



## Wisconsin credit unions threatened ***Budget provision threatens credit union members' equity***

Credit unions are member-owned and -operated not-for-profit financial cooperatives. Members who establish accounts at the institution are its owners. The boards of directors are elected from the membership by the members in a one-person-one-vote ballot, regardless of the amount held in a member's account. In Wisconsin, directors are volunteers serving without remuneration for their time.

While credit unions provide many of the same products and services as other financial institutions, dividend and loan rates are overseen by the members through their volunteer board of directors.

Credit unions operate to serve their members rather than to maximize profits. They typically retain enough surplus to ensure solvency and to have funds available for loans to their members. Wisconsin credit unions employ more than 5,900 people.

### Credit unions in the budget bill

On May 12, 2011, a motion was made in the Joint Finance Committee affecting financial institutions. The motion was not made public prior to its introduction nor was input sought from those who are potentially most affected by it. One provision in the motion makes significant changes to existing processes that a credit union must follow if the members choose to forgo the cooperative business structure and become an investor-owned bank. Cooperative Network's concern is focused on one provision of this motion: conversion of a credit union to a bank.

### What does this motion do?

- **Makes changes to law not sought by credit unions.** Credit unions did not seek changes to the laws that regulate them. This motion was not discussed in any public forum where legislators could seek input from experts and constituents.
- **Puts the future of a credit union in the hands of a smaller group of individuals.** Under this proposal, election to convert a credit union to a bank could be made by a simple majority of directors setting a date for a vote and giving members one notice between 30 and 90 days prior to the date of the election.
- **Allows for less protection of credit union owner-members' equity rights in the credit union.** This proposal allows that a credit union, in conjunction with a conversion to a bank, may choose to distribute capital shares in the new bank or cash to the former members in recognition of their equity in the credit union. Currently, members own the equity in their credit union. Cooperative Network believes members should have a say in how their equity is distributed.
- **Allows for potential enrichment of managers and board members.** While this motion specifies that no senior manager or director may receive economic benefit in connection with the conversion of a credit union, the opportunity exists for management to significantly control the process and decide what information is given to members. This is of concern because a potential financial windfall is possible once the conversion is complete. Moreover, there are no controls on how much stock the board and management may receive after conversion.

***“Credit union members have good reason to be concerned when it's their equity that is potentially at stake.”***

—Bill Oemichen, Cooperative Network President & CEO

## Call to action

**Contact your state senator and representative and tell them to remove the credit union provision from the budget bill.**

**To contact your legislator visit <http://bit.ly/findwisleg>.**

**Or you can call the legislative hotline, toll-free at 800-362-9472. A staff person will take a message and make sure it's delivered to your legislator's office.**

Cooperative  
Network  
**Focus On...**

Prepared and distributed to provide issue-specific information on matters pertaining to Wisconsin's and Minnesota's member-owned cooperatives.

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## Is there an existing process?

Under current law, members may choose to close the credit union and give the member-owners their equity, allowing them to cash out their equity or to take shares in the new institution. A credit union may also choose to convert to a federally chartered credit union and follow the federal laws for conversion, which have specific conditions designed to ensure that member-owners are fully informed in a timely manner about the special election and the impact their decision may have on the future of their equity.

The process is intentionally deliberate and is designed to allow adequate communication with those affected by the change in business structure. It is functional, having been used on at least three occasions in Wisconsin.

## Is there a need to pass this now?

This proposal has been made periodically over the past decade. There are no documents evidencing a current or impending problem, much less a sense of urgency. There is no backlog of credit unions waiting to convert to banks. In fact, The Wisconsin Credit Union League, which represents nearly every credit union in Wisconsin, has not identified any of its members expressing interest in conversion, nor is The League aware of any credit union attempting to convert and being stymied by the process.

## Why is this policy issue in the budget

This motion is expected to have zero fiscal impact on state government, according to analysis by the non-partisan Legislative Fiscal Bureau. Although the final draft language will not be available until the entire budget document is published, past proposals that are very similar have been scored as zero fiscal impact.

Governor Walker has stated that he intends to keep policy items with no fiscal impact out of the budget and this motion was not part of the governor's proposed budget. Burying this policy item in the budget can be a tactic to avoid public input and debate.

## Why does Cooperative Network care?

- Cooperative Network represents the interests of cooperatives of all types in Wisconsin and Minnesota. As the second largest business association in Wisconsin, Cooperative Network's 2.6 million member-owners are resolved to protect the cooperative business model.
- Credit unions are cooperatives. The credit union movement has existed in Wisconsin since 1923. Credit Unions were formed to allow people to help each other meet their financial needs when other financial institutions would not.
- Like all cooperatives, credit unions are not-for-profit, controlled by their members. The products and services they provide are dictated by their members' needs without a profit motive.
- Credit unions are of vital importance to Wisconsin's rural economy. Often the credit union is the only local financial institution serving small communities.
- Credit unions are a major source of funding for Wisconsin's multi-billion dollar agricultural business community.

## What action should be taken?

Cooperatives are democratically organized business structures where ownership is vested in the customers and control is exercised by a one-person-one-vote ballot. Neither Cooperative Network nor The Wisconsin Credit Union League is opposed to conversion where there is a transparent vote of an informed membership. This issue should be publicly considered where all voices in support or opposition can be heard and legislators' votes on this issue alone can be counted.

For more information contact Jim Rabbitt at 608-258-4402 or visit [www.cooperativenetwork.coop](http://www.cooperativenetwork.coop).

## Who wants to break YOUR piggy bank?



**Big Wisconsin banks do.** Credit Unions are member-owned cooperatives. Financially struggling big banks have sneaked a takeover plan into the state budget bill. Legislators can stop this, but they need to hear from you now.

**Call your state legislators at 1-800-362-9472.**  
Tell them to remove the credit union provision from the budget bill.

**Cooperative  
Network.**

2.9 million Wisconsin cooperative member-owners strong  
[www.cooperativenetwork.coop](http://www.cooperativenetwork.coop)

## The Credit Union Difference

In a February 2011 Real Solutions Scorecard for Wisconsin Credit Unions, The Wisconsin Credit Union League reported, "Credit unions, which are member-owned financial institutions that do not have stockholders, saved 2.2 million Wisconsin consumers \$203 million via competitive rates on savings and loans and lower and fewer fees for financial services."

"Members of credit unions saved more than \$112 million on loans, more than \$56 million on savings products and paid \$33 million less in fees for financial services."