

CUNA CEO Raises Concern About the Future of CUs

By Peter Strozniak June 16, 2017 •



ORLANDO ---CUNA President/CEO Jim Nussle said Friday at the Southeast Credit Union Conference and Expo that he is concerned about the future of credit unions.

To illustrate his concern, Nussle displayed a graphic on the big screens that told the story.

In 1992, about 41% of all the assets were managed by the top 100 financial institutions. That number grew to 75% in 2016. In that same year, about 53% of total assets were managed by community banks. That number has declined to 17% in 2016. For credit unions, market share was 5.6% in 1992, and while it has ebbed up and down over the last 25 years, credit union market share edged up to 6.8% by the end of last year.

“The good news is that (we have) about 110 million members with \$1 trillion in assets, but we’re not moving and we’re not growing,” Nussle said. “But the point I look at when I see this chart is what’s happening with the rest of the market and why is it happening. You see the smaller, community banks? I would argue the biggest story of this chart is that they are getting their lunch eaten...handed to them. Their options are running out. They had more than half of the market at one point in time and now are ready to go out of business.”

Nussle argued this is happening, in part, because community banks are not able to keep up with increasing regulatory challenges.

“Luckily, for us, we are still holding our own, but I think to myself did conferences occur just like this 10 or 15 years ago when employees from Sears Roebuck got together and said, ‘we have a great future. Isn’t it fantastic? People are still coming to our stores. We don’t have to change anything we do.’ I don’t say this to scare you. I’m not trying to be dramatic.”

However, when Nussle joined CUNA he heard from credit union leaders who share his concern about the industry’s future.

“After you told me about the regulatory burdens. After you told me about the technological concerns,” he said. “After you told me about small credit union issues and issues particular to larger credit unions. The last thing just about everybody said to me was, ‘would you please keep in mind that we might be going away if we are not careful.’”

To ensure the future of credit unions, Nussle stressed the importance of focusing on leverage advocacy offense to remove regulatory barriers.

“It is the most important thing that we do, because I believe larger financial institutions are not under the same pressure we are from the barriers being thrown up by the regulators,” Nussle said. “You will not hear Bank of America or Wells Fargo complain, expect maybe send out a press release here and there about the CFPB. They understand the CFPB will be there forever. It’s just a fact. And they’ve got the lawyers, and the compliance officers and the capital to deal with it. They’re not concerned about it. In fact, they kind of like it. They kind of like it because of what is happening to the small community banks, and what’s happening eventually to us.”

Nussle warned if the industry does not use advocacy offense, “we may not be here five, ten years from now to have a conference like this to even talk about it.”

The CUNA CEO also said credit unions need to continuously build awareness among members and nonmembers about the credit union difference.

“That awareness of what a credit union is, what we do, who we do it for and why we do it differently than anyone else is something that is our responsibility to nurture,” he said. “No one else is going to do that for us. We’ve got to do it.”

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Nussle said CUNA is working on an initiative to build credit union awareness nationally, which is expected to include a brand platform to explain what a credit union is to not just to consumers but to members as well who don't know enough about the credit union difference.

"I think that differentiation is the reason we're going to be relevant in the future," he said. "We're going to be out of business if we're just like everybody else."

Nussle also said it is important to establish marketplace relevance by providing innovative solutions so that credit unions can be the disrupter in the financial services marketplace.

"In 1934, we were invented as a different model to what was common then and what was broken then and what I would argue is not completely fixed today," Nussle said.

While peer-to-peer lending has been broadly hyped on the internet, he reminded the SCUCE audience that credit unions were the original peer-to-peer lender and the original consumer protection, but the industry needs to develop and implement innovative ideas such a block chain technology and other solutions to maintain relevancy.

Nussle said the key to grow credit union's market share is its people --- the 273,000 credit union professionals, 58,000 board members and 110 million members.

"We're in this together. We have to work together to get this done," he said. "We can do this and raise the bar and grow the pie together. Growing is what this is all about to me. "

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