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What drives the performance of cooperative financial institutions? Evidence for US credit unions


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proportion of the variation in performance. This suggests that decisions made by

individual credit unions with respect to staffing, governance and product portfolio, as well as philosophy and ethos, play an important role in explaining the heterogeneity in credit union performance.

Acknowledgements

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Notes

¹See Credit Union National Association ([2004](#)) for more information on the distinctive features of US credit unions.

²Larger credit unions provide a similar array of retail financial services to personal customer as banks and savings and loan associations. In addition, credit unions may also offer interest bearing business checking accounts and commercial loans (to a multiple of 1.75 of a credit union's capital or no more than 12.25%), agricultural loans

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efficiency in terms of industry effects.

⁶The authors are indebted to Callahan and Associates for supplying most of the data on which this article is based.

⁷These geographical areas have become much wider during recent times. An example is America First, which in 2003 was granted a charter by the NCUA permitting it to serve members in six Utah counties.

⁸Frame et al. ([2003](#)) in a study which focuses upon the distribution of the credit union income tax subsidy emphasize the cost-efficiency effect of the common bond. The authors note that credit unions with a residential common bond have higher costs than mutuals but that single common bond occupational and associational credit unions are more cost efficient.

⁹The National Credit Union Share Insurance Fund insures individuals' shares of all federal credit unions and a majority of state credit unions. The remaining state credit unions secure share insurance from various state and private funds.

¹⁰In 2002 and 2003, a further 13 federal credit unions converted to a state charter, while an additional 51 federal credit unions merged into a state chartered credit union

¹¹In 2000, while an additional 51 federal credit unions merged into a state chartered credit union.

¹²Roy Beatty, a former federal legislator, has written several books on credit union-related laws. He has also been instrumental in the first executive order to establish the federal credit union system, which was drafted by the Federal Reserve Bank of New York and the Federal Reserve Bank of San Francisco. He also served as the first executive director of the Federal Reserve Bank of San Francisco.

¹³A number of studies have been conducted on the effects of credit unions. Merrick ([2001](#)) calculates that 15 credit unions have converted since 1995. He argues that



although as yet it involves very few credit unions, interest in conversion is symptomatic of the fact that legislative and regulatory events have eroded the value of the credit union charter.


Related Research Data

[Credit Unions: A Theoretical and Empirical Overview](#)

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[Determinants of recent structural change for small asset U.S. credit unions](#)

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