

# DATA ACCESS, AVAILABILITY, ASPIRATIONS AND ACTION: A CREDIT UNION STORY

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## **ABSTRACT**

What is the age distribution of credit union members and how does that age distribution compare to what we know about the broader population from census data? How many people joined credit unions because of “move-your-money” campaigns or “Occupy Bay Street”? How many rural credit unions or credit unions branches are there? How important are credit unions to the small business lending market? Do credit unions do a better job than banks in terms of providing credit and avoiding undue risk when lending to small businesses and individuals? How do credit union deposit rates and loan prices compare to the banks? How much do credit unions pay back in patronage dividends? How financially stable are credit unions relative to the banks?

## ACCESS

These are just some of the meaty questions that researchers, policymakers and people inside the credit union system have asked themselves at one point or another. You can come up with your own list. They also are questions that are difficult, sometimes impossible, to answer for the simple reason that while the data may exist somewhere in some form, more than likely you will not find them in any one place.

In that sense, the credit union data challenge mirrors the challenges inherent in any truly federated system where, as in Canada's case, you'll find regulatory histories, norms, and credit union cultures as varied as there are provinces and credit unions. Getting everyone to sing from the same songbook is no easy feat, especially when many credit unions are already overburdened with survey requests, paperwork and regulatory requirements more generally. To wit, consider a seemingly simple question about defining membership: who counts as a member?

In some provinces, a member is a person who has a membership share. Seems straightforward enough but what about corporate persons? And what about joint accounts that may be underpinned by a single member share? And what about someone who has multiple accounts and therefore has multiple member shares? Faced with these kinds of challenges – there are others – some centrals and/or regulators have tried to get credit unions to use a standard definition; in other areas, it's really up to the credit union to decide. Try aggregating that in an apples-to-apples kind of way.

And therein lies the rub: the data may exist but to get them, a researcher needs heroic amounts of time, money, resources and determination – and in some cases, credit union cooperation – to pull them together. If you're really lucky, it might mean liaising with 10 credit union deposit guarantee corporations (CUDGCs). If you're a little less lucky, it might mean working with a combination of CUDGCs and Centrals. If you're really unlucky, it might mean reaching out to all 363 Canadian credit unions outside of Quebec. Sure, you'll meet a lot of great people along the way – they don't get nicer than the folks in credit union land – but the time, cost and headache? Priceless!

## AVAILABILITY?

Just how limited are the credit union level data? Well, we don't want to overstate things. We actually have a fair bit of data at our disposal. At Credit Union Central of Canada (CUCC), where I work, we have access to detailed financial statement data (e.g., balance sheets, income statements, and capital adequacy) aggregated at the provincial level. Until recently, we only collected these data on an annual basis going back to 1989; since 2011, we collect them quarterly. These data come largely from the provincial credit union deposit guarantee corporations, which as part of their regulatory duties, collect credit union-level data which they then aggregate and send to us. In particular, we use these data to report on asset growth, profitability trends. These data also allow Canadian Central to calculate key system-wide statistics such as efficiency ratios, net income ratios, loan delinquency ratios and system-wide capital adequacy ratios.

Since 1992, Canadian Central has also collected a narrower range of province-level quarterly data that are comprised of assets, loans, deposits, net income, credit unions, branches and membership. Since 2001, Canadian Central has also collected a narrower range of quarterly data at the credit union level, namely assets, locations, membership and occasionally, number of employees. Prior to 2001, and since roughly the mid-1980s, Canadian Central only collected these data for the 20 largest credit unions in each province. Based on these figures, Canadian Central then prepared a list of the top-100 credit unions in the country which is widely consulted within the sector and from outside as well.

We also do a bit of raw data collection. Since 2001, Canadian Central has conducted what it calls a *Community Involvement Survey*, which allows Canadian Central to gauge the size, reach and nature of credit union charitable/community giving. Canadian Central also uses outside surveys by Synovate and the Canadian Federation of Independent Business (CFIB) to assess credit union member demographics and satisfaction (Synovate) and small business satisfaction ratings (CFIB).

Finally, through what is known as the Credit Union Business Ownership Strategy, we have some recent survey data (2006, 2008 and 2011) – paid for by the system – about the size and nature of the system’s engagement with the small business sector (defined as firms with fewer than 50 employees). We can supplement findings from these survey data with other data collected by Statistics Canada in partnership with Industry Canada on the volume of lending by type of financial sector participant (banks versus co-op financial institutions and so on). Unfortunately, due to

spending cutbacks, the quality of these data has deteriorated significantly since 2008.

## ASPIRATIONS

To give you an idea of what we could aspire to, consider the website of the National Credit Union Administration (NCUA) in the United States (<http://www.ncua.gov/Pages/default.aspx>). There, you will find wonderful data resources free for the taking. What kind of resources? How about credit union-level financial statement data going back to the 1980s? How about tables that compare nationwide average prices at credit union versus banks? How about peer-group analysis that lets you look at how well your credit union is doing, financially, relative to roughly similarly-sized peers elsewhere in the country?

More ambitiously, you can use these data to conduct research, like the kind sponsored by the [Filene Research Institute](#), that shows how credit union lending is both more stable in an economic downturn and of better quality (fewer net charge offs) than bank lending. You can also conduct important research that assesses the economic benefits and costs of mergers. You can even compare the costs of credit unions versus credit unions that demutualized into banks.

The catch, of course, is that these data are available because U.S. credit unions generally get their deposit insurance from one place – the federal National Credit Union Share Insurance Fund, which is administered by the NCUA. Since the U.S. has a strong “open data” policy, the information collected ends up on their website. Free. Easy to access. Endless research potential.

## ACTION

So what to do here in Canada, where there is no single deposit insurer for credit unions?<sup>1</sup> To start, in 2011, as noted earlier, Canadian Central pushed to start collecting provincial-level financial data on a quarterly basis. These data will help us address several important needs, including:

- *More timely responses to information requests* – given previous data collection practices (i.e., annual), CUCC was often forced to provide stale data to the system and policymakers. If, for example, someone wanted efficiency ratio data in early 2012, the best we could do was to provide them with data for 2010. With quarterly data, we can now provide them with something much more recent, i.e., year-to-date data from the third quarter of 2011.
- *Increased research potential* – reputable and reliable trend analysis requires a reasonably lengthy series of data. With our quarterly data, we'll eventually be able to provide enough time-series data to conduct some interesting analysis.
- *Better understanding of seasonal effects* – we were limited in our understanding of seasonal data patterns on credit unions and hard-pressed, therefore, to contextualize the ebb and flow of financial events (see next point) such as RRSP season, tax time, or the summer lull.

<sup>1</sup> That could eventually change if more credit unions seek a federal charter, an option which, while not yet legally possible at the time of writing (spring 2012), should be available by 2013 once the federal government introduces regulations to accompany legislative changes to the *Bank Act* passed in 2010.

- *Early detection of problems* – quarterly data provide an “early-warning” system and can help Canadian Central better identify the consequences of events such as the financial crisis on the credit union system as a whole. This will, in turn, enhance the credibility of our lobbying and our public statements. Policymakers don't like hearing about data representing events from a year ago when there's a problem now.

What else have we done or will we do? Earlier this year, Canadian Central started working on a database to collect its data in one centralized hub rather than have them dispersed over dozens of Excel spreadsheets. We hope to have the database up and running later this year, populated with our full range of historical data. We could eventually make this database available to researchers on a case-by-case basis, depending on the nature of the research.

Importantly, we have also set up a Statistics Working Group, comprised of representatives from the provincial Centrals, to help us guide any future efforts to expand data collection or address questions around membership data for example. We will also be meeting with those representatives on a one-on-one basis to get a better sense of what they have, what kind of challenges they face, and what they would like to see from a system perspective going forward.

Third and finally, we are also working to build linkages with federal departments, agencies and Crown corporations that may have data not widely or readily available. We have, for example, initiated discussions with Statistics Canada about their survey of providers of small business financing and hope to do something similar with the Bank of Canada,

which collects data on aggregate credit provision by institution type.

In the meantime, we will continue to ask questions recognizing that often times, the questions are as important as the answers ■