,282 HMDA-reported mortgage loans. Only 1% of the originations went to low-income borrowers, 16% went to moderate-income borrowers, 52% went to middle-income borrowers, and

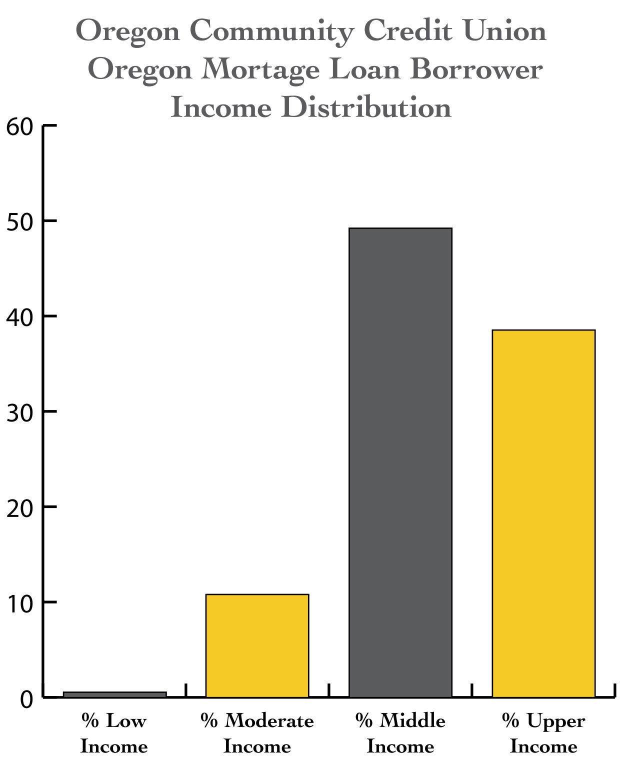
OnPoint Community Credit Union's Oregon Mortage Loan Borrower Income Distribution



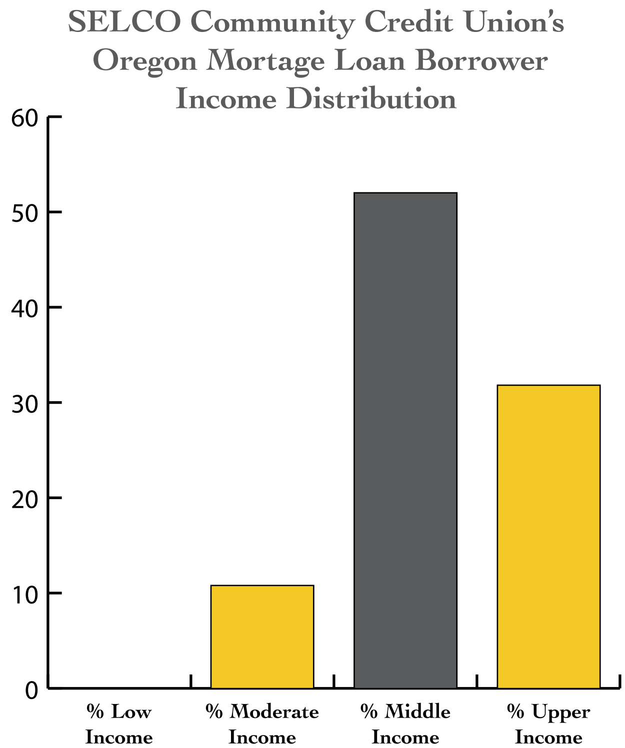
Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

31% went to upper-income borrowers. The majority of those mortgage loans were made to borrowers in Clackamas, Multnomah, Washington, and Yamhill Counties, but OnPoint Community Credit Union reported making loans in 15 additional Oregon counties.

During 2013 the $1.2 billion Oregon Community Credit Union originated 652 HMDA-reported mortgage loans with 1% made to low-income borrowers, 11% made to moderate-income borrowers, 49% made to middle-income borrowers, and 38% made to upper-income borrowers. According to its HMDA report, Oregon Community Credit Union made most of its mortgage loans to borrowers in Lane County, as well as in Multnomah County and Washington County. However, the credit union also made mortgage loans to borrowers in 20 additional Oregon counties.



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

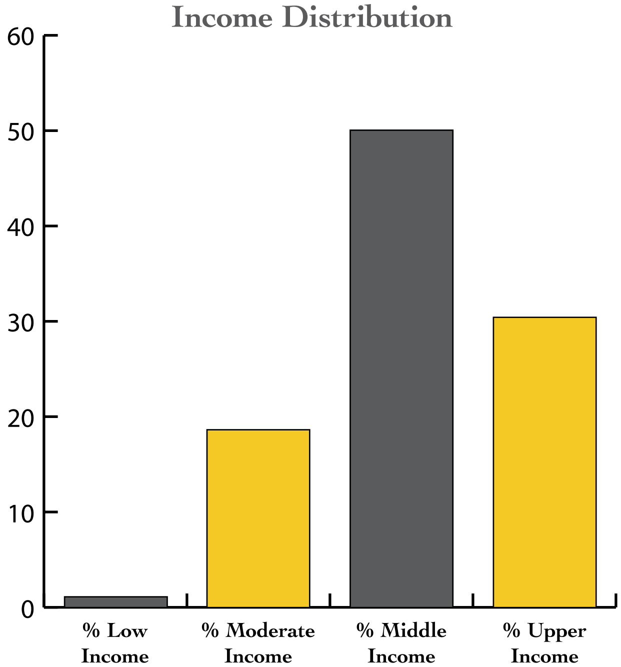
The $1.2 billion SELCO Community Credit Union made just 41 HMDA-reported mortgage loans during 2013 of which none were made to low-income borrowers. Of those 2013 mortgage loans, 12% went to moderate-income borrowers, 63% went to middle-income borrowers, and 22% went to upper-income borrowers. Income information was unavailable on 2% of the HMDA reported mortgage originations. Most of SELCO Community Credit Union's limited HMDA sample of 2013 mortgage loans were made to borrowers in Lane County, but also in 7 additional counties ranging from Benton County to Klamath County.

However, SELCO Community Credit Union also offers mortgage loans through a subsidiary named SELCO Mortgage Company LLC. As a mortgage loan originator separately licensed by the Oregon Department of Consumer & Business Services Division of

Finance & Corporate Securities, SELCO Mortgage Company LLC's originations would not necessarily be reported as having been made by the credit union.

In 2013 the $1.1 billion Advantis Credit Union originated 1,378 HMDA-reported mortgage loans with 2% of them made to low-income borrowers and 18% made to moderate-income borrowers. Middle-income borrowers received 50% of Advantis Credit Union's mortgage loans and upper-income borrowers received 31%. Most of Advantis Credit Union's mortgage loans were made to borrowers in Clackamas, Multnomah, Washington, and Yamhill Counties, but the credit union also had many mortgage loan borrowers in Lane County and Marion County. In addition to those six Oregon counties, Advantis Credit Union reported making 2013 mortgage loans in 22 other Oregon counties.

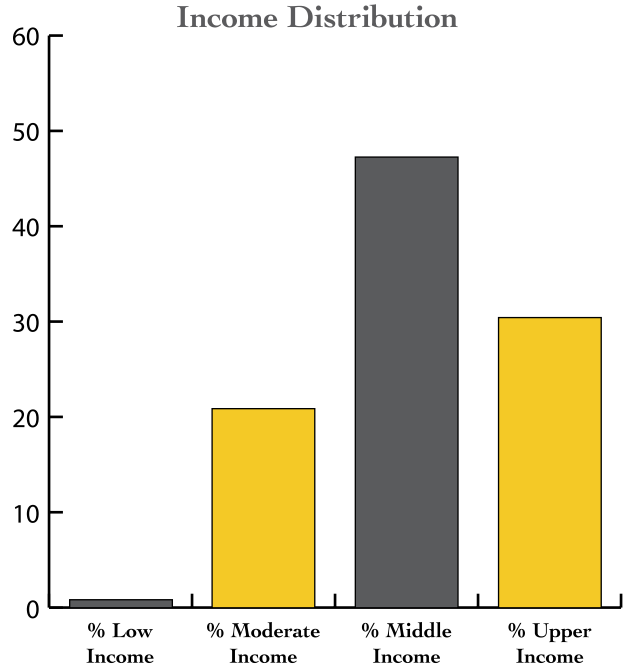
Advantis Credit Union
Oregon Mortage Loan Borrower
Income Distribution



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

The $938 million Unitus Community Credit Union made 614 HMDA-reported mortgage loans in 2013. Of those mortgage loans 1% went to low-income borrowers, 21% went to moderate-income borrowers, 47% went to middle-income borrowers, and 31% went to upper income borrowers. Most of the credit

Unitus Credit Union
Oregon Mortage Loan Borrower
Income Distribution

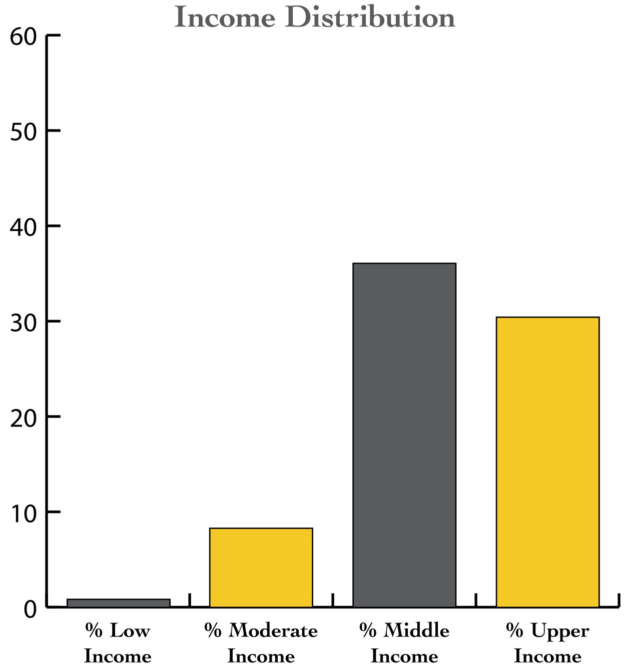


Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

union's 2013 mortgage loans were made to borrowers in Clackamas, Multnomah, Washington, and Yamhill Counties. Unitus Community Credit Union also reported that it made mortgage loans during 2013 in 21 additional Oregon counties.

According to its 2013 HMDA data, the $6.8 billion California-headquartered First Technology Federal Credit Union originated more mortgage loans in Oregon than the state's largest credit union, OnPoint Community Credit Union, had originated. Of its 2,396 Oregon mortgage loan originations, First Technology Federal Credit Union made only

First Technology Credit Union
Oregon Mortage Loan Borrower
Income Distribution



Source: Home Mortgage Disclosure Act data for 2013 available from the Federal Financial Institutions Examination Council and the Consumer Financial Protection Bureau.

twelve loans to low-income borrowers, or less than 1% of its total. In Oregon First Technology Federal Credit Union also made 9% of its mortgage loans to moderate-income borrowers, 44% to middle-income borrowers, and 44% to upper-income borrowers. During 2013, the credit union made over twice as many mortgage loans to Oregon borrowers than it made to California borrowers. This report does not include specifics about the mortgage loan originations made by the many other credit unions headquartered out-of-state except to again point out that credit union activity in Oregon is not all done by credit unions headquartered in the state.

The fact that the HMDA data indicates that the 66 Oregon-based credit unions made very few mortgage loans to low-income persons becomes particularly significant as an indicator of the institutions' lack of focus on those of modest means. Of the nearly $10.1 billion in total loans outstanding at mid-year 2014, Oregon's 66 credit unions had 35.44% of their total loan portfolio invested in first mortgage real estate loans and lines of credit. An additional 11.82% of the total loan portfolio was invested in other real estate loans and lines of credit. That does not count loans originated and then sold to the secondary market. Although these real estate categories taken from the NCUA financial performance reports do not match 100% with the HMDA-reported data from Oregon credit unions, they are close enough to be illustrative.

The HMDA law and regulations require reporting on a wide range of mortgage-related actions and applicant information, even if a mortgage loan is not granted. According to the CFPB there were over 17 million 2013 HMDA records from 7,190 financial institutions. This report only touched the surface of the mortgage lending details available from the HMDA data. The Oregon HMDA reports for 2013 can be found on the Federal Financial Institutions Examination Council's (FFIEC) website at http://www.ffiec.gov/hmda and http://ffiec.gov/hmda/hmdaproducts.htm. The 2013 HMDA information is also available from the Consumer Financial Protection Bureau (CFPB) at: http://www.consumerfinance.gov/hmda.

Executive Compensation at 5 Largest Oregon Credit Unions

The compensation of top executives at the five largest Oregon-based credit unions do not align with a nonprofit whose mission is serving individuals with modest means. Their compensation packages are what one would expect for professionals with the important responsibility to lead a billion-dollar-plus, highly-regulated, multi-branch depository institution and are much higher than executives for other tax-exempt organizations in Oregon.

According to U.S. Internal Revenue Service IRS Form 990 Return of Organization Exempt From Income Tax filings for 2012, the most recently available year, the leaders of the five largest Oregon credit unions were well compensated. That compensation included base compensation, bonus and incentive compensation, other reportable compensation, and in certain cases large retirement and other deferred compensation. Although not included in this report's table, other senior staff at these five largest credit unions also received substantial compensation.

"The compensation of top executives at the five largest Oregon-based credit unions do not align with a nonprofit whose mission is serving individuals with modest means."

Since all five of the largest credit unions featured in this report were state chartered, all five are included in this report. Federal credit unions under the supervision of the National Credit Union Administration (NCUA) are considered to be "federal instrumentalities" and are exempt from income taxation under a different section of the IRS Code than state chartered credit unions. Federal credit unions do not have to file IRS Form 990.

An explanation included in OnPoint Community Credit Union's 2012 IRS Form 990 filing said, "The CEO and certain other employees participate in a supplemental non-qualified retirement plan (per Internal Revenue Code 457(f)). In general, contributions are made to the plan each year as a percentage of salary and a percentage of bonus earned for the year for all participants other than the CEO, an interest credit rate is applied to each participants balance annually. The CEO's plan balance is invested separately and reviewed on a periodic basis by an oversight committee. There are contractual fixed dollar payouts with each individual after defined years of service. The remaining balance in each participant's plan is paid to the individual at the end of their respective defined plan after all plan requirements are met." That explanation was the foundation for an additional comment about double counting of 457(f) plan income and an accelerated bonus payment skewing the CEO's and other senior staff members' compensation in 2012.

U.S. Median Household Income and Persons Below the Poverty Level

The U.S. Census Bureau median household income for the nation was $53,046 for 2008-2012. In Oregon statewide it was $50,036. The percentage of persons below the poverty level for the U.S. was 14.9% and for Oregon as a whole it was 15.5%. The median household income and percentage of persons living below the poverty level varies significantly in different counties and cities in Oregon. The median household income and percentage of persons below the poverty level for any state, for any county, or for many cities can be found using a search function located on http://quickfacts.census.gov/qfd/states/. A significant amount of additional census data for each state, county, or city can also be revealed by a search including population, gender distribution, percentages of certain population ethnicities, education

Credit Union Executive Compensation IRS Form 990 Details

CU Name / Pres./CEO Name	Base Compensation	Bonus & Incentive Compensation
OnPoint Community / Robert Stuart	$576,800	$390,087 Included a 2012 bonus usually paid in Feb. 2013 but paid Dec. 2012
Oregon Community / Amanda Jones	$306,125	$29,242
SELCO Community / Robert Newcomb	$515,881	$211,716
Advantis / Ron Barrick (Through Oct. 2012 when he retired)	$3,245,117 Received a distrubution of $2,552,265 from a supplemental nonqualified retirement plan	$260,660
Unitus Community / Patricia Smith	$355,558	$95,814

(Continued)

Other Reportable Comp.	Retirement & Other Deferred Comp.	Non-Taxable Benefits	Totals of Columns
$1,642,792 Supplemental note said double counted IRC 457(F) income plus payout in sameyear overstated in this amount	$181,035	$7,530	$2,798,244 $1,798,244 was actual compensation in 2012 according to schedule J supplemental information
$18,069	$37,000	$10,496	$400,932
$69,422	$18,750	$14,470	$830,239
$5,076	$47,000	$16,132	$3,573,985
$10,673	$259,694	$9,367	$731,106

Source: U.S. Internal Revenue Service Form 990 Schedule J for 2012 levels achieved, homeownership, persons per household, persons per square mile, and selected economic information, among others.

For additional comparison purposes, the U.S. Department of Health & Human Services (HHS) 2014 Poverty Guidelines for a four person family/household in the 48 contiguous states and the District of Columbia established the poverty earnings level at $23,850 or less http://aspe.hhs.gov/poverty/14poverty.cfm. Alaska was set at $29,820 and Hawaii at $27,430. One could reasonably assume that any member of an Oregon credit union that was living below the official poverty level would be described as low-income and of modest means by the vast majority of elected officials and by the general public.

If a credit union was serving a geographic area in Oregon where a higher percentage of residents were identified as living below the poverty level that credit union would have a higher probability of serving individuals of modest means (inclusive of the alternative terminologies: low-income, unbanked, underserved, etc.). However, the described fields of membership of most Oregon credit unions, as well as the locations of main offices and branches, do not suggest that they are concentrated in low-income areas of the state or areas with high levels of Oregon citizens living below the poverty level.

Oregon had a 2013 estimated population of 3,930,065; a statewide median household income of $50,036 and statewide 15.5% of persons lived below the poverty level. Oregon's counties show a significant range in population size, median household income, and the percentage of persons living below the poverty level. Multnomah County, with an estimated 2013 population of 766,135, is the most populated. Wheeler, with an estimated 2013 population of 1,381, is the least populated. Median household incomes range from $34,337 in Grant County to $64,375 in Washington County. The percentage of persons below the poverty level range from 9.7% in Clackamas County to 25.0% in Malhuer County.

Why Use the Term "Modest Means" to Talk About Oregon Credit Unions?

In modern times the use of the term "modest means" became associated with credit unions as a result of the enactment in 1998 of the Credit Union Membership Access Act (CUMAA). The federal credit union regulator and share (deposit) insurer, the National Credit Union Administration (NCUA) features the following statement prominently on its website at http://www.ncua.gov/Legal/Pages/FCUAct.aspx. Quoting the Congress of the United States as embodied in the Federal Credit Union Act, the statement says:

> **"The American credit union movement began as a cooperative effort to serve the productive and provident needs of individuals of modest means.**
>
> **Credit unions continue to fulfill this public purpose, and current members and membership groups should not face divestiture from the financial services institution of their choice as a result of recent court action.**
>
> **To promote thrift and credit extension, a meaningful affinity and bond among members, manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities, or the maintenance of an otherwise well understood sense of cohesion or identity is essential to the fulfillment of the public mission of credit unions.**

Oregon's Counties: Population, Median Household Income, % Persons Below Poverty Level

County Est. Pop.	Med Hsld Income	% <Poverty	County Est. Pop.	Med Hsld Income	% <Poverty
Baker 16,018	$40,348	19.6%	Lake 7,820	$40,049	17.2%
Benton 85,591	$48,635	21.6%	Lane 356,212	$42,628	18.8%
Clackamas 388,263	$63,951	9.7%	Lincoln 46,350	$41,996	16.0%
Clatsop 37,244	$44,330	15.8%	Linn 118,765	$47,129	16.7%
Columbia 49,344	$$55,358	13.9%	Malheur 30,479	$37,191	25.0%
Coos 62,282	$37,853	17.3%	Marion 323,614	$46,654	18.0%
Crook 20,815	$40,263	17.4%	Morrow 11,336	$48,457	15.5%
Curry 22,339	$38,401	13.7%	Mulnomah 766,135	$51,582	17.1%
Deschutes 165,954	$51,468	13.1%	Polk 76,794	$52,365	14.6%
Douglas 106,940	$40,096	17.8%	Sherman 1,731	$44,583	22.4%
Gilliam 1,947	$45,833	12.6%	Tillamook 25,317	$41,869	17.2%
Grant 7,283	$34,337	15.7%	Umatilla 76,720	$48,452	15.5%
Harney 7,146	$39,674	13.4%	Union 25,652	$41,784	17.2%
Hood River 22,675	$56,355	10.1%	Wallowa 6,814	$40,204	14.5%
Jackson 208,545	$43,664	16.2%	Wasco 25,477	$43,601	19.3%
Jefferson 21,145	$43,330	19.2%	Washington 554,996	$64,375	10.9%
Josephine 83,306	$36,699	20.0%	Wheeler 1,381	$36,357	12.0%
Klamath 65,910	$41,068	18.7%	Yahmhill 100,725	$53,950	13.9%

Source: U.S. Census Bureau

Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means.

Improved credit union safety and soundness provisions will enhance the public benefit that citizens receive from these cooperative financial services institutions."

Past NCUA Efforts to Identify Credit Union Public Benefits Revealed None

Through its 5300 Call Reports received from each federally chartered credit union, the NCUA collects membership profile data, but the agency does not make that information available to the public. The NCUA examiners and those from the Oregon Department of Consumer and Business Services (DCBS) Division of Finance and Corporate Securities (DFCS) credit union examination team have access to account holder information at individual institutions. That accountholder information is confidential, even in the aggregate. The HMDA data is by far the best available indicator of the income levels of Oregonians served by credit unions. However, the bottom line is that there is currently no way to be absolutely conclusive about the income demographics of those individuals served by credit unions. Not many other tools are publicly available, and credit unions are not subject to disclosure of most of their proprietary data in order to demonstrate their public benefit in exchange for their tax exemption.

"Credit unions are not subject to disclosure of most of their proprietary data in order to demonstrate their public benefit in exchange for their tax exemption."

In the past the U.S. Government Accountability Office (GAO) in its November 2006 report entitled, "Greater Transparency Needed on Who Credit Unions Serve and on Senior Executive Compensation Arrangements" http://www.gao.gov/products/GAO-07-29 studied credit union service to those of "modest means" and remarked about the lack of tangible data supporting credit unions service to those of modest means. The NCUA also found little conclusive proof of such service to low-income populations and those of modest means for its November 3, 2006 report entitled, "Member Service Assessment Pilot Program: A Study of Federal Credit Union Service" http://ww.ncua.gov/Legal/Documents/MSAP-Pilot.pdf. Also proving inconclusive in demonstrating credit union service to low-income and underserved groups was another NCUA report released on February 6, 2008 entitled, "Report to the NCUA Board from the Outreach Task Force" http://www.ncua.gov/Legal/GuidesEtc/Documents/Publications/20080226OutreachTF.pdf. During the years since those reports were released neither Congress nor the NCUA have taken any significant actions to remedy the lack of tangible data.

Although "modest means" is a nebulous term subject to interpretation, it is generally used to refer to those making low- or moderate-incomes. The terms “unbanked” and “underbanked” have also taken hold in Congressional hearing rooms and with banking regulators. However, as many researchers are learning, the vast majority of the unbanked deliberately prefer not to use the highly-regulated and perceived-to-be costly services provided by federally insured depositories. The Federal Deposit Insurance Corporation’s (FDIC) 2013 National Survey of Unbanked and Underbanked Households indicated that prepaid cards and mobile payment systems were the alternatives of choice for many Americans that preferred not to use or did not primarily use banks and credit unions. Similarly and independently, the Pew Charitable Trusts and the Center for Financial Services Innovation have also reported that many low- and moderate-income households do not use banks or credit unions to meet all of their day-to-day financial needs. According to their research, these households are going outside the formal banking system seeking the structure and flexibility they need.

The NCUA has a very specific designation for low-income populations, but the credit union industry does not appear to be well-positioned to serve them and in fact are not serving them. “Low-income” is at the core of what most elected officials consider the term “modest means” to encompass. The NCUA’s approach to low-income members is addressed later in this report. Median family income and median household income are also at the core of the NCUA’s approach to designating low-income members.

NCUA’s Low-Income Credit Union Designation Misnamed

The Federal Credit Union Act authorizes the NCUA Board by rule to designate any credit union that meets certain criteria as a “low-income credit union” (LICU). A LICU can be exempted from the member business lending limit, accept non-member deposits, offer secondary capital accounts, and receive development grants from a special NCUA fund. Once obtained, the designation has a term of five years even if the composition of the membership subsequently drops below the threshold for the original designation. However, if a LICU merges with another credit union, the combined institution in its entirety must meet the requirements to keep the low-income designation. For federally-insured state chartered credit unions the state regulator must also approve the designation based on state law.

According to the agency, the NCUA uses a credit union’s member share data and U.S. Census Bureau data to assign overall income characteristics of a given area to a credit union’s members living in that same area. NCUA then compares the income information to standards for low-income that are established by regulation (NCUA Rules and Regulations §701.34). The most common comparison is median family income for where the member lives to the median family income for the larger metropolitan statistical area (or, for rural areas, a state non-metropolitan standard). NCUA may substitute total median earnings for individuals instead of family income if it is more beneficial to the credit union when determining if it qualifies to be a LICU. The term “low-income members” also includes those members enrolled as students in a college, university, high school, or vocational school. The Census measure of median income tells one only of what the midpoint is, and then very little about distribution of income within the population.

Historically, qualifying for the LICU designation had been a very labor-intensive process that few credit unions chose to attempt. In 2011 the NCUA began using the internally-developed "Low-Income Designation Information Tool" software program that was integrated into its Automated Integrated Regulatory Examination Software (AIRES) to proactively identify eligible LICUs and encourage credit unions to seek the designation. Credit unions receiving the low-income designation included some exceeding $1 billion in assets. In August of 2012 the NCUA's LICU expansion program was included in the Obama Administration's drought relief initiative.

The HMDA definition of low-income establishes the borrower's income designation as less than 50% of the local metropolitan statistical area median household income. The NCUA designation of a low-income credit union (LICU) only requires that a simple majority of a designated credit unions' members live in metropolitan areas that report median family household incomes at 80% of the local or national metropolitan area median household income, whichever is greater. The NCUA designation could be accused of being misnamed. Perhaps calling it "half of our members might have moderate-incomes based on Census Bureau statistics" designated credit union would be more appropriate. The HMDA definition is likely closer than NCUA's to what most policymakers would consider truly low-income.

Most Credit Union Members Not Low-Income or Modest Means

Although accepting the NCUA's low-income designation was voluntary, there were enough incentives that nearly every credit union that was eligible applied for the designation. As a result one can extrapolate that those credit unions that are not now designated LICUs have memberships that do not qualify as low-income and those credit unions' memberships are probably not "of modest means" as most policymakers would define the term. NCUA's LICU designation provides tangible data that demonstrates the statistically-based, but somewhat theoretical composite income level of a credit union's membership. In its enthusiasm to promote service to the underserved and those of modest means, the NCUA has validated in reverse that for the most part credit unions are not currently primarily serving the low-income and underserved.

As of June 30, 2014 there were 2,074 federally insured LICUs out of a total of 6,429 federally insured credit unions in the U.S., or just over of 32% of all federally insured credit unions by number. The LICUs represented about 19% of the $1.1 trillion dollar industry's total assets with the 95 LICUs larger than $500 million in assets accounting for over 54% of the LICUs total. Of the total number of LICUs, 1,723 (83.08%) were federally chartered credit unions and 351 (16.92%) were state chartered credit unions. Low-income designated federally chartered credit unions held 63.35% of the total LICU assets in the U.S. and served 66.71% of the LICU members. The federally insured state chartered low-income designated credit union assets were 36.65% of the total LICU assets and 33.29% of the total LICU members.

Receiving the NCUA's low-income designation was not a difficult designation to obtain and did not automatically require the credit union to do anything specific with its lending, branching, account opening, or other services. The only time estimated membership income data was analyzed was at the time the low-income designation was received and the designation did not require a qualification analysis again until five years had passed.
A benefit flowed to the credit union, however,

there was no certainty that any special benefit would flow to any of the credit union's existing or new members.

The NCUA financial performance reports developed from the individual credit unions' 5300 Call Reports for federally-insured credit unions for LICUs and non-LICUs suggests that very few credit unions and very few of the assets in those credit unions were targeted towards low-income populations. That means nearly 68% of all U.S. federally-insured credit unions holding over 80% of the assets likely did not primarily serve low-income households as the NCUA defines low-income and most certainly not as HMDA defines low-income. The rhetorical basis upon which Oregon credit unions have historically articulated their public benefit would appear questionable.

Oregon Low-Income Designated Credit Unions Inaccurately Labeled

At June 30, 2014 in Oregon there were 66 total federally-insured credit unions (FICUs) with combined assets of $16,804,037,418 representing 1,503,971 members. At mid-year 2014, Oregon's 31 low-income designated credit unions (LICUs) were 46.97% of Oregon FICUs holding 42.61% of total Oregon FICU assets and serving 46.58% of total Oregon FICU members. Of the 31 LICUs, 25 were federally chartered holding $3.25 billion in assets and serving 223,991 members from 92 branches as of June 30, 2014. With combined assets of $3.9 billion, six state chartered federally-insured low-income designated Oregon credit unions served 376,548 members from 58 branch locations.

Although above the national average percentages in both numbers of low-income designated credit unions and in assets held by LICUs, the majority of Oregon credit unions and assets are not in LICUs. Moreover, it is unlikely that all of a LICU's members are low-income individuals even under NCUA's definition (only 50% plus 1 of 80% median household income is required for designation) so it is logical to assume that the actual percentage of assets deployed in loans to low-income individuals is less, perhaps substantially less, than 50% plus 1 of a LICU's total loans outstanding. Comprehensive data to track loans to low-income consumers, other than the HMDA data, made by these Oregon credit unions is not publicly available.

In Oregon many counties in the state have median household incomes well below the state and national metropolitan area median household incomes. The entire populations in some of these Oregon counties could qualify as 80% or less than the median family income for the metropolitan area where they live or national metropolitan area, whichever is greater as is required by the NCUA regulation. In other words, the NCUA has set the bar very low for achieving the designation. The ability to include as low-income those members that are students in a college, university, high school, or vocational school also assists those credit unions located in communities with those educational institutions to achieve the designation.

Since there are no low-income service requirements or Community Reinvestment Act-like mandates associated with the designation, the NCUA's low-income designation as currently presented is indeed something of a misnomer. It could have alternative names like the "Non-Member Deposits Acceptance Designation" or the "No Business Lending Limits Designation" or the "Secondary Capital Authority Designation" since those names more accurately reflect the end result from the receipt of the designation.

Designated Low-Income Credit Unions in Oregon Overview of 31 Oregon LICUs: Assets & Members

Asset Category	# LICUs	% LICUs	$ Assets	% Assets	# Members	% Members
>$500 Million	5	16.13%	$5,057,353,521	70.63%	476,526	68.02%
$100-$500 Million	7	22.58%	$1,413,548,783	19.74%	142,898	20.40%
$50-$100 Million	5	16.13%	$437,982,997	6.12%	46,665	6.66%
$10-$50 Million	10	32.26%	$232,801,345	3.25%	28,453	4.06%
<$10 Million	4	12.90%	$18,779,775	0.26%	5,997	0.86%
Total	31	100.00%	$7,160,465,421	100.00%	700,539	100.00%

Source: National Credit Union Administration as of June 30, 2014

Designated Low-Income Credit Unions in Oregon Overview of Branches and Employees

Asset Category	# LICUs	# LICU Branches	% LICU Branches	# Full-time Emp.	# Part-time Emp.	% Part-time Emp.
>$500 Million	5	75	50.00%	1,266	64.17%	55.43%
$100-$500 Million	7	42	28.00%	516	26.15%	34.24%
$50-$100 Million	5	15	10.00%	133	6.74%	1.63%
$10-$50 Million	10	14	9.33%	49	2.48%	7.61%
<$10 Million	4	4	2.67%	9	0.46%	1.09%
Total	31	150	100.00%	1.973	100.00%	100.00%

Source: National Credit Union Administration as of June 30, 2014

As it is with the Oregon credit union industry in general, the majority of the Oregon LICUs' total assets and total members are found in a small number of larger credit unions. That trend holds true for the deployment of branch offices and staffing those offices as well. The five Oregon LICUs with assets above $500 million include Oregon Community Credit Union and SELCO Community Credit Union previously profiled in this report. All five of the largest Oregon LICUs have community-based fields of membership (FOMs).

"Underserved" Fields of Membership Authorized by the NCUA Board

Regardless of whether low-income designated or not, the NCUA also authorizes any qualifying federal credit union to serve "underserved areas" by expanding its field of membership (FOM). Those underserved area FOM expansions are reported to the public on the NCUA's website quarterly with the most recent underserved areas report dated March 31, 2014 http://www.ncua.gov/Legal/RptsPlans/Pages/UA.aspx. Although the report is titled "Underserved Area Detailed Report," there is very little detail about the areas or populations being served. The definition of underserved was defined by NCUA in 2008 by NCUA IRPS 08-2 by amending 12 CFR §701 that modified the agency's Chartering and Field of Membership Manual http://www.ncua.gov/Legal/GuidesEtc/Pages/Chartering-Manual.aspx.

Federal credit union underserved FOM expansions were authorized by the Credit Union Membership Access Act of 1998 and provided that the NCUA Board must determine that the area to be served is a local community that qualifies as an investment area [for example: Empowerment Zone or Enterprise Community] as defined in the Community Development Banking and Financial Institutions Act of 1994 [CDFI Act]. An eligible investment area can also be one that meets the U.S. Treasury CDFI Fund's somewhat convoluted definition of being economically distressed.

Approximately one to four million "potential members" from underserved areas have been added annually to federal credit union FOMs

Oregon Low-income Credit Unions >$500 Million in Assets

CU Name	Assets	Members	Branches	FOM Type
Oregon Community CU	$1,233,216,536	114,065	9	Community
SELCO Community CU	$1,182,752,909	112,217	17	Community
Rogue Federal CU	$890,585,547	80,823	16	Community
Northwest Community CU	$878,107,447	90,162	21	Community
O.S.U. Federal CU	$79,259	79,259	12	Community

Source: National Credit Union Administration as of June 30, 2014

since 2009. The federal credit union must commit to maintaining a facility in the underserved area, but that facility need not be a full service branch office. The underserved FOM expansion information represents yet another source of NCUA "modest means service" data that is largely uninformative and inconclusive.

Since 2009, only one Oregon credit union was listed as having received an underserved FOM on any of the NCUA's annual or quarterly reports posted on the agency's website. During December of 2013 the Milwaukie, Oregon-based, $299 million in assets, 21,500-member Oregonians Federal Credit Union was listed as being granted an underserved FOM expansion of 42,113 potential members. There exists no way short of a Freedom of Information Act request to confirm that any of these new "underserved" members of Oregonians Federal Credit Union were ever effectively provided with service. The NCUA claims to follow up with each credit union that receives an underserved FOM expansion, but that follow up is not made public. However, Oregonians Federal Credit Union does not have a low-income designation from the NCUA so it would be logical to assume that it does not otherwise qualify for the designation and does not primarily serve a low-income membership.

The NCUA has categorized the credit union as having a multiple common bond type of field of membership. According to the Oregonians Federal Credit Union's website http://www.oregonianscu.com the credit union provides services to over 3,000 employer and association groups throughout the state of Oregon. An individual could also join if they lived, worked, worshiped, or attended school within a mapped area shown on the website or in the St. Johns, Cathedral Park, University Park, Kenton, Portsmouth, East Columbia, or Rivergate Industrial District neighborhoods. The credit union listed eight branch offices. Three of those branches were located in downtown Portland, northeast Portland, and St. Johns in Portland. The other branches were located in the cities of Gresham, Beaverton, Milwaukie, Oregon City, and Prineville. All except the Prineville branch are in the Portland metropolitan area. Near the center of the state, Prineville is sandwiched between the Deschutes National Forest and the Ochoco National Forest.

According to the U.S. Census Bureau, Portland's median household income for 2008-2012 was $51,238 and 17.2% of persons living there lived under the poverty line. The respective numbers for Gresham were $47,577 and 18.0%. For Beaverton the respective numbers were $56,123 and 13.0%. Oregon City had respective numbers of $57,039 and 13.5%; and Prineville had a median household income of $30,628 and 21.0% of persons living under the poverty level. The median household income in Prineville was just over half that of the median household income in Oregon City. Prineville was the most likely candidate for producing any technically qualifying low-income members.

The NCUA's June 30, 2014 financial performance report for the credit union showed a total loans to total shares (deposits) ratio of 38.24% that suggested extremely low loan demand or a deliberate strategy to favor placing its assets in investments rather than loans. The credit union's net worth ratio was strong, as were other indicators of financial health, except that earnings – as expressed by return on average assets – were lower than the industry mid-point.

U.S. Treasury Department CDFI Fund-Certified Organizations in Oregon

According to the U.S. Department of the Treasury CDFI Fund http://www.cdfifund.gov as of April 30, 2014 there were 869 CDFI-certified organizations in the United States including 205 credit unions, 96 banks or thrifts, 57 depository institution holding companies, 497 loan funds, and 14 venture capital funds. Nineteen of those CDFI-certified organizations were in Oregon: four credit unions, one bank or thrift, one depository institution holding company, 13 loan funds, and no venture capital funds. The depository institution holding company was Portland-based Albina Bancorp and the bank was Albina Community Bank www.albinabank.com, which has no tax exemption. The four U.S. Treasury CDFI Fund-certified 2014 community development financial institution Oregon credit unions were: Marion and Polk Schools Credit Union, Pacific Crest Federal Credit Union, Old West Federal Credit Union, and Pacific Northwest Ironworkers Federal Credit Union. All four credit unions were also designated by NCUA as low-income credit unions.

The CDFI Fund's searchable database http://www.cdfifund.gov/awardees/db/index.asp of awarded technical assistance, financial assistance, and other types of grants did not show any of the four credit unions listed above as having received any awards dating back to 1996. That leaves unanswered the question as to why the CDFI designation was sought by these credit unions and why the CDFI Fund gave them certifications. Three Oregon credit union names did appear on the CDFI Fund's database grant list: Portland-based Hacienda Community Credit Union, Burns-based Harney County Federal Credit Union, and Eugene-based O.U.R. Federal Credit Union. Credit unions going by these names no longer exist as stand-alone entities.

U.S. Treasury CDFI Fund-Dertified Credit Unions in Oregon

Name & HQ Location	CU Profile as of 06/30/2014	HQ Community Profile
Marion and Polk Schools CU Salem, OR http://www.mapscu.com	$1,233,216,536	114,065
Pacific Crest Federal CU Klamath Falls, OR https://www.pacificcrestcu.com	$1,182,752,909	112,217
Old West Federal CU John Day, OR https://oldwestfcu.com	$890,585,547	80,823
Pacific Northwest Ironworkers Federal CU Portland, OR https://www.ironworkersfcu.com	$878,107,447	90,162

Due to financial challenges, in March 2005, the approximately $3 million in assets, 2,100-member Hacienda Community Credit Union merged with the now $95.7 million, Portland-based Point West Credit Union. Harney County Federal Credit Union had changed its name to Greater Oregon Federal Credit Union in 2005, but it ran into financial challenges and decided to merge with Eugene-based SELCO Community Credit Union in 2013. When it merged in 2013, Greater Oregon Federal Credit Union was approximately $34 million in assets with 3,200 members. On December 2, 2011 the NCUA liquidated Eugene-based O.U.R. Federal Credit Union that served almost 1,400 residents of Lane County. That same day Northwest Community Federal Credit Union of Springfield purchased and assumed certain of the $4.25 million O.U.R. Federal Credit Union's assets and shares (deposits). The recent track record for CDFI-certified credit unions in Oregon has been an unsuccessful one.

Although receiving a community development financial institution designation would appear to have a certain seal of approval that accompanies it, a major commitment is not made by the credit union. It could merely mean that the institution intends to engage in one or more community development projects. It is not necessarily a major commitment to direct large percentages of its lending or investment portfolios towards low-income individuals and distressed communities. These four CDFI credit unions have not made their community development project plans publicly available.

An overview on the CDFI Fund website states: "A certified Community Development Financial Institution (CDFI) is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. CDFIs provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, and technical assistance, commercial loans and investments to small start-up or expanding businesses in low-income areas. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds…CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing financial and technical award assistance from the CDFI Fund through the CDFI Program, Native American CDFI Assistance Program, and certain benefits under the BEA Program [Bank Enterprise Award Program] to support an organization's established community development financing programs."

The CDFI Fund's website also described the eligibility criteria:

> **"To apply to become certified as a CDFI an organization must submit a CDFI Certification Application to the Fund for review. The application must demonstrate that the applicant meets each of the following requirements for the applicant to become certified:**
> **• Be a legal entity at the time of certification application;**
> **• Have a primary mission of promoting community development; Be a financing entity; Primarily serve one or more target markets;**
> **• Provide development services in conjunction with its financing activities; Maintain accountability to its defined target market; and**
> **• Be a non-government entity and not be under control of any government entity (Tribal governments excluded)."**

Oregon CDFI Fund-Certified Credit Unions' Expansive Membership Eligibility

With the exception of Pacific Northwest Ironworkers Federal Credit Union, the Oregon-based CDFI-certified credit unions appear to be very easy to join if an individual

lives or works in a county that is identified to be within their FOM. There are no low-income or modest means requirements associated with joining any of the CDFI-certified credit unions.
Based upon information posted on its website, the nearly one-half billion dollars in assets, Salem-based Marion and Polk Schools Credit Union refers to itself as Maps Credit Union. Anyone living or working in the Willamette Valley Basin can join the credit union. That includes the Counties of Benton, Clackamas, Linn, Marion, Multnomah, Polk, Washington, and Yamhill. Maps Credit Union's branches are located in Salem, Keizer, Monmouth, Silverton, and Woodburn. At one point in time the credit union served individuals employed in the education profession. It now serves a geographically-based community field of membership.

According to its website, the Pacific Crest Federal Credit Union allows anyone who lives, works, worships, or attends school in Klamath, Lake, Modoc or northeast Siskiyou Counties to join. Family members can also join, including anyone related by blood or marriage. The credit union's branches are located in Klamath Falls, Lakeview, and Tulelake in Oregon. It also has one branch in Dorris, California and one in Alturas, California. Originally associated with employees and employers in the logging profession, this credit union is classified by the NCUA as a community credit union.

Old West Federal Credit Union is located in the northeastern-most part of Oregon with its branches placed along Interstate 84. According to its website, Old West Federal Credit Union is open to anyone who lives, works, owns property, or worships in Baker, Grant, Harney, Morrow, Umatilla, Union, Wallowa, or Wheeler, Counties. Its branches are located in Baker City, Hermiston, John Day, Pendleton, and Prairie City. Although certain of this credit union's members might qualify as low-income due to the relatively lower median household income in the regions of Oregon that the credit union serves, it is also likely many of the members would not be low-income.

According to its website Pacific Northwest Ironworkers Federal Credit Union serves the members of Ironworkers Union Local 14 in Spokane, Washington, Local 29 and 516 in Portland, Oregon, Local 86 and 506 in Seattle, Washington, and Local 751 in Anchorage, Alaska. The credit union has three branches one each in Portland, Spokane, and Seattle. Members and employees of the local unions can join, retirees from those unions, any ironworker who works in the jurisdiction of those locals or any relative by blood or marriage of a primary member.

In a September 3, 2014 article in a leading credit union industry publication and website, the Credit Union Times, the Northwest Ironworkers Federal Credit Union was featured. Reportedly, the credit union makes most of its loans to members with B, C or D paper and mostly for automobile or other types of vehicle loans. The article also referenced the fact that according to the U.S. Department of Labor's Bureau of Labor Statistics, 2013's median wage for ironworking was $46,140 and the agency forecasted it would expand 22% per year for the next five years. This CDFI-certified credit union's multi-state membership could be characterized as blue collar, but few policymakers would call ironworkers low-income.

There are individuals and groups within the credit union industry, as well as a number of elected officials, that believe that the community development business model and primarily serving people of low-incomes and modest means is the only appropriate mission for credit unions. However, since all credit unions are organized without capital stock, in a margin-less slow-growth economy like today that CDFI model relies heavily on frequent injections of altruistically-driven and/or Community Reinvestment Act-complying outside capital and government subsidies.

Mandating that the CDFI business model be applied universally industry-wide would likely backfire. It would not be sustainable except at great cost and disruption to existing credit union members. Those existing members would flee their institutions en masse. The operating structure and systems upheavals required by the transformation from the current broader and more inclusive marketplace approach by mainstream credit unions to the narrow CDFI focus on the financially distressed and underserved would severely disrupt the industry.

Reality Check Concerning Oregon's Largest Credit Unions

The public policy conversation concerning Oregon's largest credit unions' public benefit upon which their special tax exemption and separate regulatory treatment is based needs a reality check. Oregon's largest credit unions merit recognition for what they do for their members (customers) and for the communities in which their members live and work. However, it is an outdated misperception that credit unions are primarily focused on low-income consumers or those individuals of modest means. In reality, like many other federally-insured depository institutions, credit unions are simply customer-focused.

Oregon credit unions benefit the state's economic development, but that is hardly unique when compared with tax-paying financial institutions that have the same impact. Oregon's credit unions – at least the largest among them – do not focus on supporting low-income populations or those of modest means. The largest credit unions hold the majority of the industry's assets, deploy the most branches, and serve the most members. For the 66 Oregon-headquartered credit unions, membership eligibility is most often based upon living or working in a multi-county geographic area and is rarely limited to a single employee group. Oregon's credit unions are not exclusive to only those individuals with low-incomes or modest means. They do not primarily locate their branches in distressed low-income communities.

The NCUA's misnamed low-income designated credit union (LICU) data with its process of reverse validation provides theoretical statistically-based evidence that Oregon credit unions do not proactively seek to serve low-income Oregonians or underserved populations. The largest Oregon LICUs' field of membership descriptions illustrate an inclusive variety of population demographics, with broad geographic characteristics, and variable income levels. Asset size, smaller branch network footprints, and resource limitations restrict many smaller LICUs' and smaller mainstream credit unions' ability to deliver member services, especially to underserved areas and distressed communities.

The burden of demonstrating the need for credit unions to continue receiving special tax exemptions and separate regulatory treatment falls on Oregon credit unions, and indirectly falls on their government supervisors. Despite indistinct low-income designations and a few questionable community development certifications, Oregon credit unions and their state and federal regulators cannot prove that the institutions primarily serve low-income populations and thereby merit across-the-board subsidies and privileges. The final decisions concerning tax and regulatory treatment will be made by state and federal policymakers based upon whatever rationale resonates with a majority of them. This report's contents and findings merely add to the public policy conversation.

Of all the 2013 HMDA-reported mortgages originated by credit unions in Oregon, 1% were made to lower-income borrowers, 14% were made to moderate-income borrowers, 53% were made to middle-income borrowers, and 32% were made to upper-income borrowers. In 2013, all five of Oregon's largest credit unions' mortgage loan originations were skewed towards middle- and upper-income borrowers in the state. In the absence of any conclusive income-based data stating otherwise, the logical conclusion is that Oregon credit unions serve any and all members (customers) who are eligible to join the institution and that choose to do business with the institution. Nearly every Oregon citizen is eligible to join one or more of Oregon's 66 credit unions headquartered in the state. "All Oregon citizens" describes a wide-open and inclusive group of individuals with varied income ranges, not just an exclusively low-income group or group of individuals of modest means.

Oregon was estimated to have a 2013 population of 3.9 million. The 66 Oregon-based credit unions reported nearly $17 billion in assets and 1.5 million members (customers) at mid-year 2014. It would be extremely unlikely that Oregon credit union members were from low-income populations as most policymakers would define the term. The historic rationale for keeping Oregon credit unions' special tax exemption and separate regulatory treatment is not supported by the data and no longer seems valid. Their nonprofit tax subsidy has been rhetorically based on a public benefit that doesn't exist.

About the Author

Marvin Umholtz is President & CEO of Umholtz Strategic Planning & Consulting Services based in Olympia, Washington south of Seattle. He is a 39-year credit union industry veteran who has held many leadership positions with credit union organizations and financial services industry vendors during those years. A former association executive and lobbyist, he candidly shares his credit union industry knowledge and analysis with public policymakers, financial industry executives, and vendor companies. Umholtz also writes and distributes CU Strategic Hot Topics, a "clients and colleagues" newsletter that analyzes the actions of the National Credit Union Administration (NCUA), the Congress, the Consumer Financial Protection Bureau (CFPB), the Federal Reserve, the lagging economy, uncertainties in financial markets, divisive partisan politics, and the growing conflict about the future role of credit unions in the financial services industry.