

2016 Community Reinvestment Report



STRENGTH IN UNITY /





*What lies behind you and
what lies in front of you,
pales in comparison to
what lies inside of you.*

-Ralph Waldo Emerson



Our philosophy is simple:
“People helping people.”


Credit unions across the state are committed to their neighbors. They offer financial services to underserved residents, engage youth in financial education and return profits to their members.

Historically, credit unions give back to their communities. They don't do it because they're required to do so by law, and they don't do it for financial gain. They do it because it's the right thing to do.

Our goal is to provide assistance and improve quality of life for those in need of financial services. That's why the number of consumers who choose a credit union as their preferred financial institution continues to rise. During the third quarter of 2015, credit unions nationwide added 1.5 million members — the fastest growth our industry has seen in 20 years.

Take a minute and look at the good work we're doing across Michigan every single day. Not because we have to, but because we wouldn't want to operate any other way.

Best,

 Dave Adams
President and CEO



The Credit Union Difference

Not for Profit, Not for Charity, but for Service

What is the difference between a credit union and a bank? Credit unions are not-for-profit financial service organizations that exist to serve their members. We focus on communities and people, not maximizing corporate profit.

Like banks, we accept deposits, make loans and provide a wide array of financial services. However, as member-owned institutions, credit unions focus on providing lower rates, fewer fees and often returning higher dividends to our members. Last year alone, these benefits contributed to:

\$292

MILLION IN DIRECT FINANCIAL BENEFITS
TO MICHIGAN CREDIT UNION MEMBERS¹

\$117

AVERAGE SAVINGS PER HOUSEHOLD¹

In the Media

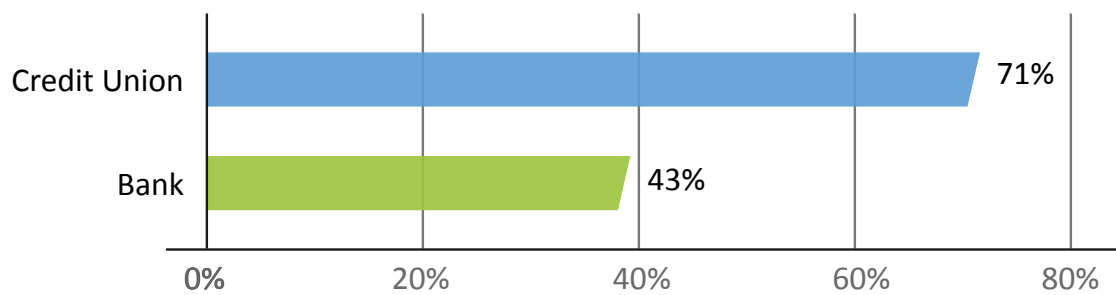
In the *Consumer Reports* "Bank & Credit Union Buying Guide", credit unions received among the highest marks for service ever given to any industry.

Partner for Life

Consumers have rated credit unions as a trustworthy partner in their daily lives. From buying a car to leaving for college, to getting married or starting a family, Michigan residents trust that credit unions will be a valued lifelong financial partner.

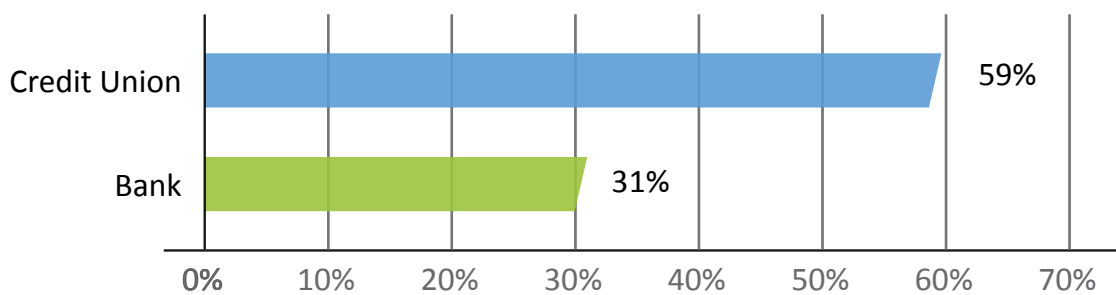
Credit Union vs. Bank: Favorability Rating²

- **71%** of credit union members are “very confident” that their financial institution is the best place for their financial needs
- **43%** of bank customers are “very confident” that their financial institution is the best place for their financial needs



Credit Union vs. Bank: Trust Rating²

- **59%** of credit union members “trust entirely” that their financial institution is doing what is in their best interest
- **31%** of bank customers “trust entirely” that their financial institution is doing what is in their best interest



Key areas where credit unions are perceived more favorably than banks²:

79% FEELING LIKE A MEMBER	74% LOWER INTEREST RATES CHARGED FOR LOANS	70% FEWER SERVICE/ACCOUNT FEES
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¹Source: CUNA: Michigan Credit Union Profile, Third Quarter, 2015

²Source: 2015 CU Difference Study of 1,896 Michigan residents

³Source: CUNA: Michigan Member Benefits Report, Mid-Year, 2015



We Have Members, Not Customers

Strong Collaborative Relationships

Credit unions speak in the voice of the people. The power and strength of Michigan credit unions relies upon the power and strength of Michigan's residents.

As such, building strong relationships with our members and the local business community is our highest priority. We are here to serve and support our members and their businesses all across the state.

The Effects of Overregulation

Over the past 12 months, we have maintained and developed new relationships with 4.8 million credit union members across Michigan.

Membership growth, however, is not a given. The Consumer Financial Protection Bureau is attempting to regulate overdraft protection (ODP), and that is a concern. Their push to regulate member-driven programs, such as ODP is not in the best interest of Michigan consumers. Triggering further consolidation, increased regulation is more likely to have a negative impact on the growth of the credit union industry as a whole.

Credit unions view ODP income through the same member-centric lens used for all our products and services, channeling it into lower rates on loans, fewer fees and important financial education programs.

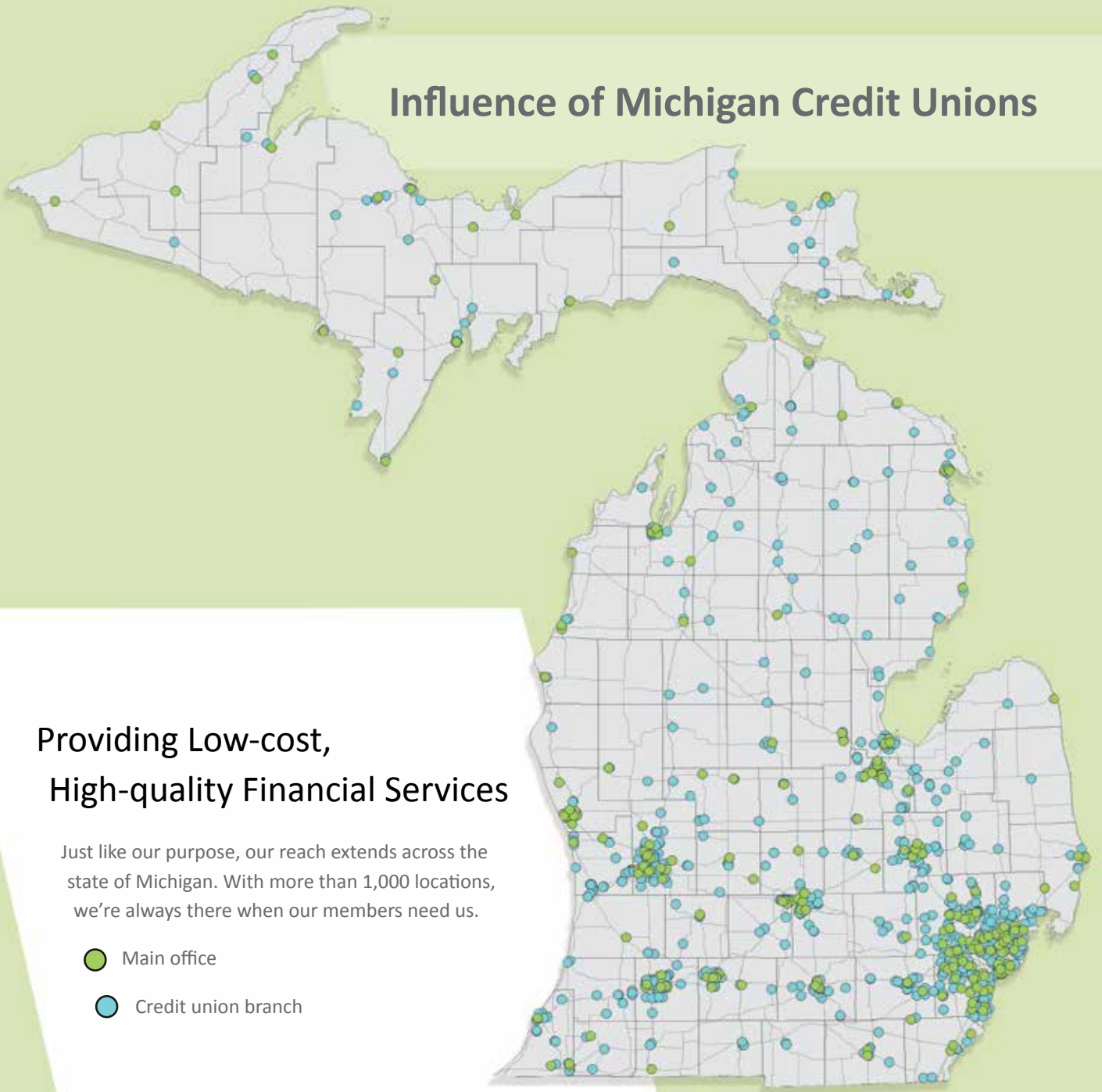
Consequently, increased ODP regulation could hinder a credit union's ability to compete in the market. This is especially true for the small asset size credit unions.

Taking Less and Giving More

Credit union overdraft fees average 9% less than banks and fees are often waived.¹

¹Source: "Overdraft Services and Fees, January 2016 Study" by the National Community Reinvestment Coalition

Influence of Michigan Credit Unions

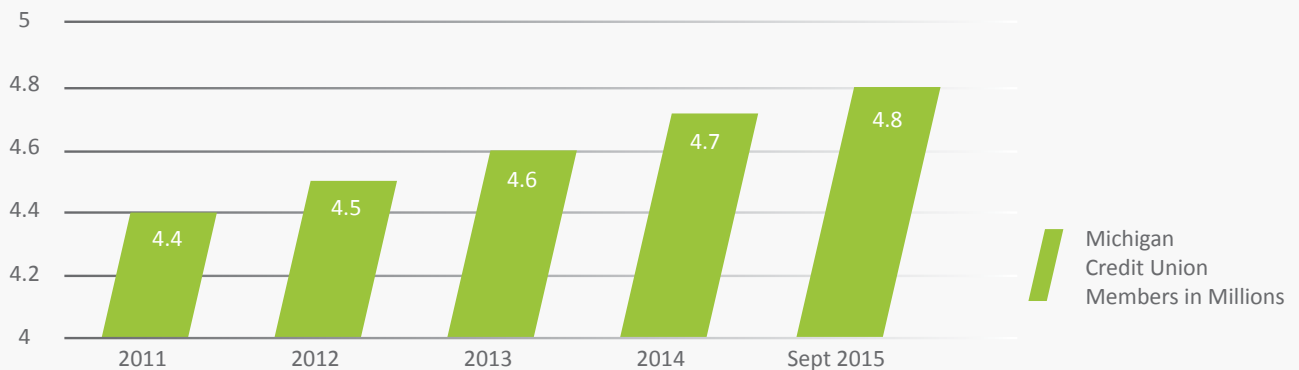


Providing Low-cost, High-quality Financial Services

Just like our purpose, our reach extends across the state of Michigan. With more than 1,000 locations, we're always there when our members need us.

- Main office
- Credit union branch

Michigan Credit Union Member Growth





Business Lending

When Small Businesses Thrive, Michigan Thrives

Small businesses are the backbone of our economy. They are the focus of economic growth and job creation on both state and national levels.

A lack of available credit can impede a business' ability to hire and expand. In response to this need, credit unions continue to make business lending a priority.

Access Is Everything

While banks are setting new records for commercial lending, many small business owners are finding it difficult to access capital. According to *Ernst & Young's Global Commercial Banking Survey*, "nearly one in five companies report [sic] having changed its primary bank in the past year."

The survey cites access to capital, or lack thereof, as a significant catalyst for change. Credit unions welcome this opportunity and proudly partner with local businesses to help build Michigan's communities.

The Critical Mass

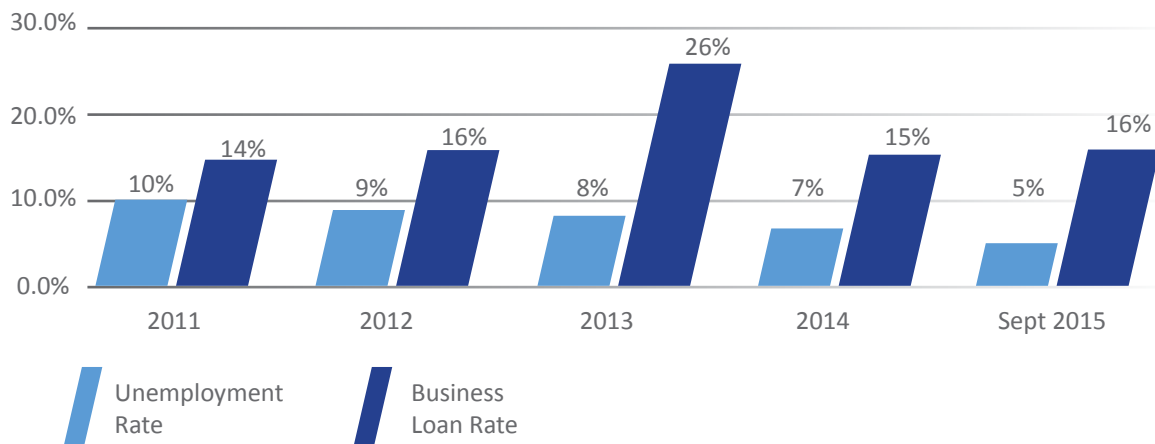
Employing just under 1.8 million residents, small businesses make up more than 50% of Michigan's private workforce.¹

Direct Contributions to Job Creation

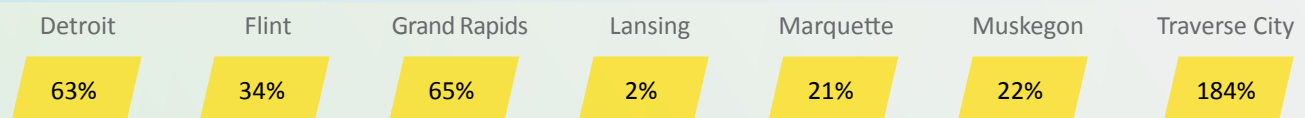
Even though credit unions have an arbitrary cap on the amount of member business loans they can provide, they continue to create jobs by providing capital to local businesses and communities:

- Michigan credit unions surpassed national business lending by offering more than \$2.1 billion in member business loans
- Through Q3 of 2015, year-over-year Michigan credit union **business loans grew by 15.8%**
 - This directly correlates with a 1.4% decrease in Michigan's unemployment rate²

Michigan: Declining Unemployment Rates and Growing Business Lending Rates



Notable Regional Business Loan Growth Rates



¹Source: Small Business Administration Michigan Profile

²Source: U.S. Bureau of Labor Statistics, U.S. Department of Labor



Personal Lending

Saying “Yes” When Others Say “No”

From the new business startup on Main Street, to the “SOLD” sign in the subdivision and the new car in your neighbor’s driveway, credit unions are there.

Credit unions have always been, and remain, consumer lenders. They issue loans to support the community — even when banks do not.

We continue to see increases in the number of loans issued by Michigan credit unions and the positive effects that they have on Michigan’s economy.

Providing a Foothold for Michigan’s Citizens

As we progress into 2016, CUNA anticipates credit union membership and loan growth to “stay at lofty levels,” and we’re committed to staying in the trenches and doing the heavy lifting.

Strong loan growth, combined with rising employment and income rates, will continue to boost credit quality. The ripple effect is felt in homes, communities and businesses.

Setting the Pace

Loan quality continues to improve as Michigan credit union net chargeoff ratios and delinquencies remain near all-time lows. Michigan residents are increasingly paying off their loans in full and on time.¹

Ahead of the Curve

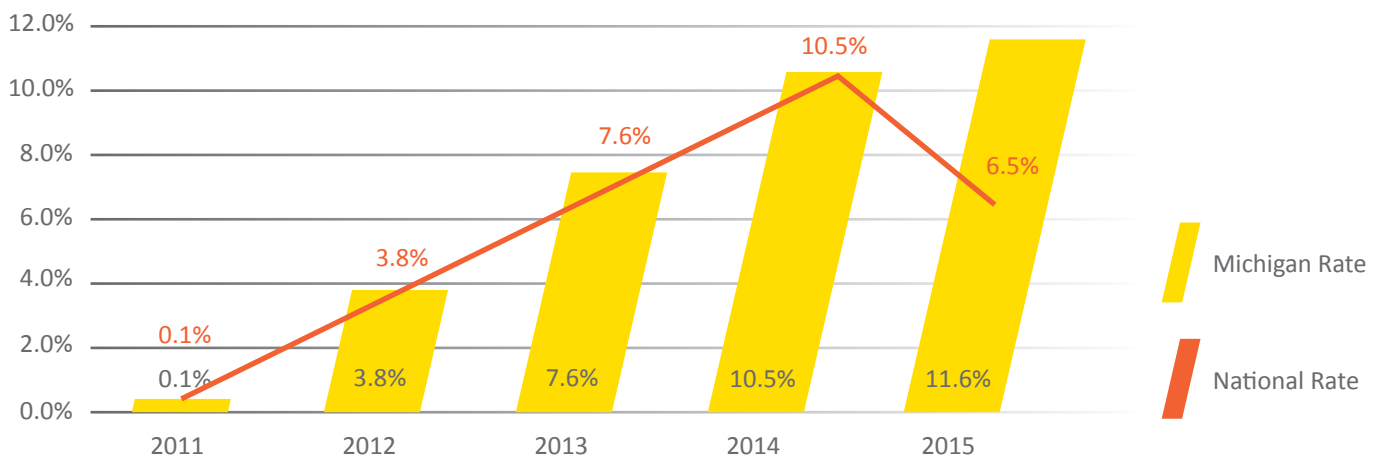
In 2015, Michigan credit union lending increased by 11.6%.
 Now at \$31.3 billion in total loans, we've matched a 20-year high.

Segmented Loan Growth Rate

	U.S. Sept 2015 YTD	MI Sept 2015 YTD
Credit cards	7%	5%
Other unsecured loans	10%	10%
New automobile	18%	16%
Used automobile	13%	15%
First mortgage	10%	10%
HEL & 2nd mtg	3%	8%



Total Loan Growth Rate





Serving the Underserved

Lending a Helping Hand

Michigan credit unions are integral parts of their local neighborhoods, helping create stable and thriving communities. Our social mission drives community involvement — it's what compels credit unions to go the extra mile to positively impact society at large. Serving the underserved starts with the development of valuable and engaging financial programs.

In fact, 40% of Michigan credit unions service low-income designated* memberships. They help make the American dream become a reality for those of modest means.

Payday Loan Alternatives

In an effort to rebuild lives and help residents escape the vicious cycle of payday lending, more than 140 Michigan credit unions have established specialized short-term lending products. More than 67,000 of these loans have been originated for more than \$128 million.

Save to Win

The goal is to incentivize good savings habits and the concept is simple: For every \$25 deposit made into a special savings account, members receive an entry into monthly and quarterly prize drawings. The result? Michigan residents have saved more than \$31 million since the program's inception in 2009. That's an average of more than \$3,100 in savings per account in 2015.

**A low-income designation (LID) is applied to credit unions when at least 50% of their membership qualifies as "low-income."*

Fostering Financial Education

For Michigan credit unions, financial education is a core mission. Credit unions exist to help people get the most from their money, and it all starts with helping them learn how to make wise financial decisions.

It's never too soon to learn about responsible financial decision-making, and we've created a whole host of turnkey resources and programs designed to connect with students of any age.

Financial Reality Fairs

In 2015, more than 20 teen-focused Financial Reality Fairs were held across Michigan. Through interactive, community-based learning exercises, teens learned about income and expenditure, budgeting, credit and savvy financial decision-making. These fun, fast-paced activities make a lasting impact and expand real-world financial understanding.

In-school Branches

Elementary through high school, more than 300 in-school credit union branches have been established throughout Michigan. Not only do these cooperatives provide basic deposit and withdrawal services for students, they teach money management skills, good savings habits, goal setting and more.

Continued Commitment to Youth

With the help of the Michigan Credit Union Foundation, financial educators have impacted more than 48,000 students statewide, through a series of nearly 2,000 in-school presentations.





Charity, Kindness and Goodwill

Sharing the Love

MCUL was a proud leader in the first annual Share the Love Campaign. We called upon credit unions nationwide to create a short video showing how they give back in their communities. Videos were posted online and members of the public were able to view and vote for their favorites. Each month, the videos garnering the most votes were awarded with donations made to their chosen charities.

The response was overwhelming:

- More than 130 credit unions across 37 states answered the call and submitted videos
- More than 425,000 members of the public cast votes for their favorite videos
- \$105,000 was donated to various charities across the country
- \$35,000 was donated to Michigan-based charities

Creating Awareness

The Share the Love Campaign was about more than winning a grand prize donation; it was about paying it forward, extending kindness and spreading goodwill. As credit unions created videos, they also generated awareness and action for more than 40 charities across the state:

- Catholic Charities of Southeast Michigan
- The Guidance Center
- Kalamazoo Loaves and Fishes Food Bank
- Pets for Vets
- Saginaw Valley State University Foundation
- St. Joseph Mercy Ann Arbor Catherine's House
- United Way of the EUP and Hospice of the EU

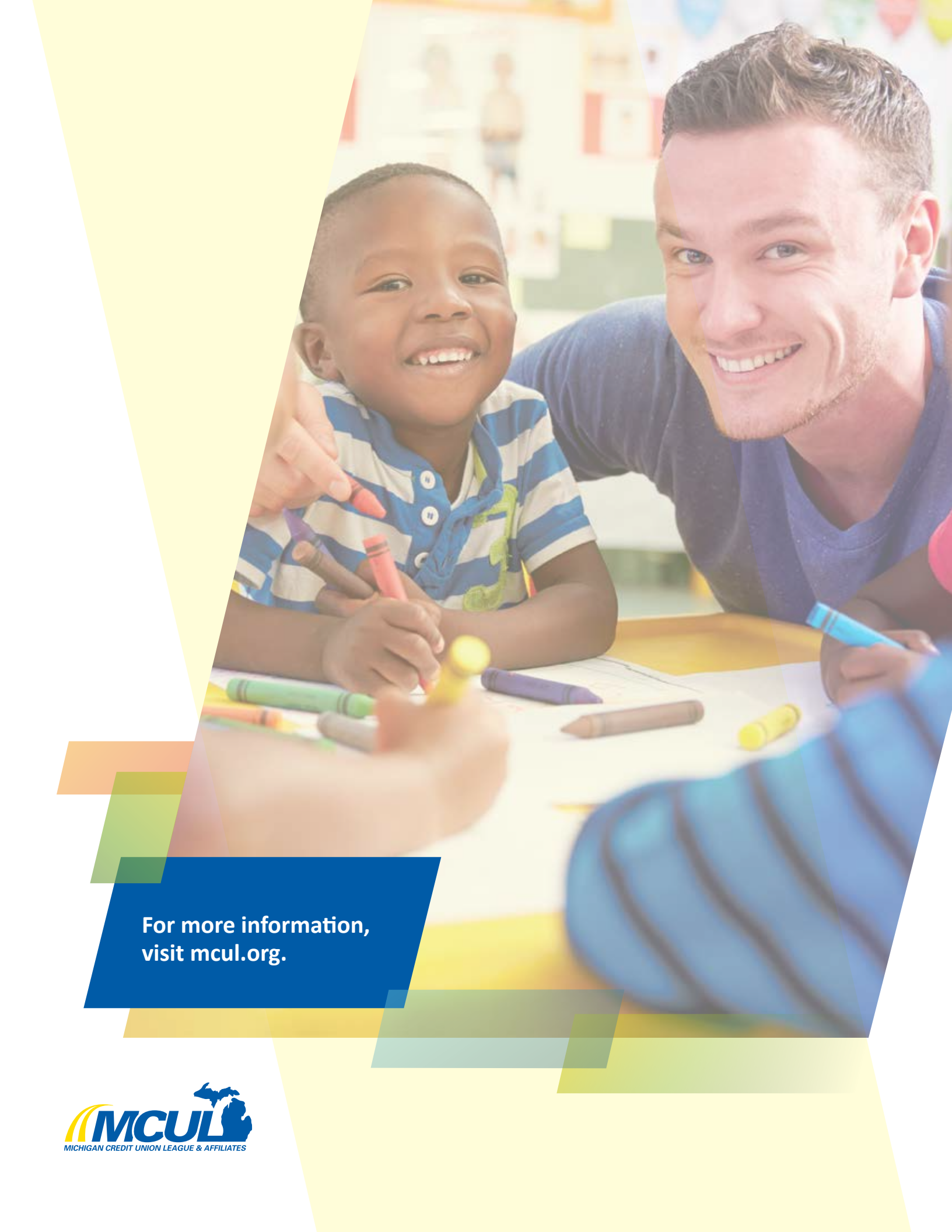
Share the Love Winners

\$25,000 to the Ronald McDonald House of Ann Arbor
on behalf of United Bay Community Credit Union

\$10,000 to the Frankenmuth Farmers Market
on behalf of Frankenmuth Credit Union

Thank you for your support
in helping Michigan's credit
unions serve, grow and
remain strong.





For more information,
visit mcul.org.