



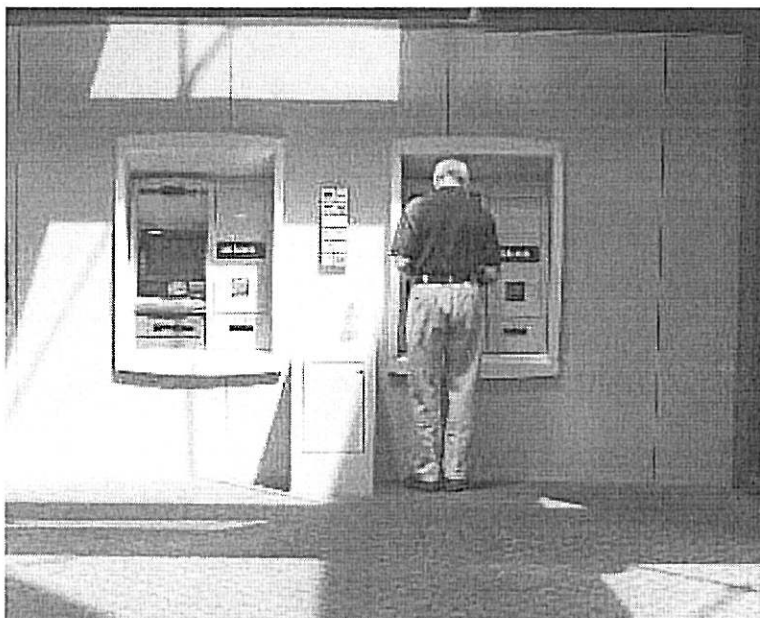
Everything Cleveland

Credit union membership rising in Ohio and nation; anti-bank sentiment cited

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Associated Press

Record numbers of people are joining credit unions. The organizations attribute the growth to dissatisfaction with banks. Banks argue that more people are simply using multiple financial institutions.

CLEVELAND, Ohio -- Two years after the banking crisis erupted nationwide, credit unions in Ohio are enjoying record growth in customers.

The state's 392 credit unions reported a fifth straight quarter of higher membership, according to the Ohio Credit Union League's most recent report, in July.

Use our new database to check the health of any bank or credit union in Ohio.

Meanwhile, independent ratings agency Bauer Financial just released rankings showing that 65 percent of credit unions nationwide are financially strong enough to be recommended, compared with 59 percent of

banks.

To be recommended, a bank or credit union must earn a rating of four or five stars, out of a maximum five.

On the flip side, Bauer determined that 12.6 percent of banks are "troubled" or "problematic," with ratings of two stars or less, up from 11.5 percent a year ago. Among credit unions, 5.9 percent rate are troubled or problematic, compared with 4 percent a year ago.

Credit unions are not-for-profit financial institutions owned by those who have accounts there -- about 2.7 million people in Ohio. Historically, membership was limited to people in a certain industry, such as teachers or firefighters, or in a certain community. Credit unions can offer lower interest rates on loans and charge lower fees because they're tax-exempt.

The Ohio Credit Union League attributes the popularity of credit unions in part to anti-banking sentiment and to a national campaign started last December. The nonprofit campaign, called "Move your Money," encouraged consumers to switch from big Wall Street banks to local financial institutions such as credit unions.

Nationally, membership in credit unions has increased each year for five years, to 91.7 million this year, while the number of credit unions has dropped by 11 percent, to 7,653.

In 2006 and 2007, the jumps could be explained by people joining credit unions to get low loan rates during the go-go borrowing days, said Patrick Keefe, spokesman for the Credit Union National Association. But continued growth the last two years -- even during a recession when few people were biting off more debt -- indicates a shift in sentiment, he said.

"It's really about dissatisfaction with banks," Keefe said.

John Hall, spokesman for American Bankers Association, doesn't think so. More and more consumers have accounts at multiple financial institutions, such as two banks or one bank and one credit union, he said.

"Just because they open an account at a credit union, it doesn't mean they're closing their bank account," Hall said.

He added that some credit unions may be increasing membership because they're relaxing their criteria for who can belong, such as a particular church or company. "You're seeing incredible growth because their membership requirements are no longer in effect," he said.

Randy Trimm, chief executive officer at Ohio Catholic Federal Credit Union based in Garfield Heights, disagrees. His credit union, which has five local offices and will open a sixth in downtown Cleveland in the next two months, exploded with 8 percent growth this past year.

"People have grown frustrated with being under-served and overcharged by banks," said Trimm, who spent 25 years in banking before joining the credit union three years ago.

Ohio Catholic, one of this region's largest credit unions with 18,000 members, remains a "closed membership" institution, requiring account holders to be Catholic or have attended a Catholic school.

Trimm believes some of the shift locally was caused by the controversial sale of troubled National City Bank of Cleveland to PNC Bank of Pittsburgh in 2008, and last year's failure of AmTrust Bank. Before the banking crisis, those two were among Greater Cleveland's four biggest banks based on deposits.

"I think those two really rocked people here," Trimm said. "Consumers are saying, 'I'm going to look for a different choice outside of banking.' "

Both banks and credit unions have insurance for their deposits; banks are insured by the Federal Deposit Insurance Corp. and credit unions are insured either federally or privately.

Shaky finances may mean that a bank or credit union is at risk of failing or being bought. Even though consumers are guaranteed not to lose deposits below the insured caps, some people prefer to do business with stronger institutions. Those without financial problems tend to be more focused on customer service and aren't distracted by regulators or loan losses.

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