COLORADO CREDIT UNIONS

THE CREDIT UNION DIFFERENCE

Colorado credit unions proudly serve 2.2 million members. Credit unions are not-for-profit cooperatives, organized to meet the needs of their members. Over 37% of Coloradoans are member-owners of their credit unions, and you will see them in all walks of life — in communities large and small, rural, and metropolitan. Colorado credit unions strive to preserve a legislative climate that recognizes their unique structure and mission.

Credit Unions' Structure, Value, and Impact Set Them Apart

STRUCTURE

Cooperative
Owned by the members using their services.

Not-for-Profit
- Accountable to their member-owners.
- Members serve on credit union boards and help determine the products and services to be offered.
- Decisions are made in the members' best interests.

VALUE

Benefits of Membership
Earnings are reinvested in the members, not paid out to Wall Street stockholders.

Competitive services, fees, and interest rates.

Services to improve members' financial well-being, including financial education, credit building, and financial services to under-served communities.

IMPACT

Essential to the Economy
$3.2 billion impact to Colorado's economy.*

Credit Unions headquartered in the state have created nearly 6,000 jobs for Coloradoans.

Tens of thousands of Coloradoans have received financial education from a credit union.

Credit Unions' Tax Structure is Beneficial to the Economy

Colorado credit unions and their employees paid an estimated $146.6 million in state and federal taxes in the 2020 tax year. It is the structure and mission of credit unions that is the bedrock upon which their tax structure is based. It has nothing to do with their membership size, financial assets, or products provided. As not-for-profit cooperatives, credit unions reinvest in their members through benefits such as dividends, fewer fees, lower interest rates on loans, or higher returns on savings. When those benefits ripple out into the economy, everyone benefits.

$185
Direct member benefits per household**

COLORADO CREDIT UNION IMPACT

$216
Average savings for vehicle financing when compared to banking institution***

*Source: Credit Union National Association (CUNA) and IMPLAN, which utilizes data from the U.S. Census Bureau, Bureau of Labor Statistics, and the Bureau of Economic Analysis. Credit union data for 2020 from NCUA and CUNA were also used as inputs. The economic contributions of credit unions through employment and purchases of goods and services are considered through three channels: direct impact, indirect impact, and induced impacts. **Source: CUNA
***Based on a $25,000 automobile for 60 months at a Colorado credit union compared to what they would pay at a for-profit financial institution in the state.

Credit Unions are Different From Other Financial Institutions

Capital Structure. Banks can build capital in a variety of ways not available to credit unions, including issuance of stock and subordinated debt. Credit unions can generally only build capital in one way: through retained earnings. Although credit unions qualifying for a low-income designation can issue secondary capital accounts, there are substantial restrictions on the terms and structure of those accounts. This capital structure serves as an inhibitor to growth. If a credit union does not generate enough earnings to ensure that capital grows at the same pace as assets, its capital ratio shrinks. By contrast, a bank can prepare for (or retroactively address) a period of rapid asset growth by raising more capital.

Capital Requirements. Banks and credit unions are both subject to minimum capital requirements designed to cushion against financial setbacks. These requirements are far more flexible for banks than for credit unions. Credit unions must maintain a minimum 7% net worth ratio in order to be considered well-capitalized for regulatory purposes. A credit union's allowance for loan losses is not counted as capital for purposes of that ratio. Banks must maintain a 4% core capital ratio (traditional equity), and an 8% Tier 2 capital ratio which, among other things, counts subordinated debt and allowance for loan losses as equity.

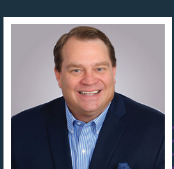
Business Loan Limitation. Credit unions are subject to artificial regulatory limits on the amount of business loans they can make and hold.

Mergers Uninhibited. Banks may freely merge with, or purchase, other banks. In order for two credit unions to merge, field of membership issues must be considered. In some cases, the continuing credit union must give up a portion of the field of membership of one of the credit unions in order to complete the merger. (This can occur when two fields of membership are not the same, especially when a federal credit union is involved.)

Interstate Branching. Since the advent of the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994, state-chartered banks have enjoyed substantial freedom to establish branches and conduct operations across state lines. There is no parallel legislation for credit unions. Therefore, the ability to branch and operate across state lines is subject to a patchwork of inconsistent (and sometimes non-existent) state laws and arrangements between state credit union regulators in various states.

Federal Credit Union Loan Limitations. Federal credit unions are subject to a 15-year loan maturity limit, with narrow exceptions for certain mortgage loans. This can place federal credit unions at a competitive disadvantage in the market for some business loans and loans for vacation homes and rental properties.

Compensation. Because credit unions have no stock, they cannot provide stock or stock options in connection with retirement plans or executive compensation arrangements.



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