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Specialists in Financial Sector Policy, Strategy, Regulation and Supervision

STRENGTHENING ONTARIO COMMUNITIES:

The Contribution of Credit Unions and
Caisses Populaires to Economic
and Social Development in Ontario

Report Prepared for Credit Union Central of Ontario October 2004

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EXECUTIVE SUMMARY

Ontario's 258 credit unions and caisses populaires serve 1.6 million residents through 722 locations, directly contributing to the economic and social development of communities across the province. Highlights of the substantial contributions of credit unions and caisses populaires include:

- A collective network of service locations comparable in size to any of the major banks.
- Financing for over 39,000 small and medium-sized businesses in Ontario. Credit unions and caisses populaires have a disproportionately large share of commercial credit authorizations of less than \$1 million (18 percent of the total provided by deposit taking institutions), and of agricultural credit (12 percent).
- Almost one in every five dollars on deposit at Ontario credit unions and caisses populaires is invested in financing small and medium-sized businesses and agriculture in the province. Chartered banks' commercial loan authorizations of under \$1 million in Ontario are equivalent to about 3 percent of the Canadian dollar deposits raised by banks in the province.
- Employment for more than 6,000 individuals, with over 80 percent of these jobs created outside the Greater Toronto Area (GTA). Credit unions and caisses populaires provide well-paying senior positions in many smaller Ontario communities while the rest of the financial sector concentrates over 60 percent of jobs and most head-office positions in the GTA.
- Access to financial services in 42 communities where the credit union or caisse populaire is the only financial institution, and ensuring competition by providing the only alternative to banks in many more locations across Ontario.
- A direct contribution to the Ontario economy of \$375 million, with more than three-quarters of this generated outside the GTA.
- Tangible contributions substantiate the philosophical commitment to local communities. Many credit unions dedicate far in excess of one percent of annual pre-tax profits to community initiatives. Contributions of two, three or even five percent of pre-tax profits are not uncommon, compared to the one percent average among large financial institutions.
- Credit unions provide over \$900,000 in free financial services for community initiatives in Ontario, including no-charge accounts and interest free loans.

Despite these notable achievements, the contribution to Ontario by credit unions and caisses populaires is not well known, and may be under-appreciated by government policy advisors and elected representatives. This report documents the economic and social importance of credit unions and caisses populaires, using regional data where possible to illustrate the unique features of the sector. The statistical overview has been supplemented with contextual details from individual credit unions, giving specific examples of how provincial and regional data translate into direct impacts in local communities.

I. INTRODUCTION

Ontario's 258 credit unions and caisses populaires serve 1.6 million residents, employ more than 6,000 individuals, provide financing to over 39,000 small and medium sized businesses, and directly contribute over \$375 million to the provincial economy.¹ The social contribution through millions of dollars of charitable donations and community investment, not to mention over \$900,000 in free financial services for charities and community groups and uncounted hours of volunteer involvement, is equally as impressive as credit unions' economic contribution. Despite this notable performance, the contribution of credit unions and caisses populaires to the economic and social development of Ontario communities is not widely known.

One reason for the under-appreciation of the role of credit unions and caisses populaires may be that credit unions have proportionately many more members and much larger market share outside the Greater Toronto Area (GTA). The contribution of credit unions within the GTA may be overshadowed by banks and other large institutions with head offices in the GTA, perhaps making credit unions less visible to policy makers. A further contributing factor to low provincial visibility is that credit unions and caisses populaires are first and foremost community owned financial institutions. Whether focusing on a single small rural area, or a larger region like the Niagara peninsula, individual credit unions focus on serving their local community, and thus in their own marketing and government relations efforts do not have a provincial focus. The aggregate effect of 258 local efforts can be difficult to demonstrate to policy makers and elected representatives.

This report documents the economic and social contribution of Ontario credit unions and caisses populaires, using regional data where available to highlight the particular strengths of the sector. The broader statistical overview has been enhanced with information about the activities of individual credit unions. This contextual information was provided by credit unions identified by Credit Union Central of Ontario, representatives of Credit Union Central, and also obtained from the web-sites and annual reports of many credit unions.

¹ Details and sources for all statistics cited are provided later in the report. Throughout the report, unless otherwise noted data are for end-2003.

II. CREDIT UNIONS AND CAISSES POPULAIRES IN ONTARIO

Credit unions and caisses populaires collectively have 722 retail outlets throughout the province, a delivery network with 60 percent more Ontario locations than the Bank of Montreal, and broadly comparable to the other large banks (Table 1). Each credit union or caisse populaire location on average serves 2250 members and has total assets of about \$30 million. Bank branches (and the large trust company branches owned by the large banks) typically serve larger numbers of customers and on average have about \$140 million in assets.² For credit unions and caisses populaires, the larger number of locations can be a plus in fostering greater community involvement and higher levels of personal service, but can be a negative in terms of operating costs.

Table 1. Service outlets in Ontario, end-2003.

	Credit unions and caisses populaires	BMO	BNS	CIBC	RBC	TD
Branches	722	450	677	579	775	987
ATMs	663	858	1,315	2,126	1,520	1,525

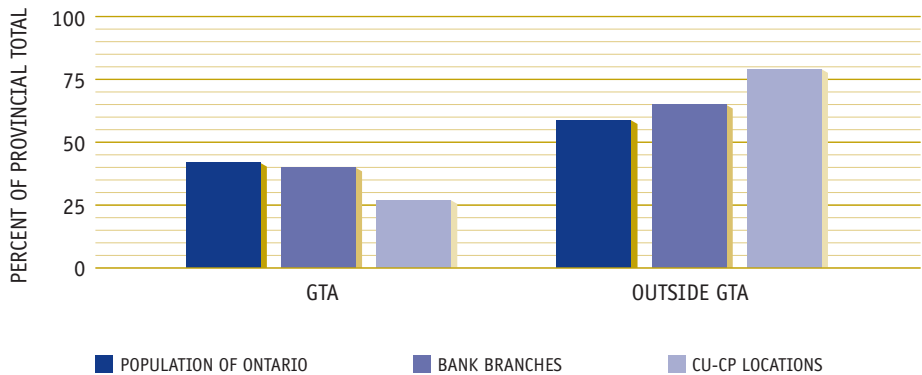
Source: Branch data from the Canadian Payments Association. ATM data provided by Credit Union Central of Ontario.

Credit unions and caisses populaires overall have about a five percent share of the deposit-taking market in Ontario,³ but have a stronger presence in most regions outside Toronto. Regional market share data can be inferred from the distribution of branches of banks and the regional data available for credit unions and caisses populaires (Chart 1). Within the GTA, credit unions have a market share of about two percent, while outside the GTA the share is an estimated seven percent.⁴

- 2 Credit union data calculated from DICO total assets and Canadian Payment Association branch location data. Bank data calculated from CPA branch data and Statistics Canada Table 176-0045, chartered banks regional distribution of assets and liabilities.
- 3 Market share estimated using credit union and caisse populaire total deposits and bank Canadian dollar personal savings, term deposits and demand deposits.
- 4 To estimate market share, the Ontario assets of banks have been distributed between GTA and non-GTA branches on the assumption that non-GTA branches on average have only 75 percent of the average assets of GTA branches. This assumption may not be precise, but does provide an adjustment for the larger number of corporate branches found within the GTA.

Chart 1: Distribution of Population and Deposit-Taking Institution Locations

(percent of provincial total)

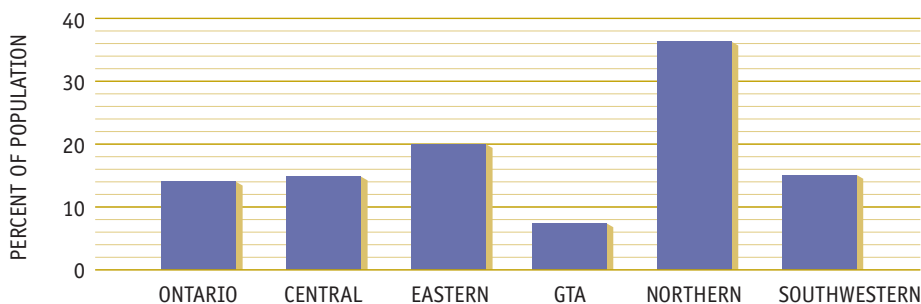


Source: Canadian Payments Association CPA Directory 2003, 2001 Census.

About one in every seven residents of Ontario is a member of a credit union, but this overview obscures significant variation among the regions of the province.⁵ All regions outside the GTA have higher proportions of credit union membership than the Ontario average, and in Northern Ontario, more than one in every three residents is a credit union member (Chart 2).

Chart 2. Credit Union Membership

(percent of population)



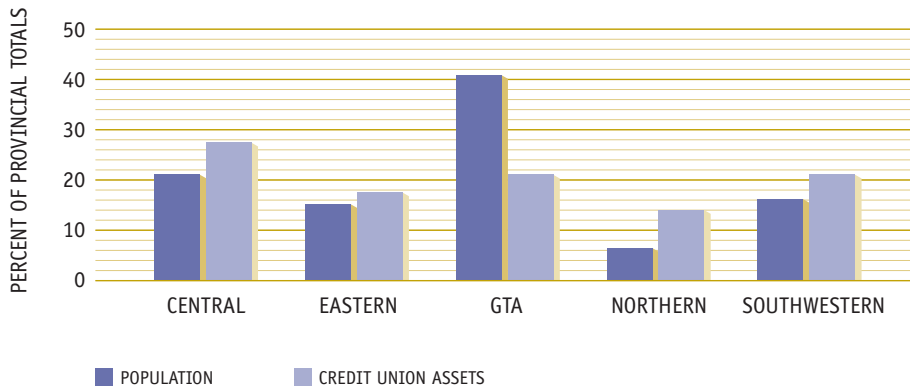
Source: Credit union membership, DICO (adjusted); population, 2001 Census.

The strength of credit unions and caisses populaires outside the GTA is further illustrated by a comparison of the distribution of the population of the province with the assets of credit unions (Chart 3). Credit unions are far more important relative to other providers of financial services in the regions of Ontario outside the GTA.

5 The Deposit Insurance Corporation of Ontario (DICO) divides Ontario into five regions for reporting purposes: Central; Eastern; Greater Toronto Area; Northern; and Southwestern. The GTA region is closely aligned with the Toronto Census Metropolitan Area as defined by Statistics Canada. Regional comparisons were developed by matching census divisions with the DICO reporting regions. Appendix I contains a listing of the census divisions for each region. DICO reporting data places all parameters in the region in which the credit union’s head office is located. Appendix II provides DICO data adjusted to align the reported data with actual regional distribution, taking into account credit unions and caisses populaires with service locations in more than one DICO reporting region.

Chart 3. Population and Credit Union Assets

(percent of provincial total)



Source: Credit union assets, DICO; population, 2001 Census.

The market share of credit unions and caisses populaires in particular products and services varies from the share as measured by total assets. Areas of particular strength are lending to small and medium-sized business and agricultural credit. Personal deposits and lending, the original core business of credit unions, has become much more commoditized and competitive over the years, with banks and other financial services providers now eagerly targeting credit retail customers. This is a sharp change from the conditions in the 1940s and 50s, when hundreds of credit unions were founded in Ontario to serve the unmet need of ordinary Ontarians for credit and savings services.

Surveys of small and medium-sized businesses continue to identify unmet needs and dissatisfaction with many providers of financial services. The growth of credit union market share in business and agricultural lending and high satisfaction scores relative to other providers of financing indicates that credit unions still have an important role in meeting needs not fulfilled by other institutions.

III. SUPPORTING SMALL AND MEDIUM-SIZED BUSINESSES

Credit unions and caisses populaires serve about 39,000 small businesses in Ontario,⁶ and have been steadily expanding their commercial lending portfolios. Credit unions have a particular strength in agricultural lending, especially in Southwestern Ontario, and in serving the smaller businesses that often have difficulty obtaining financing.

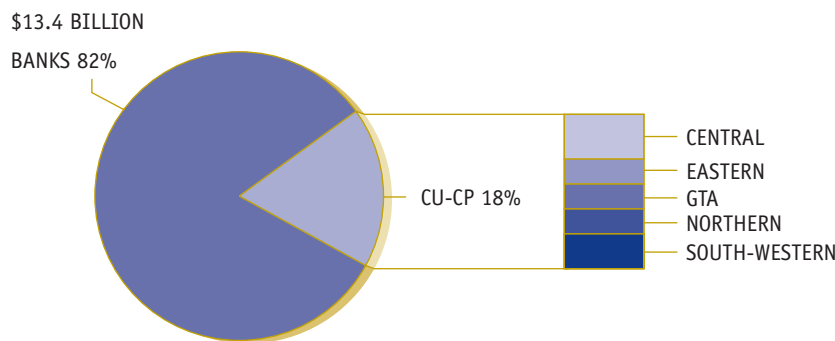
Caution is needed in drawing conclusions about small and medium sized business financing because of the lack of comparability among the differing data sets. Although it is difficult to infer cause and effect, it is clear that:

- Credit unions and caisses populaires in Ontario provide a disproportionately large share of business and agricultural credit relative to their share of the deposit-taking market
- Credit unions in Canada enjoy higher approval ratings from small and medium sized businesses

Credit unions in Ontario and across Canada are especially important in financing small and medium-sized businesses in rural areas and smaller communities.

Credit unions and caisses populaires are much more important in meeting the financing needs of agri-business and small and medium sized enterprises than would be suggested by their size or share of the deposit-taking market. Credit unions overall have about five percent of the retail deposit-taking market in Ontario, but account for about 18 percent of small and medium-sized business credit (authorizations under \$1 million) provided by deposit-taking institutions (Chart 4), and 12 percent of agricultural credit provided by deposit taking institutions (Chart 5).

Chart 4. Deposit-Taking Institutions in Ontario:
Business Credit Outstanding, Authorizations under \$1 million, end 2003.

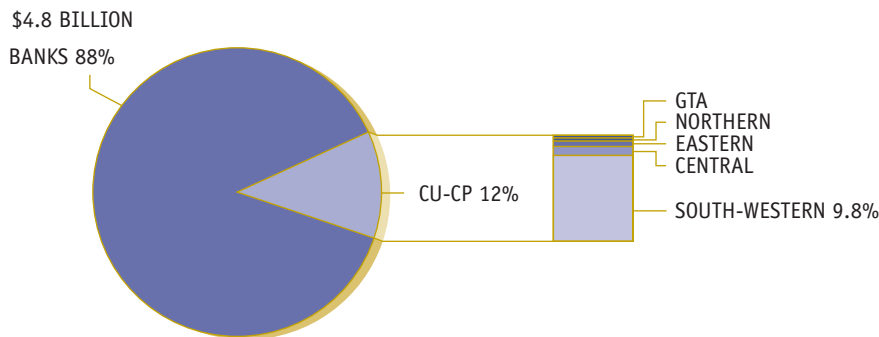


Source: Statistics Canada Table 176-0045 and DICO.

6 Data for 2002 from Statistics Canada Survey of Suppliers of Business Financing.

Approximately 80 percent of commercial lending by credit unions and caisses in Ontario is comprised of authorizations of less than \$1 million, with almost all of the balance accounted for by loans of less than \$5 million. By comparison, about 27 percent of the commercial banks' business credit extended in Ontario is in authorizations of less than \$1 million, with a further 22 percent comprising loans of between \$1 and \$5 million. Reflecting their focus on larger businesses, more than half the value of commercial credit extended by chartered banks in Ontario is accounted for by loans with authorizations exceeding \$5 million.⁷

**Chart 5. Deposit-Taking Institutions in Ontario:
Agricultural Credit Outstanding, end 2003.**



Source: Statistics Canada Table 176-0045 and DICO.

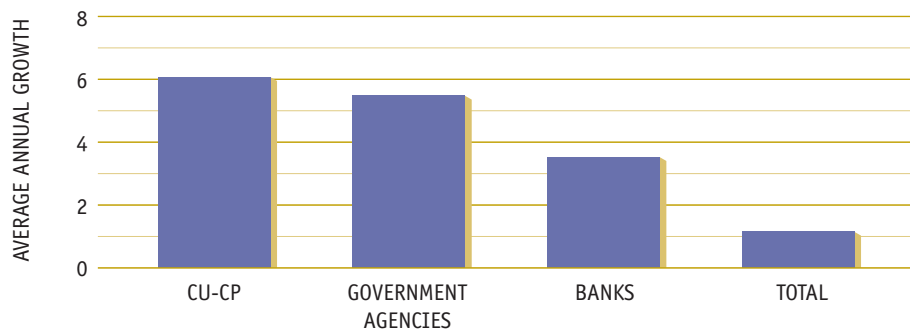
Credit unions in Ontario have increased their support of farms and agriculture-related businesses by an average of 6 percent per year over the last 10 years, outpacing the growth by other lenders to the sector, and making up for sharp declines in farm financing provided by trade creditors and private individuals (Chart 6). Credit unions are especially important as providers of agricultural credit in Southwestern Ontario, with close to 80 percent of the \$588 million agricultural credit advanced by credit unions and caisses populaires at end-2003 provided in this region.

About one in every five dollars on deposit at Ontario credit unions and caisses populaires is used to fund commercial and agricultural lending in the province, with about one in every eight deposit dollars being used to provide business loans of less than \$1 million. Chartered banks' total commercial loan authorizations of under \$1 million in Ontario are equivalent to about 3 percent of the Canadian dollar deposits raised by banks in the province.

One reason why credit unions and caisses populaires invest such a high proportion of their member deposits in small and medium-sized businesses is that credit decisions are made in the communities. Depositors, borrowers and credit union employees all stand to benefit from the success of businesses within the community.

⁷ Chartered bank data from Statistics Canada Table 176-0045, credit union data from DICO. All large trust companies are affiliated with banks and included by Statistics Canada in banking data. The market share of independent trust companies is negligible.

Chart 6. Average annual growth in Ontario farm debt outstanding, 1993-2002



Source: Statistics Canada 21-014-XIE.

Individual credit unions may not have the capacity to meet the requirements of large and growing businesses, but there is an avenue to overcome this challenge. Credit unions' lending limits are a function of their size,⁸ but amounts in excess of their limits can still be provided through the syndication of loans, whereby other credit unions and/or Credit Union Central of Ontario provide part of the funding and assume part of the risk (Box 1).

Credit unions are consistently highly rated as providers of services to the small business market, ranking first in the 2003 Canadian Federation of Independent Business (CFIB) *Banking Survey*.⁹ There are many factors that are likely to contribute to this high level of satisfaction. One may be that the typical respondent to the CFIB survey is squarely in the credit union target market, with an average financing authorization of \$100,000.¹⁰ Another plus for credit unions is that ninety-five percent of small business owners prefer to deal with a full service local branch. This is a delivery channel strength for credit unions, while banks typically have a more centralized approach to providing business credit. These and other factors contributed to the increase in the credit union market share among CFIB survey respondents to 18 percent in 2003, up from 13 percent in 1989.

Another strong contributor to small business satisfaction with credit unions is the high approval rates for loan requests. Approval rates for all suppliers of credit range from 79 to 85 percent for businesses with fewer than 20 employees requesting credit in 2000, increasing to 87 percent for business with 20 to 99 employees, and 94 percent for businesses with more than 100 employees. Credit unions approved 88 percent of all credit requests, and since credit unions overwhelmingly concentrate on the smaller end of the market, businesses with fewer than 20 employees, the relatively higher approval rate for credit unions suggests that other providers of credit to small businesses have much lower approval rates than credit unions and caisses populaires.¹¹

8 This is a provincial regulation which helps to keep credit unions sound and stable by limiting the size of individual loans. This means that the default of one or a few large borrowers would not pose a large enough loss to threaten the viability of the credit union.

9 The CFIB survey results are national rather than specific to Ontario.

10 Median financing amount of the 9,565 respondents was \$100,000.

11 Data from Industry Canada, *Small and Medium-Sized Enterprise (SME) Financing In Canada, 2002*. Sample and design limitations do not permit custom tabulations of the underlying survey data, however, Statistics Canada is redesigning the small business financing survey which should provide greater insights into regional and institutional differences in future years.

Box 1. The Loan Syndication Program

Credit Union Central of Ontario (Central) has been involved in syndications with credit unions for many years, and since 1997 has involved the Business Development Bank of Canada (BDC) and Farm Credit Corporation (FCC) as partners, further expanding the capacity of the program. There is currently about \$900 million outstanding under the syndication program, with Central holding about \$150 million of the total, and the balance held by participating credit unions.

The Loan Syndication Program provides a means for credit unions to meet the demand for agri-business and commercial lending which might otherwise exceed their financial capacity or technical lending expertise. Three options are:

- Two or more credit unions pool their funds to participate in syndication, facilitated by Central
- One or more credit unions and Central participate in a credit facility
- Credit unions and/or Central in partnership with the BDC or FCC provide a facility to meet the borrower's requirements

The syndication program can also be used by credit unions to diversify risk and enhance liquidity management even when the credit union would be able to provide the loan without other participants. In this way, a credit union with strong demand for commercial credit can increase the number of borrowers it can accommodate by involving other credit unions or Central as syndication partners. It also provides a means for credit unions to diversify their geographic and sectoral concentration risk by purchasing participations in credits originating in other parts of Ontario, extended to types of businesses that may not be prevalent in the credit union's own community.

Another strength in the eyes of small businesses is the concentration of credit unions in smaller communities. Census sub-divisions with populations of less than 20,000 have about 35 percent of the population of Canada and about 38 percent of all businesses. Small businesses, as might be expected, have a greater prevalence in smaller communities, with about 82 percent of the businesses in smaller communities having 10 or fewer employees, versus 74 percent with 10 or fewer in larger communities.¹² Businesses in rural areas were one-third more likely than their urban counterparts to request credit in 2000, with approval rates for rural businesses of 87 percent (perhaps not coincidentally similar to credit union approval rates of 88 percent), versus 79 percent approval rates in urban areas.¹³

12 Statistics Canada "The Composition of Business Establishments in Smaller and Larger Communities in Canada" *Rural and Small Town Canada Analysis Bulletin* (February 1999).

13 Industry Canada, *Small and Medium-Sized Enterprise (SME) Financing In Canada*, 2002.

IV. ACCESS TO FINANCIAL SERVICES

Credit unions or caisses populaires are the only deposit-taking institution in 42 communities in Ontario, and in many others provide Ontarians with the only local alternatives to the large banks.¹⁴ In recent years credit unions have played an important role in maintaining competition and providing financial services in rural areas through the acquisition of bank branches, or through opening new service locations when banks have decided to pull out of a community (Box 2).

Box 2. The Credit Union Comes to Ailsa Craig

A good business decision, perhaps, but also great corporate citizenship. London Free Press, July 16, 2003

Sydenham Community Credit Union stepped in to ensure that the 1000 residents of Ailsa Craig would continue to have local access to financial services when the town's only bank announced it was closing up shop.

The Canadian Imperial Bank of Commerce mailed letters to customers of its Ailsa Craig branch on January 15, 2003 advising that the branch and ATM would close in July. Customer accounts would be transferred to a branch 12 kilometres away because the local branch was no longer sufficiently profitable. The community mobilized to try to preserve local service, and following packed town-hall meetings, the Ailsa Craig Community Development Committee sought interest from other financial institutions.

Sydenham Community Credit Union worked with community representatives to determine the feasibility of opening a credit union location. Survey responses and commitments from community businesses indicated that an Ailsa Craig office could be financially viable, and in April the credit union announced plans to open a full service location with ATM. By the time of the grand opening in July, 300 residents had already become members of Sydenham Credit Union.

Growth of the new location surpassed all expectations, with membership exceeding 500 and profitability achieved in the first quarter of 2004. This is a remarkable achievement when new deposit-taking outlets typically take years, not months, to reach a break-even point.

Sources: Sydenham Credit Union, press reports.

14 Ipsos Reid *Credit Union Central of Canada Community Involvement Survey: Ontario 2003 Fiscal Year Report*.

V. CONTRIBUTING TO EMPLOYMENT AND THE ECONOMY

Credit unions and caisses populaires directly contributed about \$375 million to the gross domestic product (GDP) of Ontario in 2003. GDP by sector is a measure of the value added, and can be approximated by the sum of amounts paid to employees (labour inputs) and the net profit earned. Deposit-taking institutions contribute about 4.1 percent of the GDP of the province, with credit unions and caisses populaires accounting for about 2 percent of the deposit-taking contribution. Over three-quarters of the credit union contribution to GDP originated outside the GTA.

Credit unions and caisses populaires contribute to Ontario communities through the direct and indirect jobs they create. Employee salaries and benefits paid by Ontario credit unions totalled almost \$300 million in 2003, with close to 80 percent of this amount earned by employees outside the GTA.

Over 5,000 Ontario residents are full time employees of credit unions and caisses populaires, with a further 1,700 employed on a part-time basis. The six thousand full-time equivalent (FTE) positions created by Ontario credit unions are disproportionately located in the smaller cities and towns of the province. Fewer than 40 percent of all persons employed by deposit-taking institutions in Ontario work outside the GTA, reflecting the concentration of bank head-office and corporate business in Toronto. By contrast, almost 80 percent of credit union jobs are outside the GTA, bringing well paid senior positions to many communities far from the province's financial capital (Table 2).

Table 2. Total Employment

(full time equivalent positions, end-2003)

	Credit Unions Caisses Populaires	Deposit-Taking Institutions	All Industries
Ontario	6,034	140,400	6,228,500
GTA	1,277	87,700	2,635,200
Outside GTA	4,757	52,700	3,593,300

Source: Deposit-taking and all industries, Statistics Canada custom tabulation; credit union and caisses populaires, DICO.

Credit unions indirectly provide employment for about 2900 additional Ontario residents.¹⁵ These jobs arise from the expenditures of credit unions to purchase goods and services as well as spending by credit union employees. Because of the concentration of credit union head offices in smaller communities, these indirect effects are similarly concentrated in the smaller urban centres and rural areas.

¹⁵ Input-output employment multipliers are not readily available for credit unions, however measures are available for two digit industry classifications that include credit unions with similar financial institutions. These indicate that credit unions, banks, trust companies and insurance companies collectively support about 0.49 indirect jobs for each employee. See Peter Dungan, "The Impact of Banking and Financial Services on the Canadian Macroeconomy," Report Prepared for the Canadian Bankers Association, October 1997.

About 140,000 people are employed by deposit-taking institutions in Ontario, or expressed in another way, 23 of every 1,000 employed residents of Ontario works for a deposit-taking institution. Of these 23, one is an employee of a credit union or caisse populaire. Outside the GTA, however, only about 15 in every 1,000 jobs are provided by the deposit-taking sector, but of these, 10 percent are provided by credit unions and caisses populaires.

Average weekly earnings for Ontario credit union employees were about \$761 at the end of 2003, above both the national and provincial averages for all employees. The total of salary and benefit expenses by Ontario credit unions averaged \$49,450 per employee (FTE) in 2003, reflecting employee benefits (for example, employer pension contributions and health insurance) costing the equivalent of one-quarter of the salaries paid.

VI. COMMUNITY INVOLVEMENT

Credit unions and their employees contribute millions of dollars and uncounted hours to a wide range of community activities. A quick survey of credit union web-sites and annual reports reveals that virtually every credit union in the province has programs that truly reflect their community roots. A small sample of highlights is provided in Box 3, giving some tangible examples to bring more colour to the impressive provincial overview. Further details are provided for selected credit unions in the last section of this report.

Ontario credit unions collectively contribute over \$3 million to various community initiatives. Highlights of the annual province-wide financial contribution include:

- Donations to community causes and sponsorship of local initiatives exceeding \$1.5 million
- Almost \$500,000 raised by credit union staff and members or donated by credit unions to charitable causes
- Over \$900,000 in free financial services for community initiatives, including no-charge accounts and interest-free loans
- Over \$115,000 in student bursaries and scholarships¹⁶

The financial contribution is accompanied by significant time commitments by credit union staff. In addition to high participation rates in volunteer activities, employees of almost one-half of Ontario credit unions participate in community activities as part of their paid work.

The Imagine program for good corporate citizenship is a natural fit with the community commitment of credit unions. Not surprisingly, Credit Union Central of Ontario and 28 leading Ontario credit unions¹⁷ have made the formal commitment to be Imagine Caring Companies, by:

- Donating a minimum of 1 percent of average pre-tax profits to the charitable organization of its choice
- Encouraging and supporting employee giving and volunteering
- Supporting suppliers whose business is ethically and environmentally sound
- Sharing business expertise and premises with the community

Many of the participating Ontario credit unions far exceed the Imagine minimum.

¹⁶ Ipsos Reid Credit Union Central of Canada Community Involvement Survey: Ontario 2003 Fiscal Year Report.

¹⁷ Imagine Caring Companies as at June 15, 2004. Listing available at http://www.imagine.ca/content/getting_involved/corporations/find_a_caring_company.asp?section=involved

Box 3. Community Highlights

- Cataract Savings and Credit Union provides free chequing accounts for charitable and community organizations, and financial support for more than 20 community organizations
- The Community Partnership Program at HEPCOE Credit Union donated more than \$128,000 to charities in 2003, including five projects sponsored under the Local Ontario Program, HEPCOE Scholarships, and \$64,000 for support of community causes at the 26 HEPCOE branches
- Metro Credit Union staff provided more than 300 paid volunteer hours in addition to their personal time commitments to community causes. The credit union operates a micro-credit program for individual businesses that would not otherwise have access to credit, and in 2003 donated over 2 percent of pre-tax profits to community causes
- Motor City Community Credit Union exceeds the 1 percent Imagine target, donating \$25,000 annually to community causes
- Over 400 Niagara Credit Union employees are active volunteers. The credit union supports over 150 events and fundraisers annually, and commits a minimum of 2 percent of pre-tax profits to community causes
- Oshawa Community Credit Union supports 75 community events and organizations
- Waterloo Regional Credit Union commits 1 percent of pre-tax profits in support of 30 community organizations

Sources: Credit union web sites and annual reports.

The Ontario Credit Union Charitable Foundation partners with Ontario credit unions to support community development, as well as contributing to international projects in developing countries. The Charitable Foundation is supported by capital contributions from many Ontario credit unions, members and employees, as well as Credit Union Central of Ontario. Among the activities supported by the Charitable Foundation are:

- Children's Safety Villages: permanent, miniature "villages" that help police officers and firefighters teach schoolchildren in several Ontario communities about safety at home and on the street.
- Camp Quality: a summer camp experience for children with cancer, and their siblings.
- Daily Bread Food Bank: Canada's second-largest food bank has a warehouse and distribution centre, thanks in part to a \$500,000 interest-free mortgage from a consortium of credit unions and affiliates including the Charitable Foundation.
- Health care: the Charitable Foundation has partnered with credit unions across Ontario to help build community hospitals, purchase health care equipment, and support research and programs for those living with cancer and long-term disabilities.

The Charitable Foundation provides matching grants to support the community projects of individual credit unions.

VII. CREDIT UNION HIGHLIGHTS

The four short case studies that complete this report provide an overview of the economic and social contributions made to their communities by specific credit unions. Reflecting the different communities served, each credit union has its own approaches, but all have in common tangible commitments to the communities in which they are based. This is manifested in the form of financial and volunteer support for community organizations, high proportions of member deposits invested in the financing of local businesses, and large contributions to the local economy through jobs created and profits reinvested locally.

A. ASCU Community Credit Union

Sault Ste. Marie illustrates the strength and growing importance of credit unions and caisses populaires in Northern Ontario, where more than one in every three people is a credit union member. In the Sault, about 28 percent of all households deal with ASCU Community Credit Union. Considering the strong presence of Northern Credit, with three locations in the city, and St. Mary's Paperworkers Employees Credit Union, credit unions are among the major players in retail financial services in the Sault. The strong local commitment of credit unions has made them even more important to the community as other financial institutions have cut back in response to job losses and population shrinkage.

The population of Sault Ste. Marie declined by 5.6 percent between the 1996 and 2001 census, with the number of employed persons in the area declining by 1.3 percent over the same period. Despite this unfavourable background, ASCU Community Credit Union grew by more than one-third in the five years ended in 2003, significantly increasing its share of the financial services market in the Sault. Steady growth in the direct and indirect employment provided by the credit union, and the \$3.1 million direct contribution to the local economy in 2003 has become even more important as many other businesses have shrunk or grown more slowly.

One of ASCU's strengths has been serving the small and medium-sized business market, in particular family-owned businesses that share the credit union's history in the community. As Aldo Greco, ASCU's CEO, says, "People know that we are not going to pull out or cut back because of the latest doom and gloom report in the newspaper. These business owners know they can count on us, and have become our best sales people."

The strong community links of ASCU are illustrated by its commitment of over four percent of pre-tax profits to local causes, far exceeding the Imagine target of one percent. In addition to employee volunteerism and its traditional donations program, ASCU has two innovative programs that allow members using specific credit union products to direct some of the earnings to local causes. The newly introduced Community Builder Mortgage allows members to designate participating community groups to receive payments of one-half of one percent of the mortgage. With the CARE Miles program, members using the credit union MasterCard earn reward points for the Sault Area Hospital Foundation, which amounted to \$5000 in 2003.

The linkages between the credit union and the community have been mutually reinforcing against a background of difficult economic circumstances. ASCU's strong and stable support for businesses in the community has helped to mitigate the effects of layoffs and a shrinking population, and helped the credit union to grow and prosper. In turn, the ASCU returns even more to the community in direct employment, contribution to the local economy, and financial support for many local causes.

**Table 3. ASCU Community Credit Union:
Economic and Community Development Snapshot**

Members		12,161
Total assets		\$ 197,240,913
Contribution to the local economy		
Employees (full-time equivalent)		59
Indirect employment generated		28.9
Local GDP contribution* (millions)	\$	3.1
Supporting business		
	Number	Amount (millions)
Authorizations under \$1 million	425	\$ 41.7
Authorizations \$1 million and over	3	\$ 3.1
Percent of deposits invested in business loans		24.6
Community involvement highlights		
Imagine Caring Company	· Over 4 percent of pre-tax profit donated to charity, far exceeding Imagine 1 percent target	
Community Builder Mortgage	· Members can designate a community organization to receive a donation equivalent to one half of one percent of their mortgage	
Care Miles	· Credit card reward points donated to the Sault area hospital foundation	

* approximated by the sum of annualized payroll and 2003 net profit before tax.

Sources: ASCU Community Credit Union, A. Michael Andrews and Associates Limited calculations.

B. Kawartha Credit Union

Kawartha Credit Union is a full service institution serving 10 communities with 15 branches throughout central and eastern Ontario. In four of those communities (Emsdale, Keen, Magnetewan and South River), Kawartha Credit Union is the only deposit-taking institution, and in two cases (Keen and South River) the credit union moved in to fill the void left when a major bank closed the only branch in town. In Cobourg and Trenton, Kawartha Credit Union purchased bank branches when the National Bank decided to leave the communities, ensuring that the number of local choices for financial services did not diminish as a result of the bank's departure.

The direct contribution of the credit union to the local economy exceeded \$6.3 million in 2003, with the credit union providing 125 direct and 61 indirect jobs, many in very small communities. Peterborough, the largest community served by Kawartha Credit Union, has a population of 102,000, with the majority of branches located in much smaller centres.

Since entering the commercial lending market six years ago, Kawartha Credit Union has become an important provider of credit for small and medium sized business. At end-2003, almost one in every five dollars on deposit with the credit union was invested in financing local businesses.

Kawartha Credit Union's charitable contributions of over two percent of pre-tax income in 2003 far exceeded the Imagine one percent target. The credit union has an innovative program whereby members forgo dividend payments on their shares in favour of contributions to local charities. While supporting a broad range of community activities, Kawartha credit union has a special focus on hospitals and health care, serving as corporate sponsor for events such as the Peterborough and Parry Sound Dragon Boat Festivals, which raise funds above and beyond the credit union's direct contributions.

Table 4. Kawartha Credit Union: Economic and Community Development Snapshot

Members		32,000
Total assets		\$ 298,908,216
Contribution to the local economy		
Employees (full-time equivalent)		125.4
Indirect employment generated		61.5
Local GDP contribution* (millions)		\$ 6.3
Supporting business and agriculture	Number	Amount (millions)
Authorizations under \$1 million	241	\$ 49.4
Authorizations \$1 million and over	6	\$ 8.4
Percent of deposits invested in business loans and agriculture		18.4
Community involvement highlights		
Imagine Caring Company	· More than doubled the target of 1 percent of pre-tax profit donated to charity	
Community Dividend	· 5 percent dividend on member shares paid to community charities	
Support for 9 local hospitals	· \$28,000 in 2003	

* approximated by the sum of annualized weekly payroll and 2003 net profit before tax.

Sources: Kawartha Credit Union, A. Michael Andrews and Associates Limited calculations.

C. Heartland, St. Willibrord and Sydenham: Serving a Diverse Community

Within Southwestern Ontario, the band from Lake Erie to Lake Huron, including London, Kitchener-Waterloo, and the counties of Huron, Perth, Lambton and Middlesex is particularly well served by credit unions (Table 5). Three of the major credit unions in this region, Heartland, St. Willibrord and Sydenham, collectively provide over 50 percent of the agricultural credit extended by credit unions in Southwestern Ontario, and over 40 percent of the total agricultural credit provided by credit unions in the entire province. The strong focus on agricultural and commercial lending is far from the only strength of the credit unions in this region.

Table 5. Competition in Communities Served by Heartland, St. Willibrord and Sydenham Credit Unions.

	Community Credit Union	Other Financial Institutions
Ailsa Craig	Sydenham	None
Arkona	St. Willibrord	None
Blenheim	St. Willibrord	4 banks
Clinton	Heartland	2 banks
Exeter	Heartland	4 banks
Forest	St. Willibrord	3 banks
Kitchener-Waterloo	St. Willibrord	All major banks
	Brewers Warehousing Employees	
	Budd Automotive Employees	
	Education Credit Union	
	Lear Seating Employees	
	Mennonite Savings and Credit Union	
Lambeth	Sydenham (London area)	All major banks
Listowel	Heartland	5 banks
London	St. Willibrord	All major banks
	Sydenham	
	3M Employees' (London)	
	C.N. (London)	
	Health Care	
	Kellogg Employees	
	Labatt Employees' (London)	
	London and District School Staffs'	
	London Civic Employees'	
	London Diesel Employees' Credit	
	London Fire Fighters'	
	Media Group Financial	
Mount Brydges	Sydenham	1 bank
St. Thomas	St. Willibrord	6 banks
	Holy Angel and St. Anne's Parish	
	St. Thomas Civil Servants	
Sarnia	St. Willibrord	5 banks
	Lambton Financial	
	Railway Employees	
	Southwest Regional	
Stratford	St. Willibrord	6 banks
	Mitchell and District	
Strathroy	St. Willibrord	6 banks
	Sydenham	
Watford	St. Willibrord	1 bank
Wingham	St. Willibrord	4 banks

Sources: DICO, Canadian Payments Association.

One dimension of serving communities is providing the only local financial services outlet in two towns, and the only alternative to a single bank in another. As described earlier in Box 2, Sydenham Credit Union stepped in to fill the void created when the only financial institution in Ailsa Craig announced it was closing. But an equally important dimension of serving the community is the competition provided by the credit unions in larger centres.

Heartland, St. Willibrord and Sydenham credit unions are major competitors for the banks, and indeed, other credit unions, ensuring that residents of the region have a range of true alternatives. These credit unions compete successfully with the major banks, using their community involvement, member ownership and local decision-making to distinguish themselves from the competition (Tables 6, 7 and 8). As an example of the ability to compete directly with large institutions, Heartland opened a branch in Listowel in 2002, going head to head against the five banks already established in town.

One key advantage for business and agriculture customers is that all the credit unions make decisions locally, close to the farms and businesses. Businesses have not welcomed the moves by banks to centralize commercial and agricultural lending, which is not surprising given the overwhelming preference among applicants for business credit to deal with a full service local branch.¹⁸

Table 6. Heartland Community Credit Union:
Economic and Community Development Snapshot

Members	12,000
Total assets	\$ 154,251,000
Contribution to the local economy	
Employees (full-time equivalent)	57.6
Indirect employment generated	28.2
Local GDP contribution* (millions)	\$ 2.5
Supporting business and agriculture	
Small business loans (millions)	\$ 28,174
Agriculture loans (millions)	\$ 38,541
Percent of deposits invested in business loans and agriculture	46.0
Community involvement highlights	
Over 4 percent of pre-tax profits committed to community causes including:	
<ul style="list-style-type: none"> · Children's Health Foundation · Huron County Crime Stoppers · "Options Unlimited" career development day · Numerous other donations, sponsorships and scholarships for community based organizations and schools 	

* approximated by the sum of estimated 2003 payroll and 2003 net profit before tax.

Sources: Heartland Community Credit Union, A. Michael Andrews and Associates Limited calculations.

18 Canadian Federation of Independent Business, *Small Business - Big Money*, December 2003.

**Table 7. St. Willibrord Credit Union:
Economic and Community Development Snapshot**

Members		43,550
Total assets		\$ 782,351,000
Contribution to the local economy		
Employees		264
Indirect employment generated		129
Local GDP contribution* (millions)	\$	12.1
Supporting business and agriculture		
Small business loans (millions)	\$	174.8
Agricultural loans (millions)	\$	217.9
Percent of deposits invested in business loans and agriculture		54.6
Community involvement highlights		
Imagine Caring Company	· Community Investment Program of \$176,000 in 2003, almost 4 percent of pre-tax profits, to increase to 5 percent in 2004, five times the Imagine target	
Sponsor of Storybook Gardens (London)	· \$200,000 over five years beginning in 2003	
Credit Union Charitable Foundation	· \$78,000 in 2003	

* approximated by the sum of estimated annual payroll and 2003 net profit before tax.

Sources: St. Willibrord Credit Union Annual Report, A. Michael Andrews and Associates Limited calculations.

Table 8. Sydenham Credit Union: Economic and Community Development Snapshot

Members		9,229
Total assets		\$ 111,615,033
Contribution to the local economy		
Employees (full-time equivalent)		49
Indirect employment generated		24
Local GDP contribution* (millions)	\$	1.9
Supporting business and agriculture		
Authorizations under \$1 million	Number	Amount (millions)
	599	\$ 49.5
Percent of deposits invested in business loans and agriculture		48.3
Community involvement highlights		
Imagine Caring Company	· Donations and sponsorships of 3 percent of pre-tax profit, triple the Imagine target	
MasterCard revenue donations	· 50 percent of MasterCard commission income allocated for donations	
Supporting volunteering	· Cash donation to charitable and community organizations where employees have volunteered more than 25 hours in a year	

*approximated by the sum of annualized bi-weekly payroll and 2003 net profit before tax, less dividends.

Sources: Sydenham Credit Union, A. Michael Andrews and Associates Limited calculations.

On average, one in every two dollars held on deposit at the three credit unions is invested in financing local businesses and farms, with the majority of other deposits used to finance personal loans and mortgages. The combined contribution to the local economies served by three credit unions was \$16.5 million in 2003, consisting of local payroll expenditures and profits, which were distributed to members or used to support further growth of the credit union.

The leadership in community development shown by these credit unions is truly outstanding. St. Willibrord has committed to increase its community donations from four percent of net profit before tax in 2003, to five percent in 2004, Heartland currently exceeds four percent with the goal of reaching five, and Sydenham is committed to three percent. This scale of community support far exceeds the Imagine target of 1 percent and is not approached by any large financial institution in Canada, which generally have donation and sponsorship budgets in the range of the Imagine target.

D. Windsor Family Credit Union

Windsor Family Credit Union has been built on a foundation of placing the credit union at the centre of the community. This has created a virtuous circle of a highly profitable credit union which in turn invests a phenomenal proportion of profits in community initiatives. The \$500,000 returned to the community during the year ended May 31, 2003, represented about 14 percent of profit before tax. Volunteerism is strongly encouraged, with all senior staff and most employees actively contributing to the community initiative of their choice.

Strong community links have underpinned the phenomenal growth of Windsor Family Credit Union. Economic performance has been strong overall in the Windsor area, with the number of employed persons in the region increasing by almost 15 percent between the 1996 and 2001 census, while the total population grew by 7.3 percent. However, over the same five year period, Windsor Family Credit Union increased its total assets by over 80 percent, clearly outpacing economic growth in the area. The pace of the credit union's growth has increased since 2001, moving the path of the credit union even further above that of the community as a whole.

Windsor Family has taken advantage of the Loan Syndication Program facilitated by Credit Union Central to provide additional business financing that might not otherwise be available within the community. In addition to the one in every three deposit dollars invested in financing small and medium sized businesses, Windsor Family has brought into the region another \$30 million for business financing. These funds are provided through credit unions in other parts of the province with excess liquidity investing in syndicated loans originating in the Windsor region.

**Table 9. Windsor Family Credit Union:
Economic and Community Development Snapshot**

Total assets		\$ 351,017,029
Contribution to the local economy		
Employees (full-time equivalent)		87
Indirect employment generated		42.6
Local GDP contribution* (millions)	\$	6.3
Supporting business and agriculture		
Commercial loans (millions)	\$	98.7
Syndicated commercial loans (millions)	\$	31.6
Percent of deposits invested in business loans and agriculture**		30.1
Community involvement highlights		
Imagine Caring Company	·	Community Investment Program returned over \$500,000 to the community in 2002/03, far exceeding Imagine target
Community 1 Account	·	696 community organizations enjoy a no-fee chequing account
Multi-year giving program	·	Introduced in 2003 to provide support for community capital projects
Youth activities and education	·	Sponsorship of over 20 youth sports teams, and an average of almost 50 scholarships annually for the last nine years

*approximated by the sum of estimated annual payroll and 2003 net profit before tax less distribution to members.

**excluding syndicated loans.

Sources: Windsor Family Credit Union Annual Report, A. Michael Andrews and Associates Limited calculations.

APPENDIX I

DICO Reporting Region	Census Divisions
Central Ontario	Brant County Bruce County Dufferin County Durham Regional Municipality Grey County Haldimand-Norfolk Regional Municipality Hamilton Division Kawartha Lakes Division Muskoka District Municipality Niagara Regional Municipality Parry Sound District Simcoe County
Eastern Ontario	Frontenac County Haliburton County Hastings County Lanark County Leeds and Grenville Lennox and Addington County Northumberland County Ottawa Division Peterborough County Prescott and Russell Prince Edward Division Renfrew County Stormont, Dundas and Glengarry
Greater Toronto Area	Toronto Census Metropolitan Area
Northern Ontario	Algoma District Cochrane District Greater Sudbury Division Kenora District Manitoulin District Nipissing District Rainy River District Sudbury District Thunder Bay District Timiskaming District
Southwestern Ontario	Essex County Chatham-Kent Elgin County Huron County Lambton County Middlesex County Oxford County Perth County Waterloo Regional Municipality Wellington County

APPENDIX II

Deposit Insurance Corporation of Ontario Regional Data As Reported

	Central Ontario	Eastern Ontario	GTA	Northern Ontario	Southwestern Ontario	Grand Total
Number of Member Institutions	44	37	68	45	64	258
Total Assets	6,245,502,299	3,588,989,594	5,245,968,341	2,567,046,456	3,614,279,090	21,261,785,780
Personal Loans	473,226,090	564,523,509	774,901,817	416,347,865	537,103,095	2,766,102,376
Personal Loan Allowance	5,199,813	9,417,989	9,351,763	4,918,201	6,759,591	35,647,357
Residential Mortgage Loans	2,170,732,888	1,536,998,447	2,564,041,469	1,067,564,149	1,350,027,529	8,689,364,482
Residential Mortgage Allowance	804,696	808,003	984,960	1,719,417	658,649	4,975,725
Commercial Loans	735,271,135	541,499,356	748,410,027	460,282,580	594,155,640	3,079,618,738
Commercial Loan Allowance	7,603,070	7,952,162	9,635,643	8,120,347	6,479,555	39,790,777
Institutional Loans	1,990,182	26,227,191	1,068,965	32,560,430	16,917,045	78,763,813
Inst Loan Allowance	-	-	-	-	-	-
Unincorp. Association Loans	744,910	10,528	661,857	917,062	4,692,013	7,026,370
Unincorp. Assoc Loan Allowance	155	-	-	-	-	155
Agricultural Loans	55,474,866	34,204,350	13,102,180	14,922,271	470,237,466	587,941,133
Agric Loan Allowance	647,195	186,273	-	170,686	2,219,142	3,223,296
Total Loans	3,437,440,071	2,703,463,381	4,102,186,315	1,992,594,357	2,973,132,788	15,208,816,912
Total Allowance	14,254,929	18,364,427	19,972,366	14,928,651	16,116,937	83,637,310
Total Net Loans	3,423,185,142	2,685,098,954	4,082,213,949	1,977,665,706	2,957,015,851	15,125,179,602
Demand Deposits	2,015,190,603	1,087,725,902	1,557,963,414	773,172,242	1,127,356,193	6,561,408,354
Term Deposits	2,371,162,714	1,324,560,019	1,720,032,169	745,626,857	1,172,989,691	7,334,371,450
Registered Plans	1,230,761,523	777,665,981	1,428,098,208	709,628,501	929,609,798	5,075,764,011
Other Deposits	27,329,161	5,431,321	44,839,383	87,743,692	65,459,660	230,803,217
Total Deposits	5,644,444,001	3,195,383,223	4,750,933,174	2,316,171,292	3,295,415,342	19,202,347,032
Full-Time Staff	1,166	902	1,348	827	895	5,138
Part-Time Staff	388	282	325	265	408	1,668
Full-time Equivalent of Part-time	216.8	166.2	176.6	143.2	193.0	895.82
Volunteer Staff	108	97	199	94	194	692
Number of Members	318,873	346,339	443,251	253,424	270,235	1,632,122

Deposit Insurance Corporation of Ontario Regional Data Adjusted¹

	Central Ontario	Eastern Ontario	GTA	Northern Ontario	Southwestern Ontario	Grand Total
Number of Member Institutions	44	37	68	45	64	258
Total Assets	5,838,305,521	3,721,237,918	4,389,018,492	3,046,015,091	4,267,208,759	21,261,785,780
Personal Loans	570,373,927	557,461,386	566,444,227	461,488,353	576,081,315	2,731,849,207
Personal Loan Allowance	6,267,274	9,300,171	6,836,030	5,451,433	7,250,143	35,105,051
Residential Mortgage Loans	2,616,359,214	1,517,770,776	1,874,284,529	1,183,309,588	1,448,000,657	8,639,724,765
Residential Mortgage Allowance	969,891	797,895	719,994	1,905,836	706,448	5,100,064
Commercial Loans	886,213,785	534,725,262	547,079,036	510,186,475	637,274,232	3,115,478,791
Commercial Loan Allowance	9,163,892	7,852,681	7,043,543	9,000,756	6,949,784	40,010,657
Institutional Loans	2,398,743	25,899,092	781,401	36,090,636	18,144,735	83,314,608
Inst Loan Allowance	-	-	-	-	-	-
Unincorp. Association Loans	897,831	10,396	483,810	1,016,490	5,032,518	7,441,045
Unincorp. Assoc Loan Allowance	187	-	-	-	-	187
Agricultural Loans	55,474,866	34,204,350	13,102,180	14,922,271	470,237,466	587,941,133
Agric Loan Allowance	647,195	186,273	-	170,686	2,219,142	3,223,296
Total Loans	4,143,106,714	2,669,643,370	2,998,650,544	2,208,631,688	3,188,896,624	15,208,928,940
Total Allowance	17,181,301	18,134,690	14,599,568	16,547,217	17,286,563	83,749,338
Total Net Loans	4,125,925,413	2,651,508,680	2,984,050,977	2,192,084,471	3,171,610,061	15,125,179,602
Demand Deposits	1,893,759,867	1,133,020,225	1,273,651,212	925,550,644	1,338,629,818	6,564,611,767
Term Deposits	2,228,281,920	1,379,716,423	1,406,144,096	892,576,557	1,392,815,320	7,299,534,317
Registered Plans	1,156,598,674	810,049,005	1,167,485,062	849,483,570	1,103,824,508	5,087,440,819
Other Deposits	25,682,369	5,657,488	36,656,660	105,036,402	77,727,211	250,760,130
Total Deposits	5,304,322,830	3,328,443,141	3,883,937,031	2,772,647,173	3,912,996,857	19,202,347,032
Full-Time Staff	1,246	909	1,135	885	964	5,138
Part-Time Staff						
Full-time Equivalent of Part-time	228	167	142	153	204	896
Volunteer Staff						
Number of Members	346,929	348,631	372,706	271,760	292,096	1,632,122

1 DICO data allocates all assets, liabilities and staff on the basis of the credit union or caisse populaire head office location. Data has been adjusted as follows: Reallocation of a portion of each parameter from GTA to other regions for credit unions headquartered in the GTA with branches elsewhere. Data was supplied by HEPCOE credit union, which accounts for the majority of such adjustments. The distribution of loans, deposits and staff was estimated for Ukrainian, Ontario Civil Service, St. Stanislaus, All Trans Financial, Buduchnist, DUCA, Provincial Alliance and Pace credit unions. When more precise data was not available from annual reports and/or websites, a proportional split among branches was assumed. Employees were assumed to be distributed on the basis of the provincial average employees per branch. The data was similarly adjusted for credit unions headquartered outside the GTA with branches in the GTA. These are Desjardins Credit Union, Civil Service COOP and Caisse Populaire Lasalle. The estimation process produced small differences in the totals for some types of deposits and loans, but the provincial totals for total loans, total deposits and total assets do not change, and the small differences in sub-categories do not have a significant impact on the data and percentages cited in the report.