Analysis of Small Credit Union Trends and Opportunities for Accountants

Megan M. Burke[1]

[1] College of Business, Texas A&M - Commerce, Commerce, TX, USA

Correspondence: Megan M. Burke, College of Business, Department of Accounting, Texas A&M - Commerce, P.O. Box 3011, Commerce, TX 75429, USA. Tel: 1-903-886-5658. E-mail:megan.burke@tamuc.edu

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Abstract

This paper reviews the benefits that small credit unions in the United States confer to their members and communities, the decrease in the number of institutions and members in recent history, the challenges facing small credit unions today, and how accountants can help small credit unions reverse these negative trends. Credit unions are able to pay higher interest rates on deposits, charge lower rates on borrowings, and charge fewer and lower fees than traditional banks. Additionally, bank customers benefit from the presence of credit unions through increased competition on rates. In the U.S., credit unions also serve traditionally underserved populations and, in the past, experienced high customer satisfaction ratings. However, there has been a 22 percent reduction in the number of small credit unions since 2008. This decrease can be linked to a decline in customer satisfaction, which is a result of the increased compliance and regulatory burden on already overworked staffs. The objective of this paper is to identify ways accountants can help small credit unions reverse these negative trends and thrive. By providing compliance and strategic planning support, accountants can reduce the time credit union staffs spend on non-customer related tasks and allow them to focus on serving their customers. This should allow credit unions to return to their previous levels of customer satisfaction and reverse the decline in membership and institutions.

Keywords: Small credit unions, Accountants, Banking, Underbanked, Small business lending, Minority banking, Compliance

1. Introduction

Credit unions in the United States, particularly small credit unions (SCU's), provide valuable banking services and economic benefits to a largely underserved segment of the population. For purposes of this study, SCU's are defined as federally insured credit unions with less than $100 million in total assets (Credit Union National Association, 2014). Unfortunately, data compiled from the last decade shows that SCU's are in decline, and face a number of challenges in the future. "Credit unions in general have consolidated from a number once over 20,000 to just over 8,500 today, and no segment has been hit harder than small credit unions" (Gentile, 2008). Since 2008, the number of SCU's has decreased more than 20% due to factors that can be mitigated or eliminated by outsourcing non-banking tasks and allowing the SCU's to focus on their core business. This presents a compelling opportunity for partnership and collaboration between SCU's and accounting firms. By utilizing services that accounting firms provide, such as preparing filings to meet the regulatory compliance burden of credit unions, back office support, financial analysis, and strategic planning, SCU's can leverage technology and practices provided by accountants that will strengthen their position and ensure future growth and success.

The purpose of this paper is to examine the challenges facing small credit unions, the causes of the decrease in the number of institutions, and to provide recommendations on how the accounting profession can best serve credit unions to help them overcome their challenges and reverse the negative trends. The literature suggests that the biggest challenge facing small credit unions is the time spent on non-customer related tasks required to meet the regulatory requirements of the industry. The time spent on non-banking tasks has caused a decrease in customer satisfaction, a former strength of credit unions. Based on the credit union 5300 quarterly call reports filed with the National Credit Union Administration for the previous six years, the number of small credit unions has decreased significantly along with SCU membership. The decrease in customer satisfaction has been posited as one of the key factors in the decline in both the membership and the number of SCU's.

The main objective of this paper is to identify services and skill sets that accountants can provide to reduce the regulatory burden on the SCU staffs. Accountants are well-trained and well-equipped to handle the compliance filing requirements for SCU's. Additionally, accounting firms can assist SCU's with back office tasks, financial statement preparation, audit requirements, and strategic planning. By utilizing accountants to perform these services, credit unions staffs will have more time to focus on providing value-added, customer focused tasks, which will strengthen their business and may help reverse the decline in SCU's.

In Section 2, this paper presents the benefits of small credit unions, evidence of the decline in institutions and membership, and the challenges currently facing small credit unions. Section 3 presents recommendations for ways the accounting profession can help small credit unions overcome the challenges they are facing. The final section presents the summary and conclusion.

2. Small Credit Unions

Small credit unions in the United States are facing many hardships that are increasing in scope, year over year. The number of SCU's is declining, and the loss in overall numbers of SCU's goes beyond mergers with larger companies. A review of the data finds that membership is decreasing on a large scale that is not directly tied to economic factors. Issues such as decreases in customer satisfaction and customer loyalty, as well as challenges of meeting regulatory and compliance demands, make maintaining and growing a small credit union difficult.

2.1 Small Credit Unions are Important

Small credit unions, which represent a preponderance of all U.S. credit unions, provide valuable services to communities. In 2013, approximately 78% of credit unions were considered small, with total assets of less than \$100 million (National Credit Union Administration, 2014). Given the large percentage of SCU's, one cannot completely separate the benefits of credit unions in general from those of SCU's. As a group, credit unions charge lower fees, pay higher interest rates, help reduce the number of unbanked and underbanked, and provide collateral benefits for traditional bank customers.

While credit unions currently benefit from tax exempt status, this preferential treatment is under challenge from banks and is perennially eyed by politicians as a source of additional revenue (Sollenberger & Taggart, 2007). When dealing with politicians, there is strength in numbers, and more than 55,000 politically active volunteers are provided by just the very small credit unions (under \$35 million in total assets) (Credit Union National Association, 2009).

Realizing the importance of SCU's in the U.S., the Credit Union National Association (CUNA) created a task force designed to study the challenges of small credit unions and to find ways to improve the viability of SCU's (Credit Union National Association, 2009). The task force noted in their 10-year report that members appreciate SCU's and their customer service. Customers enjoy having options, making it important to maintain member choice by having a variety of credit union options available. Additionally, the report indicates that SCU's embrace the philosophical roots of credit unions more than larger credit unions. SCU's allow members to have access to the democratic decision and policy making process of credit unions, and provide more opportunities to interact with the Board and management than is possible at larger credit unions. Further, the report states that it is important to maintain diversification among credit unions to remain flexible and reduce the overall risk for credit unions as a group. This can best be achieved through maintaining SCU's, allowing members and potential customers increased choice when selecting a credit union for their financial needs. The task force also notes that credit union charters are difficult to acquire, and states that it is important to maintain those that currently exist. Small credit unions are also healthier than their larger counterparts, with higher capital ratios and higher asset quality (Credit Union National Association, 2009). Small credit unions have higher equity ratios, less off-balance-sheet risk, and more liquid assets than larger credit unions (Sollenberger & Taggart, 2007).

In 2011, the Federal Deposit Insurance Corporation (FDIC) sponsored a nationwide study on the unbanked and underbanked (Federal Deposit Insurance Corporation, 2012). The purpose of the study was to identify those who are unbanked or underbanked, determine their common characteristics, and list reasons for this banking status. This data was analyzed to determine ways to make the financial system more inclusive. The FDIC believes that involvement in the traditional banking system allows for protection of assets and results in fewer predatory lending practices. The study found that minorities, especially Hispanics, are more likely to be unbanked or underbanked than non-minorities. Additionally, those residing outside a metropolitan area are more likely to be unbanked, and the South has the highest regional proportion of unbanked and underbanked. Reasons provided by study participants for being unbanked or underbanked, along with the use of alternative financial services (payday loans, pawn shops, non-bank check cashing), were that banks charge too much for their services, require large minimum balances, make loans too hard to obtain, and do not meet the customer's needs for granting small dollar loans. In addition, some respondents indicated that they do not like or trust banks, or that they do not know how to open or manage an account.

The unique characteristics of credit unions allow them to address the needs of the unbanked and underbanked. First, credit unions are able to serve specific populations. While a number of minorities are unbanked or underbanked, almost 13% of SCU's qualify as minority depository institutions, and over 5% qualify as Hispanic minority institutions (National Credit Union Administration, 2014). More than 50 percent of the members and senior management officials of these institutions are minorities or Hispanics (National Credit Union Administration, 2013). Additionally, credit unions helped increase asset accumulation and wealth in African American communities (Gordon Nembhard, 2014). Credit unions have a larger deposit market share in small Metropolitan Statistical Areas (MSAs) (Reavis, 2012), typically underserved areas. According to CUNA, 42 percent of credit unions are located in community development financial institution service areas versus only 32 percent of banks branches (Schenk, 2013). Credit unions have also been shown to enable asset ownership and are vital in community development (Gordon Nembhard, 2013).

Second, credit unions are able to offer lower rates on loans, higher rates on deposits, and lower fees than banks (Reavis, 2012). While a portion of these benefits relate to the tax-exempt status of credit unions (Walter, 2006), the remainder is due to lower delinquency rates and overall costs for credit unions (Governmental Accounting Office, 2006; Reavis, 2012). Additionally, credit unions have lower fees than banks for most services, and 72 percent of credit unions have free checking compared to only 38% of banks (Bell, 2013). On average, banks collected fees of $218 on low balance checking accounts versus $80 in fees collected by credit unions on low balance accounts (Schenk, 2013). The CUNA estimates the benefit to credit union members in 2013 at $6.1 billion - $121 per member household (Schenk, 2013). SCU's also appear to be more willing to make small dollar loans than large credit unions. In December 2013, the average loan amount for SCU's was $9,409 compared to $24,692 for large credit unions (National Credit Union Administration, 2014). Credit unions are also more likely to make nonprime auto loans (Molvig, 2014). According to the Annie E. Casey Foundation, lacking a vehicle is one of the main obstacles of escaping poverty. The willingness of credit unions to provide these auto loans when traditional banks would not provide a sizeable benefit to credit union members and their communities.

Third, credit unions are able to provide financial education and advice to their members. A recent study by the Filene Research Institute found that personalized financial management education provided by a Portland area credit union lead to study participants accumulating 21% more in savings than those in the control group (Tantia, 2014). A little education can go a long way in improving the financial stability of members' lives. Additionally, a number of human resources executives are looking to credit unions to provide financial counselling and education to their employees to help relieve financial stress and improve workplace performance (Gilfedder, 2014). The educational resources provided by credit unions are valued by members, communities, and workplaces.

Fourth, credit unions, especially small credit unions, have favorable customer service ratings (Allred & Addams, 2000; Mandaro, 2002). However, customer satisfaction with credit unions has declined in recent years, which could be attributed to the impersonal service at some of the larger credit unions and rapid growth (Kuehner-Hebert, 2003).

Not only do credit unions provide a number of benefits for their members, they also provide benefits to bank customers through their presence in the marketplace. A study by CUNA estimated that credit union presence resulted in more consumer friendly pricing at banks, creating approximately $2.4 billion in customer benefits in 2013 (Schenk, 2013). Additionally, a study of CD rates in Idaho and Montana found that credit union competition resulted in banks paying higher interest rates (Tokle & Tokle, 2000). These results were confirmed in a 2002 study that examined the impact of credit union presence on CD and money market rates in 80 large metropolitan areas (Hannan, 2002). Further supporting this effect, credit union competition in small markets resulted in lower interest rates charged for new vehicle loans (Feinberg, 2001). In addition to receiving higher interest rates on CD's and lower rates to borrow from banks, credit unions also provide benefits by offsetting decreases in small business lending (SBL) by banks (Wilcox, 2011). The Wilcox study found that credit unions offset 4 cents per dollar of SBL fluctuation and 7 cents per dollar in all business loans at banks. Additionally, the offsets were stronger in the South – an area that has a high percentage of unbanked and underbanked persons.

The benefits provided by credit unions to their members and the marketplace are clear and well-studied. Credit unions charge lower fees, pay higher interest rates, and are uniquely positioned to provide services to the unbanked and underbanked. Even those who utilize traditional bank services benefit from the competition presented by credit unions. While SCU's are important and provide a number of benefits, there are fewer SCU's today than five years ago.

2.2 Small Credit Unions are Decreasing

The number of credit unions in the United States, especially small credit unions, is on the decline. In 2008, there were 7,968 credit unions and only 6,687 in 2013, a decrease of 16 percent (National Credit Union Administration, 2014). For small credit unions, the decrease has been 22 percent – from 6,653 in 2008 to 5,201 in 2013, see Figure 1.

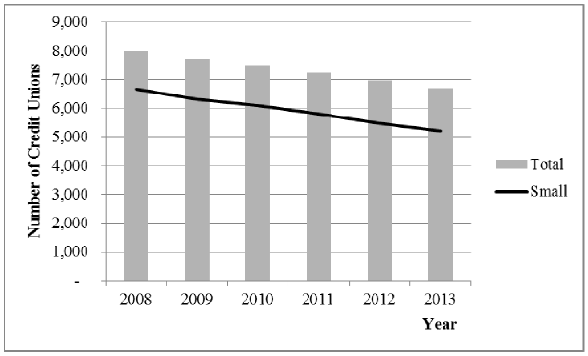

Figure 1. Number of Credit Unions

In addition to the decline in number of small credit unions, SCU's have experienced a 26 percent decrease in members from almost 22 million in 2008 to just over 16 million in 2013, see Figure 2.

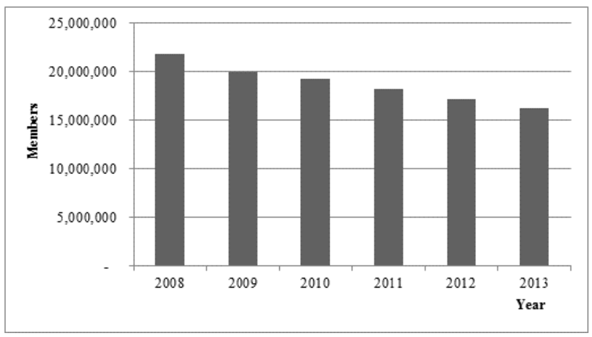

Figure 2. Small Credit Union Members

While there has been a sharp decrease in the number of SCU's and members, SCU total assets have only experienced a six percent decrease, see Figure 3. This has led to an increase in the average assets per SCU, see Figure 4.

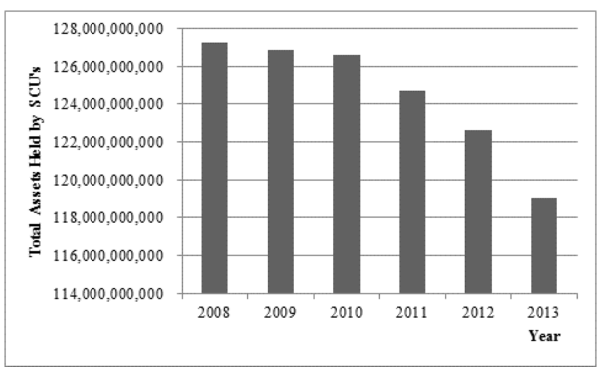

Figure 3. Total Assets Held by SCU's

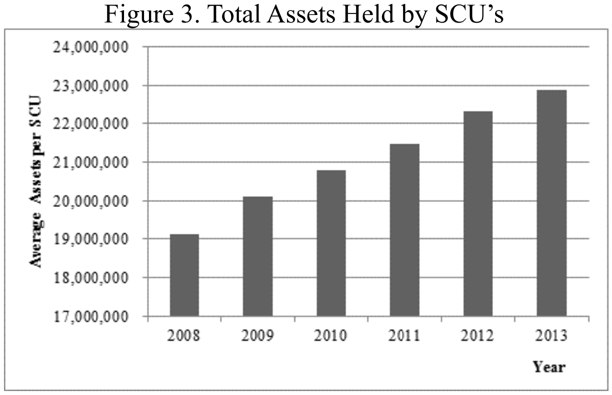

Figure 4. Average Assets per SCU

Although the number of SCU's has decreased, the strength of those remaining is strong. Credit unions are better able to withstand macroeconomic shocks and have better balance sheets than US banks (Smith & Woodbury, 2010). The average number of members per SCU has decreased slightly, but the average assets per SCU member has increased from $5,842 in 2008 to $7,356 in 2013.

While the number of SCU's has decreased along with membership, total credit union membership has increased over the same period. This growth is attributed to large credit unions. While this appears to be a positive trend, this could hurt the overall credit union market as the larger credit unions seem to be responsible for lower customer service ratings. Too many large credit unions also reduce the diversity in the marketplace, potentially removing those credit unions that serve the typically underserved populations. Growth in credit unions through mergers also results in the loss of difficult-to-obtain charters, and mergers and acquisitions account for the largest portion of reductions in SCU's (Goddard, McKillop, & Wilson, 2014).

Small credit unions are decreasing at an alarming rate, losing members as well as assets. The SCU's that remain are typically healthy and continue to provide benefits to their members and communities; however, the threats and issues facing these institutions are growing.

2.3 Challenges Facing Small Credit Unions

Small credit unions face a number of challenges to their viability, many of which can be related to their small staff and increasing workload. Customer satisfaction ratings for SCU's have fallen according to recent studies, which leads to decreasing membership (Kuehner-Hebert, 2003). The compliance and regulatory burden has increased dramatically due to more stringent laws and reporting requirements. As SCU's struggle with the increased workload, implementing strategic planning becomes a major challenge, which further impacts membership. Service offerings, which can attract new members and encourage existing members to stay, also given cursory attention, in large part due to more pressing compliance and back office tasks. These represent significant challenges to SCU's, and their ability to respond to these issues has a far reaching impact to their growth long-term and vitality.

In the past, customer satisfaction was a major strength of small credit unions (Mandaro, 2002). However, customer satisfaction ratings with credit unions have experienced a sharp decline (Kuehner-Hebert, 2003). Kuehner-Hebert posits that impersonal service at the larger credit unions significantly contributed to this decrease. A 2010 study by the American Customer Satisfaction Index also found a decrease in satisfaction levels with credit unions. Again, this decrease is partially attributed to size. In this case, the decrease was attributed to rapid growth (American Customer Satisfaction Index, 2010). This downturn in satisfaction has a broad effect on the overall success of credit unions as a group. A study conducted by Reichheld and Sasser, Jr. (1990) found that loyal customers make more purchases, purchase more expensive items, and will pay more for products year over year. This same study found that a five percent improvement in retention rate at MBNA America resulted in 85 percent more profits and improved customer value by 125 percent (Reichheld & Sasser, Jr., 1990). Based on these facts, it is clear that credit unions should focus efforts on retaining customers. It has been demonstrated that retaining a customer costs eight to ten times less than developing a new customer (Allred & Addams, 2000). In addition, existing, loyal customers also provide free word-of-mouth advertising (Allred & Addams, 2000). The relation between customer satisfaction and customer retention is strong, and it behooves SCU's to spend time focusing on customer service and customer retention efforts (Evans, 2002). By returning customer satisfaction ratings to prior levels, SCU's should dramatically improve their customer retention and overall operating performance.

The compliance and regulatory burden on SCU's is possibly the biggest challenge facing these institutions today, and was noted as a primary challenge by almost all of the members of the Small Credit Union Committee (Credit Union National Association, 2009). Linda Sweet, president/CEO of the Big Valley Federal Credit Union in Sacramento, CA attributed the decrease in credit unions to the increase in regulations in her testimony before the U.S. Congress (Ballasy, 2013). The U.S. Dodd-Frank Act has greatly increased the compliance burden on credit unions. The National Association of Federal Credit Unions (NAFCU) conducted a survey of its members in 2012 and found that 94 percent of respondents saw an increase in their compliance burden as a result of the Dodd-Frank Act (National Association of Federal Credit Unions, 2014). A separate survey in 2013 found that 27 percent of respondents increased their full-time equivalents for compliance personnel and 70 percent have moved some compliance duties to non-compliance staff (National Association of Federal Credit Unions, 2014). Not only does the additional regulatory burden increase the operating costs for credit unions, the limited staff has less time to focus on customer service, retention and education efforts.

According to the CUNA, in 2009 over 25 percent of credit unions were run by three or fewer full-time equivalent employees and almost 14 percent by one or fewer (Credit Union National Association, 2009). These small staffs have the challenge of providing financial services, enforcing and maintaining regulatory requirements, and completing back office tasks such as payroll, administering credit card programs, and a host of accounting tasks. These tasks reduce the amount of time a small workforce can spend focusing on serving customers. The relatively low pay, wide diversity of tasks, and small staffs make it challenging for credit unions to hire high and retain quality employees. These factors also impact succession planning and continuity within SCU's.

A small workforce covering too many tasks also contributes to a lack of strategic planning. Employees do not have enough time to prepare forecasts and budgets, work on customer retention plans, or focus on marketing strategies. The lack of strategic planning was cited as a primary challenge by the small credit union committee (Credit Union National Association, 2009). These are important tasks that, if done well, can lead to operating efficiencies, reducing operating costs and improving customer service.

An additional challenge facing SCU's is the range of service offerings. Customers are pressuring SCU's to provide enhanced service offerings, such as expanded ATM access, online bill payment, and access to credit cards (Credit Union National Association, 2009). A number of customers are also pushing for mobile applications to access their credit union (Totty, 2014). Providing additional services can also improve customer satisfaction. A recent study found that for relationships of less than 20 years, peripheral services account for the majority of variation in customer satisfaction in the financial services industry (Licata, Mills, & Suram, 2001). Expanding service offerings, while improving customer satisfaction, require technological, financial and personnel resources that many SCU's do not have.

These examples highlight key issues and challenges facing small credit unions, all of which contribute to decreasing numbers and members. Credit unions have experienced declines in customer satisfaction ratings, although several authors have attributed this decline to the rapid growth of larger credit unions that provide less personal service. Credit unions are also dealing with increasing regulatory and compliance burdens, as well as back office needs. With small staffs, SCU's are finding it difficult to meet these requirements while also providing excellent customer service. In addition, the increased workload requirements divert the staff away from important strategic planning tasks, which could lead to improved operating results and customer service. These challenges may seem monumentous, but there are resources available to help.

3. Recommendations

If small credit unions are to survive and reverse the negative trends, they will need to rely on outside experts. Accountants are well positioned to prepare the regulatory filings, perform back office tasks, and preparing financial statements, which will allow the credit union staffs to focus on customer service tasks. Additionally, credit union managers are expected to perform a number of tasks that require a wide variety of skills (Dahl, 2014). The branch managers are expected to attract and retain members, approve loans, develop marketing strategies, supervise employees and detect fraud (Dahl, 2014). Needing to supervise so many issues leaves little time to focus on compliance. Accounting firms can focus on the regulations so that managers can serve their customers. The success of SCU's is dependent upon their ability to return customer satisfaction to prior levels as well as finding time to provide educational resources to their customers. Having time to provide financial management strategies to customers is crucial to the improvement of asset accumulation for members, the health of their communities, and the health of credit unions.

Research has shown that customer interface has a positive impact on service quality in the financial services industry (Krishnan, Ramaswamy, Meyer, & Damien, 1999). Reducing the non-customer service related tasks of the limited full-time employees of small credit unions would help improve customer satisfaction, education, and retention. Allowing the staff more time to interact with customers would enable them to provide additional education and outreach. As stated in the FDIC report on the unbanked and underbanked, one of reasons for the banking status is because the consumers do not know how to open or manage an account (Federal Deposit Insurance Corporation, 2012). SCU staff could provide advice on these issues and bring the unbanked and underbanked into the financial system. Accountants can play a vital role in reducing the compliance, regulatory and back office tasks that are currently performed by SCU staff.

The regulatory and compliance burdens have been cited as the primary challenge facing SCU's (Credit Union National Association, 2009). One credit union controller estimates that she spends 25% of her time and an additional $20,000 in staff time and resources annually preparing the 5300 call reports (Muckian, 2014). Currently, the call report is 80 pages long and includes 570 pages of instructions (Muckian, 2014). Accountants are well equipped to provide compliance support for credit unions and by providing these services, allow the controllers to focus their attention on banking matters instead of compliance. In addition, accountants, especially those with credit union expertise, can prepare the required regulatory filings, reporting and monitoring of troubled debt restructuring, and stress testing required by the National Credit Union Administration and the Dodd-Frank Act in an efficient manner. Allowing accountants to perform these tasks would remove a significant burden from the existing credit union staff in terms of both time and resources.

Another area where an accountant can reduce the compliance burden on an overworked staff is in preparing financial statements for credit union members, and performing back office tasks, such as payroll and general accounting. Using an accountant to provide these services allows the credit union staff to focus on customer service, and enables SCU's to only pay for the time needed for these services without having to expend additional FTEs. Further, utilizing the accountant's expertise can help smooth succession issues if employees leave a credit union. Another benefit to SCU's surrounds leveraging the economies of scale provided by the accountant. Accountants typically have multiple clients and can acquire and access resources that are cost prohibitive for a single, non-accounting client.

Section 715 of the National Credit Union Association Rules and Regulations require credit unions with assets in excess of $500 million to have a financial statement audit performed by an independent CPA. Those credit unions with between $10 million and $500 million to have either a financial statement audit, a balance sheet audit, a report on the examination of internal control over call reporting, or an audit performed by the supervisory committee. According to the quarterly call reports, in December 2013, less than 24 percent of SCU's opted for a financial statement audit by a state licensed accountant. Approximately three percent had a balance sheet audit by a state licensed accountant, and less than one percent had an examination of the internal controls over call reporting. The remaining 72 percent of SCU's opted for a supervisory committee examination (National Credit Union Administration, 2014). Obviously, accountants can help SCU's meet this reporting requirement. The accountant can either provide the auditing service or serve as an advisor to the supervisory committee. As the supervisory committee is comprised of credit union members who may or may not have accounting experience, accountants can help the committee understand the expectations of the committee and how best to carry out the auditing tasks. The accountant can provide guidance on best practices for forming the supervisory committee (McGladrey, 2013). Additionally, the accountant can assist the credit union staff in preparing and planning their annual compliance audit (Reed, 2014).

In addition to providing increased time for credit union staff to focus on customers, accountants can help SCU's retain customers by analyzing current fee structures, as well as branch and customer profitability. Adjusting fee structures to match the needs of both the SCU and the customer should improve operating results for the institution and improve customer satisfaction. Branch and customer profitability analysis will allow the credit union to appropriately market services to customers, as well as determine where to apply limited resources when considering expanding service offerings (Rapport, 2014). Expanded services may include an increased web presence and online access, additional ATM locations, or access to credit cards Accountants are available to help with risk management and establishing and testing internal controls for these activities (McGladrey, 2013).

Strategic planning, another challenge facing SCU's, can be improved directly and indirectly through the use of accountants. Credit unions are seeing an increased focus on strategic planning and making it more of a year round process than a once a year activity (Bartlett, 2014b). If the staff can be relieved of their compliance burdens and back office tasks, they can shift their focus to the planning needs of the institution. A number of credit union executives are relying on outside help when preparing their short and long term strategic plans (Bartlett, 2014a). Directly, accounts can help with forecasting, cash flow projections, budgeting, financial statement analysis, and internal control assessments. These services will allow credit unions to better plan for the future by efficiently allocating resources, protecting and preserving assets, reducing operating costs, and planning for controlled growth that does not sacrifice customer satisfaction.

Accountants can provide a number of valuable services to SCU's which provide direct and meaningful benefits. Reducing the compliance and regulatory burden on the full time employees will allow them to focus on serving customers, thus improving the customer satisfaction ratings and retaining existing customers. While the accountant uses their experience and training to deal with regulatory reporting requirements, audit needs, and back office tasks, SCU's staff can be free to pursue activities that grow and enhance their business. By tapping in to the knowledge expertise of the accountant, credit unions can leverage otherwise unavailable accounting resources to engage in strategic planning, resource allocation, and budgeting. Analysis provided by an accountant can also provide insight and expert opinions on expanding service offerings, which may lead to reductions in operating costs and help with controlled growth opportunities. Accountants can help institutions evaluate and manage risk as well as creating and testing internal controls (McGladrey, 2013). The combination of benefits provided by accountants should allow SCU's to thrive by reducing the loss of members, attracting new members by improving customer satisfaction, and reducing costs so that members continue to receive the benefits they expect from banking with a credit union.

4. Conclusion

Credit unions, particularly small credit unions, provide a multitude of benefits to their members and communities. Members benefit from increased rates on deposits and lower rates on borrowing and access to loans that are not available from traditional banks. The members also receive more personalized service than at larger institutions. Communities with credit unions benefit from their presence through increased competition, which leads to lower borrowing rates and higher interest rates on deposits for traditional bank customers. While SCU's provide numerous benefits to their communities, they are decreasing at a rapid rate and losing members and assets. This loss of institutions has been blamed on decreases in customer satisfaction, which is a result of rapid growth and impersonal service associated with larger institutions. The decrease in customer satisfaction can be linked to the challenges associated with an increase in compliance and regulatory requirements.

The loss of small credit unions is detrimental to members and the communities served by the credit unions. While the extant literature addresses the decrease in credit unions, little has been written about how to help credit unions overcome the challenges they are facing. This paper addresses the ways in which accountants can assist credit unions deal with one of their biggest hurdles – the ever increasing compliance burden. By utilizing the services of an accountant, credit unions can reduce the regulatory burden on their staffs so that they may focus on serving the members. Additionally, credit unions can take advantage of the expertise and technological resources of the accounting firm to improve their overall performance and customer satisfaction.

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