



2017 Community Reinvestment Report





“We all know that if we don’t respect our communities, we won’t have that buy-in and respect from them. One thing that definitely sets us apart is that we try to listen to what our community needs...There’s a mentality of ‘how can we best serve the people of our communities?’ rather than ‘what’s in it for me?’”

Lisa Mahler

CEO of United Bay Community Credit Union

Our philosophy is simple:
“People helping people”



Michigan credit unions are committed to their communities. They offer financial products and services to all consumers and small businesses, including the underbanked, engage youth in financial education and strengthen their members and communities.

Simply put, credit unions give back—not because they’re required to do so by law, or for the sake of financial gain—but because it’s the right thing to do. It’s who they are. Over the past year, member business loans were growing by 23.5 percent, certainly contributing to Michigan’s post-recession low unemployment rate. Credit unions continue to support small businesses and consumers so communities across the state can thrive.

Credit unions’ not-for-profit mission is to provide financial products and services that will have the strongest impact on the lives of those in need. 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 2016, Michigan credit unions added 143,000 members—surpassing 5 million members, which equates to half of the state’s population. This is the highest member/population penetration rate of any of the 10 most populous states.

Clearly, more and more consumers and small businesses are discovering the benefits of credit unions as the most trusted and highest value provider in the financial services industry.

Take a minute and look at the good work credit unions are doing across Michigan every single day. In Michigan and across the nation, the credit union mantra of “people helping people” is alive and well.

Best,

A handwritten signature in black ink, appearing to read "D Adams". The signature is stylized and fluid.

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:

\$1.2

MILLION TOTAL CREDIT UNION
MEMBER BENEFIT FROM
FEWER/LOWER FEES

\$175

AVERAGE SAVINGS PER HOUSEHOLD

In the Media

In the *Consumer Reports Bank & Credit Union Buying Guide*, a survey of 49,000 subscribers reported they were “more satisfied with the services they got at credit unions especially when it came to consumer service and fees.”

Partner for Life

Consumers have rated credit unions as a trustworthy partner in their daily lives. From buying a car to saving for college, to getting married or buying a home, Michigan residents trust that credit unions will offer high-quality services at lower costs than banks.



Loans (Average rate)

Used Car

CREDIT UNION **2.84%**

BANK **3.94%**

Credit Card

CREDIT UNION **11.58%**

BANK **17.72%**

Savings Account (\$1,000 balance)

CREDIT UNION **0.23%**

BANK **0.09%**

Fees (Average rate)

Mortgages (Closing costs)

CREDIT UNION **\$1,151**

BANK **\$1,361**

Credit Card (Late fees)

CREDIT UNION **\$24.56**

BANK **\$34.18**



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 rely 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

Credit unions continue to feel the impact of one-size-fits-all regulatory requirements that have continued to force them to divert significant resources from member service to compliance functions. A number of such one-size-fits-all regulations are at

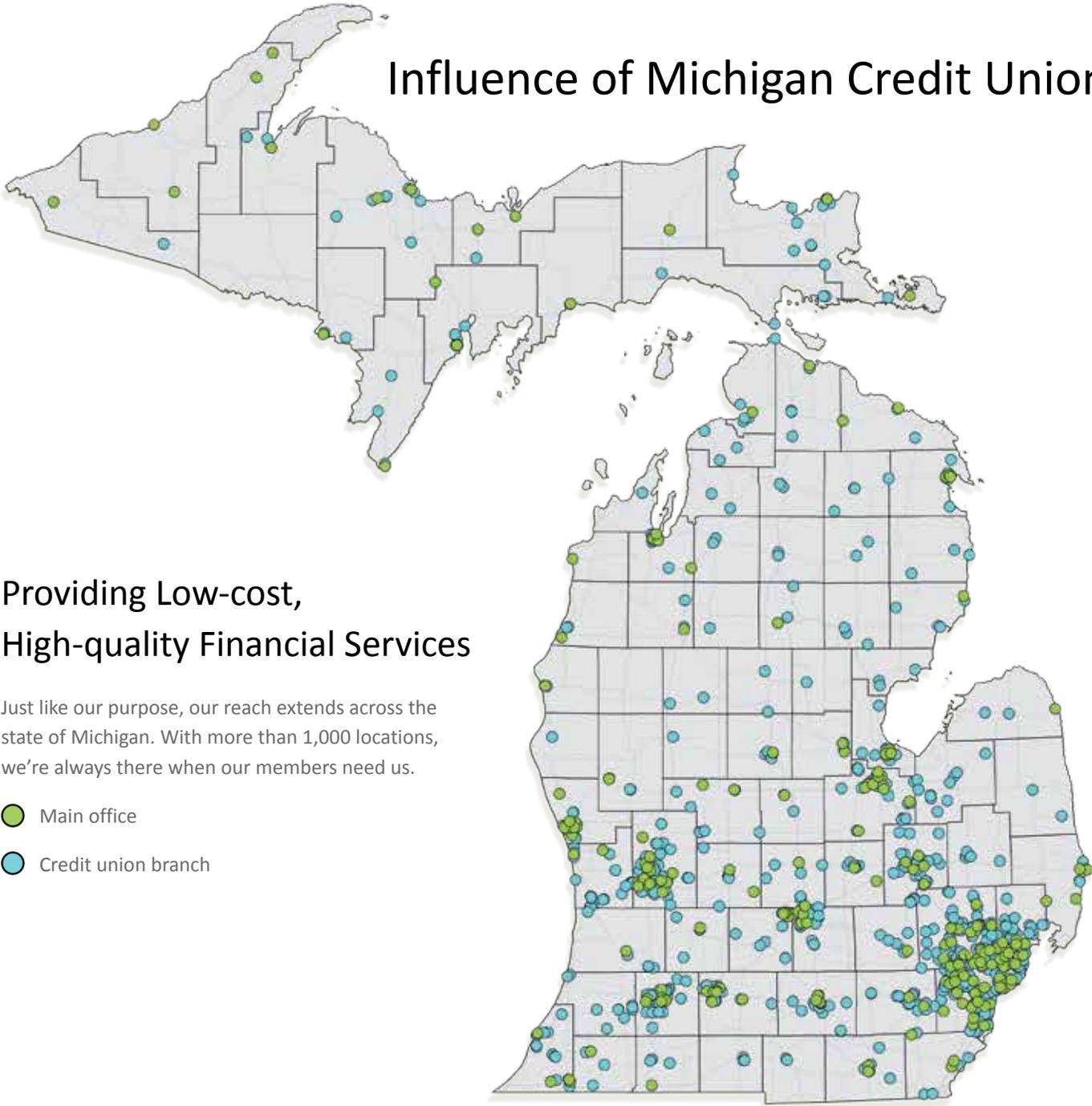
the forefront of concern for credit unions that will continue to impact growth and the industry as a whole.

The Consumer Financial Protection Bureau (CFPB) is continuing to evaluate potential regulation over overdraft protection (ODP). Not only is the CFPB looking at ODP, they are also looking at how regulation is impacting the debt collection process.

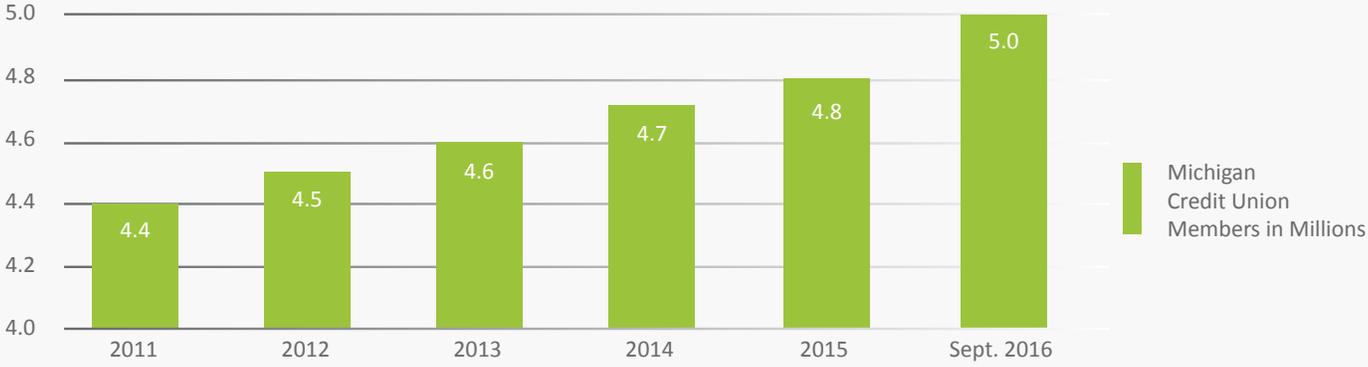
Concerns also remain over the CFPB's proposed rule addressing payday and small-dollar loans. Credit unions offer affordable alternatives to payday lending. This rule, if finalized as proposed, would impact the very programs that are helping borrowers escape the predatory lending debt traps.

The CFPB's rulemaking agenda continues to be robust and reaches a broad spectrum, impacting the very institutions, such as credit unions, that help consumers.

Influence of Michigan Credit Unions



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 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 customers, including small business owners, are finding it difficult to access capital. According to *Ernst & Young's Global Commercial Banking Survey*, "40% of customers express both decreased dependence on their bank and increased excitement about what alternative companies can provide."

The survey goes on to declare that the relevance of banks is declining, and many are losing trust in their bank's ability to satisfactorily offer many services and experiences. Credit unions welcome this opportunity to proudly partner with members and local businesses to provide low-cost, high-quality services in order to help build Michigan's communities.

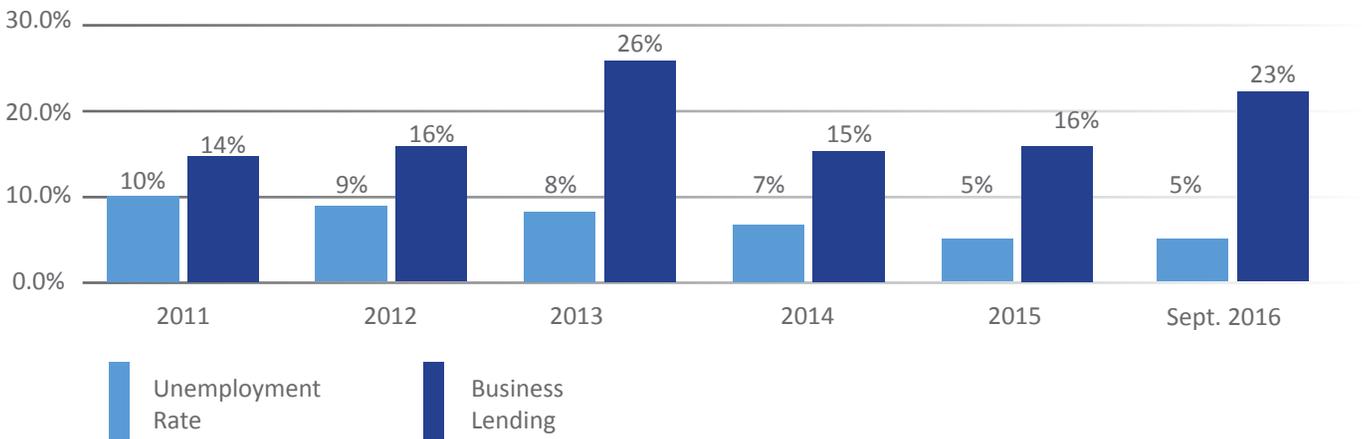
Direct Contributions to Job Creation

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:

- Through Q3 2016, Michigan credit union **business loans grew by 23.5%** year over year.
 - This directly correlates with a decrease in Michigan's unemployment rate, which reached 4.5% during the second quarter (a post-recession low).



Michigan: Declining Unemployment Rates and Growing Business Lending Rates



Notable Regional Business Loan Growth Rates

| Alpena | Detroit | Flint | Grand Rapids | Lansing | Marquette | Muskegon | Traverse City |
|------------|------------|------------|--------------|------------|------------|------------|---------------|
| 66% | 65% | 30% | 10% | 18% | 21% | 64% | 27% |



Personal Lending

Saying “Yes” When Others Say “No”

From the new business start-up 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 2017, the Credit Union National Association (CUNA) anticipates credit union membership and loan growth to continue rising, and we’re committed to staying in the trenches to do 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 charge-off ratios and delinquencies are steadily declining, remaining near all-time lows. Michigan residents are increasingly paying off their loans in full and on time.

Ahead of the Curve

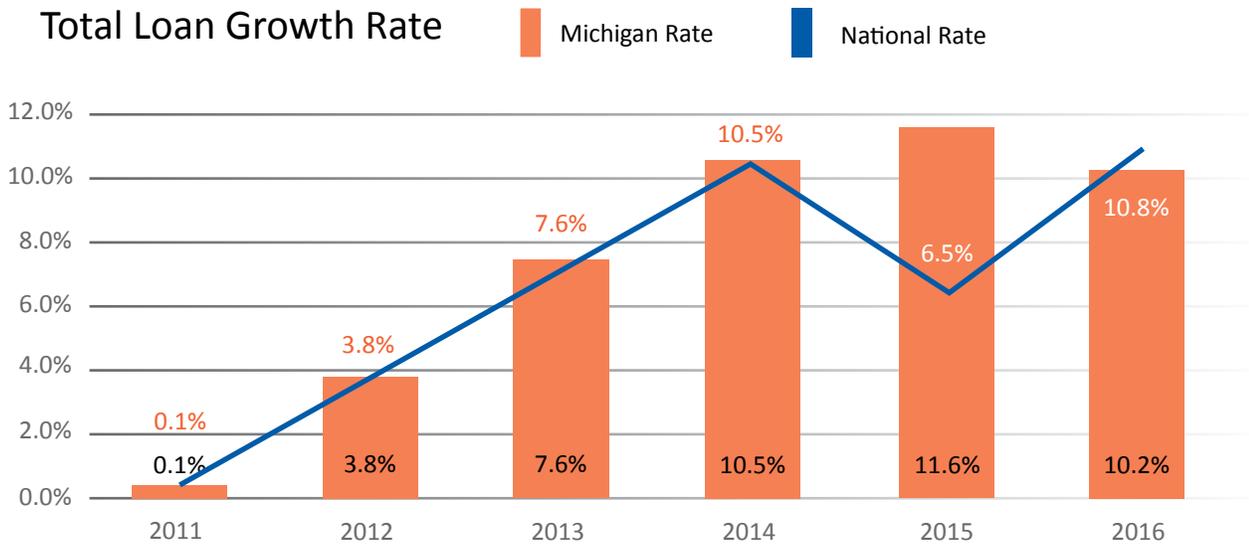
In 2016, Michigan credit union lending increased by 10.8%. Small business lending registered at nearly double the rate credit unions reported at the national level (13.6%) and far outpaced last year's increase.



Segmented Loan Growth Rate

| | U.S. Sept. 2016 YTD | MI Sept. 2016 YTD |
|-----------------------|------------------------|----------------------|
| Credit cards | 7% | 6% |
| Other unsecured loans | 8% | 8% |
| New automobile | 16% | 13% |
| Used automobile | 12% | 14% |
| First mortgage | 9% | 8% |
| HEL & 2nd mtg | 4% | 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 \$35 million since the program's inception in 2009. That's an average of more than \$3,700 in savings per account in 2016.

**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

2,644

STUDENTS

In 2016, more than 30 teen-focused Financial Reality Fairs were held across Michigan, reaching 2,644 students. 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

300

IN-SCHOOL
CREDIT UNION
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.

55,000

STUDENTS
STATEWIDE

2,284

IN-SCHOOL
PRESENTATIONS

Continued Commitment to Youth

With the help of the Michigan Credit Union Foundation, credit unions have impacted more than 55,000 students statewide, through a series of 2,284 in-school presentations.



Charity, Kindness and Goodwill

Love My Credit Union Campaign

MCUL was a proud leader in the second annual Love My Credit Union® 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 the credit unions' chosen charities.

The response was overwhelming:

- More than 90 credit unions across 30 states answered the call and submitted videos
- Nearly 400,000 members of the public cast votes for their favorite videos
- \$179,500 was donated to various charities across the country
- \$35,000 was donated to Michigan-based charities

Creating Awareness

The Love My Credit Union 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:

- Ele's Place
- American Cancer Society
- Children's Miracle Network Hospitals
- Pets for Vets
- Ronald McDonald House of Mid-Michigan
- Making Strides Against Breast Cancer
- Hospice of the EUP

Love My Credit Union Campaign Grand Prize Winner

Flint's ELGA Credit Union won the Love My Credit Union Campaign grand prize, donating \$21,000 to the ABC12 Diaper Drive to benefit The Flint Diaper Bank.

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





Helping Credit Unions
Serve, Grow and Remain Strong

MCUL.org