

CREDIT UNION, BANK, WHAT'S THE DIFFERENCE?

First Basin Credit Union has proposed converting to a Mutual Savings Bank. We believe that becoming a bank is NOT in the members' interests.

Here's the Real Story: Converting to a mutual bank is generally the first step towards selling stock, *which usually allows insiders to make windfall profits but causes everyday members to lose our ownership.* To date over 75% of converted credit unions eligible to sell stock have taken that step.

VOTE AGAINST THE CONVERSION TO PROTECT YOUR GOOD RATES AND MEMBER OWNERSHIP!

The Differences Between Credit Union and Bank Charters			
This chart explains the differences between credit unions and banks. <i>Do you want First Basin to become a bank?</i>			
	Credit Union	Federal Mutual Savings Bank (Step 1 conversion)	Federal Stock Bank (Step 2 conversion)
Legal Purpose	Non-profit. To serve member-owners.	To serve the institution itself. ¹	To maximize profits for shareholders.
Ownership	Member-owned. All customers become member-owners.	Technically member-owned, although according to US federal case law, "depositor ownership of a mutual thrift is merely a technicality." ²	Owned by shareholders, not customers.
Voting	Democratic. One member one vote.	One vote for each \$100 invested, capped at 1000 votes. Board of directors may effectively control the institution though "running proxies."	One vote per share of stock owned.
Customers	Everyone in Odessa, Midland, Andrews, and many other West Texas counties can join.	Anyone in the country. Customers become mutual owners.	Anyone in the country. Customers do not become owners.
Rates	Credit unions that have converted offer worse rates across the board, according to a 2006 study by the University of Wisconsin. ⁵ Virtually all industry data shows that banks charge more, probably because of tax costs and for-profit mission. Compare credit union to bank rates in your area and see the difference yourself at www.cuna.org/newsnow/market.html .		
CEO's Compensation	Usually lower than at banks to keep costs low, so credit union can give members the best rates.	Typically higher than at credit unions.	Paid over 50% more than at credit unions and given an average of \$1.2 million in stock gifts and options. ³
Director's Compensation	Unpaid volunteers. elected to serve the members' interests.	Generally paid. Often from \$2,500 to over \$50,000 a year. ⁴	Paid, usually given stock gifts and options. Including purchases, own an average of \$742,000 in stock. ³
Taxes	Exempt from corporate income taxes, which allows credit unions to offer better rates.	Pay corporate income taxes of 34%, leading to worse rates and fees.	
Branching	Has 6 branches, and can build 11 more before needing to ask for permission to continue branching.	Able to build new branches anywhere, subject to regulator approval.	
Lending Limits	Business loans are capped at 12.25% of assets. <i>First Basin has less than 1/4 of this amount.</i>	Business loans can account for no more than 20% of assets. Must hold 65% in residential, credit card, consumer, educational, and small business lending. Subject to CRA regulations.	

¹ AACUL, *Protecting the Rights and Interests of Credit Union Members*. 2005, p58.

² *Ordover v. OTS*, 999 F.2d 1183, 1185 (7th Cir. 1993)

³ Study of five converted credit unions, by the Credit Union National Association.

⁴ Pro-conversion consultant Alan Theriault, "Why Convert? Director and Executive Compensation."

⁵ Heinrich and Kashian, *Credit Union to Mutual Conversion: Do Rates Diverge?* University of Wisconsin-Whitewater, 2006.

YOUR VOTE COUNTS – PLEASE VOTE AGAINST CONVERSION!

www.savefirstbasin.com