

# Janesville Credit Union Coverage

For background, this is the chronological back-and-forth occurring on the credit union issue in the *Janesville Gazette*.



## Blackhawk exemplifies the rise of the credit union

- [By Neil Johnson njohnson@gazettextra.com](mailto:njohnson@gazettextra.com)

Nov. 19, 2018

Blackhawk Community Credit Union's East Milwaukee Street branch lobby buzzed with customer activity on a late Friday afternoon, so much so that several customers waited their turn by taking a pit stop for a cup of hot coffee and a cookie in the building's lounge.

Janesville resident David Dean, a member of the credit union since it was founded in the mid-1960s, watched a long line of customers—members of the credit union—waiting for a teller. There were several middle-aged people, three sets of young parents with children and a few college-age men and women in exercise gear.

Dean, who retired after 42 years at the former General Motors Janesville assembly plant, didn't mind the bustle or the wait.

In fact, he waited while a friend he knew chatted with a branch manager. All was good. Dean had a cup of Joe and a sugar cookie.

"There's really something to be said about being a credit union member here," Dean said.

He punctuated the comment by hoisting the cookie to his lips.

The lively customer action at Blackhawk is case in point of a national and statewide trend—the rising popularity of the credit union. The Janesville-based union's assets and its footprint have nearly doubled in Wisconsin since the beginning of the decade.

It's now a \$590-million institution—up from \$346 million in 2011. Its 12 branches throughout the southern part of the state serve 51,000 members. That represents a footprint about three times the size of the average state or nationally-chartered credit union, according to records at the National Credit Union Administration.

Blackhawk Community Credit Union has grown so much in recent years that it now ranks among the 15 largest of the approximately 130 credit unions in the state.

For a community credit union, that's big. But belying that burgeoning size, maybe, is the little things.

At one of its branch offices, the Janesville-based credit union has an electronic marquee telling passersby that the lobby has fresh, hot pumpkin spice coffee. So come on in and try a cup, the sign advertises.

“People come in just for that coffee,” said Lisa Palma, Blackhawk Community Credit Union’s chief experience officer. “And that’s great. As a member of the credit union, you own the credit union. The coffee and the credit union itself is yours.”

Blackhawk Community Credit Union within the next year plans to break ground on a \$30 million complex along the riverfront in downtown Janesville. The building will house a new corporate headquarters, a branch office and a legacy center meant to honor the credit union’s founding members—thousands of union auto workers who once staffed the General Motors assembly plant in Janesville.

## **A national phenomenon**

Blackhawk Community Credit Union’s growth mirrors a national trend of burgeoning credit union popularity and assets.

Data from the Credit Union National Association shows the number of customers at credit unions nationwide has grown 21 percent since 2012.

During the same six-year period, the average assets per credit union has swelled from \$149 million to \$259 million—an increase of about 74 percent, according to the credit union association.

Some of that growth has come from consolidation, a national trend as some smaller credit unions and banks seek deals to survive in an era of changing technology and big branch banking networks. Other small financial institutions might choose consolidating because they might not have a clear line of succession to replace aging leaders.

National data show about 1,000 fewer credit unions in the U.S. now than in 2012. Even so, the average credit union still operates four branches (the Wisconsin average is five branches), although some are more sizeable.

Advia Credit Union based in Kalamazoo, Michigan, with a branch in Janesville, has 29 branches in the Midwest. In the last two years, Advia has opened several new branches, including in Janesville, Elkhorn and Williams Bay. Those branches came as Advia acquired two small banks, Peoples Bank in Elkhorn and Mid-America Bank, formerly named Footville Bank.

## **The difference**

Credit unions differ from banks in one major way: They operate as cooperatives owned by members—customers whose use of loans, savings accounts and other products give them a stake in the company.

Credit unions pay their earnings back to members in the form of dividends. Typically, members have voting authority in a credit union’s decisions, and most often credit unions are governed by volunteer board members who are elected.

That’s different from banks, which are run as for-profit businesses and often are governed by paid board members who answer to the banks’ main investors or shareholders. For their involvement, shareholders expect a return on their investments. About 170 banks operate in Wisconsin.

Brett Thompson, the CEO of the Wisconsin Credit Union League, said Wisconsin now has about 3.2 million credit union members. He said that far outpaces national averages, and it’s a high proportion of people here, considering Wisconsin has about 5.7 million residents. Some people are members of more than one credit union or may also work through traditional banks.

Bob Nenno, a spokesman for the state Department of Financial Institutions, said growth in credit unions in Wisconsin has tallied in the double digits so far this year, with net income growth among all 126 state-chartered credit unions jumping 16 percent compared to the first nine months of 2017.

Nenno said perhaps the biggest factor in the growth is the overall improvement in the economy, leading to more people working and more people borrowing money.

Palma said Blackhawk Community Credit Union’s growth the last several years has come alongside an economic recovery.

Emerging mortgage lending in a hot housing market has been a big driver in the credit union’s recent growth, Palma said. But throughout the recovery, her credit union has offered loan programs that help people with past credit problems rebuild their financial lives, she said.

## **Cooperative tradition**

Thompson said Wisconsin, in part because of its largely rural population, has long been a hearth for credit unions, particularly ones with local roots.

“So much of that has come from the fact that the cooperative movement in Wisconsin has been such a strong economic and social component from the time the state was formed in the 1800s.”

Thompson pointed out that many Wisconsin residents still get electricity from electric cooperatives, many shop at food co-ops, and a large share of dairy farmers work through dairy cooperatives.

“The cooperative structure isn’t a secret, here, and the value of it is not a secret. That helps credit unions, which at their core are really just a financial cooperative,” Thompson said.

Thompson said credit unions have come more into vogue in the years following the Great Recession in part because there was a growing class of people who seemed to distrust some large, national banking institutions—particularly ones that had gotten embroiled in scandals in the housing collapse in 2008.

Palma, who once worked for a large, national banking firm, said her credit union has never tried to build a name for itself by pitting itself against the traditional banking sector.

She said Blackhawk has grown in large part through local membership in and around the Janesville area. Membership growth has come as the credit union segued away from serving mostly GM employees.

Now, the credit union has customers across a broad span of age and income demographics with a growing number of baby boomer and millennial customers.

She said her credit union has focused on maintaining and expanding branch locations, even if that bucks a trend toward less brick-and-mortar in an era of digital banking and financial services by phone.

“What’s interesting is we still have lines in our branches,” Palma said. “Lots of people might research their finances online, but they still want to talk come in and talk to someone.”



# **Your Views: Credit unions benefit from corporate welfare**

Nov. 28, 2019

The Nov. 19 story (Page 1A), “Credit unions rising,” failed to mention the major difference between credit unions and banks: taxes. Why should a family of four pay more in taxes than a \$600-million financial institution? That is the size of Blackhawk Community Credit Union (BCCU), yet it is exempt from federal and state income taxes. This type of corporate welfare is not good for Wisconsin.

Regulatory oversight is also far less for credit unions. For example, banks must submit a 62-page call report with more than 1,000 data points, yet a call report for any size credit union is just 29 pages.

Banks are also subject to the Community Reinvestment Act, which means we are examined to ensure we serve all the needs of our community. The regulation requires a public notice, and our banks' public file is accessible to see how we are meeting their needs. No such oversight exists for credit unions.

Our two community banks combined are only one-quarter the size of BCCU, yet we pay income taxes and have greater costs associated with enhanced regulation. When credit unions reach a certain size, they should have an obligation to financially support our state through the payment in taxes just like you and I do.

In addition to paying taxes, community banks like ours provide valuable monetary and volunteer resources that nonprofit organizations in small communities like ours rely upon. By supporting your local bank, you also support the communities in which we all live and work in.

BRENDON T. WILKINSON  
President of First Community Bank, Milton

CRAIG O'LEARY  
Executive vice president of Farmers & Merchants Bank of Orfordville



## **Your Views: People, not profit, drive decisions at credit unions**

Dec. 1, 2019

The Wednesday letter to the editor, "Credit unions benefit from corporate welfare," missed the mark: Credit unions aren't the same as for-profit banks.

Wisconsin credit unions are not-for-profit cooperatives chartered solely to serve members by improving their financial condition. Without stockholders to profit, earnings are returned to help members save thousands of dollars each year through better loan and savings rates and fewer fees. Statewide, credit union members saved over \$220 million in 2017 alone.

Fulfilling that purpose also benefits the communities members live in. For example, Wisconsin credit unions operate student-run branches in communities all across the state. These branches don't make money for credit unions, but are valuable for encouraging students to save earlier. In making that decision, they prioritize what's best for people over profit. Wisconsin credit unions operate 100 such in-school branches.

Our credit unions serve members in very personal ways too. They work with members facing financial peril due to the loss of a spouse. They help members break out of a vicious payday lending cycle. They help members achieve their dream of opening a small business. They help members develop a plan to pay off student loan debt. Every credit union has stories on how they impact members' lives and benefit communities because they prioritize people over profit.

Congress acknowledged the credit union difference by reaffirming credit unions' tax status just last year. In doing so, they too reinforced the critical ways credit unions improve the lives of 3.1 million members and strengthen Wisconsin communities.

BRETT THOMPSON  
President/CEO of Wisconsin Credit Union League



## **Your Views: Banks and credit unions are similar, except on taxes**

Dec. 12, 2019

Wisconsin's consumers enjoy a healthy diversity when it comes to choosing a financial institution whether it's a bank or a credit union. Helping a family achieve their dream home, guiding someone facing a financial hardship, or supporting neighborhood kids and their homemade lemonade stands... Both banks and credit unions have the same stories to tell. There's simply no difference as both prioritize people.

Credit unions offer the same variety of services as their bank counterparts, to a virtually identical customer base. Both must be profitable to pay for their employees, technology, and facilities. If credit unions and banks didn't operate with a for-profit mindset and instead continually lost money, regulators would close their doors. Wisconsin's credit union industry enjoyed double-digit percentage growth in net income over the last eight quarters. Consumers should want profitable financial institutions of all types so they continue to benefit from a choice in providers.

Currently, six of the top 10 Wisconsin institutions are credit unions with billions in assets, while nearly half of the credit unions are \$50 million or less in size. We all want mission focused credit unions to continue to exist. However, is it fair for the largest 12 Wisconsin credit unions (each over \$1 billion in assets) to continue to pay zero income taxes while a family of four pays taxes to support government programs? Prudent management exists at these credit unions and they will find ways, like banks, to benefit their members and support their communities while still paying taxes.

Rose Oswald Poels  
President and CEO  
Wisconsin Bankers Association