

Consumer News & Views

Published twice monthly
December 17, 2014



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Consumers Continue to Choose Credit Unions Over Banks. This has been a good year for most consumers. While 72% of American consumers report they have “recovered from the Great Recession of 2008,” it should come as no surprise that more and more consumers are relying on credit unions over banks for their primary financial services.

More than 100 million Americans have discovered the benefits of credit union membership. That’s one out of every three Americans. Some 64% of American Consumer Council members report they belong to a credit union. That’s over 100,000 ACC members who have joined credit unions since 1994.

The question is why have so many consumers shifted from traditional banking institutions in favor of credit unions? Rod Staatz, president and CEO of SECU, offered this insightful explanation.

“While there is not one singular reason, I believe the answer lies in part in the 2008 economic downturn. As all financial institutions nationwide found themselves dealing with increased government regulation, banks also found themselves facing growing pressure from shareholders to limit lending, particularly to small businesses. Credit unions, on the other hand, operated exactly as they always had; remaining close to their members and the communities they served.”



“As consumers began to educate themselves on options available to them for their banking relationships, they found that credit unions, who are owned by their members, continued to offer the same products, services, and small business loans as before, while returning earnings to members through higher interest rates on savings, low (or no) fees, lower loan rates, and free or low-cost services. They learned that, without shareholders to answer to, credit unions were free to operate in the best interest of their members.”

“While higher deposit interest rates, lower loan rates and lower fees may have attracted some consumers initially, many of those same consumers quickly recognized that credit unions offered the same sophisticated range of products and services as competing financial institutions, as well as a wide range of electronic services including online banking, mobile banking, text banking, remote deposit, online statements and notices, and imaging ATMs. And because most credit unions are part of the national Co-Op Network, members have free access to more than 30,000 credit union and other ATMs nationwide.”

“In short, the recession gave credit unions a chance to shine ... and to educate the public about what being a member of a credit union really means. Perhaps more discerning and sophisticated than at any other time in history, consumers responded by seriously weighing out their options and, in many cases, deciding that credit unions were better positioned to meet their need for individualized services, innovative products, more channels, and expanded venues.”

The Credit Union National Association (CUNA) reports that over the past six years, credit unions have witnessed a 45% jump in business lending. In 2013, \$8 billion in savings and financial benefits for members and non-member bank customers is attributed to credit unions.

Thomas Hinton, president of the American Consumer Council, stated in ACC’s 2014 Annual Report (to be published next week) that “Credit Unions will continue to play a major role in the economic recovery of consumers and their future financial growth.” Hinton also stated that credit unions must be able to expand their role to serve businesses, especially small, emerging businesses.”

When asked what the key will be to the continued growth of credit unions in 2015, Hinton replied, “Regulatory tolerance.” Hinton explained, “Credit unions need the flexibility to expand their membership in order to adapt to the needs of Millennials, and this requires both common sense interpretation of regulations as well as the vocal support and advocacy of credit union by their regulatory agencies including the NCUA and CFPB. It does not need to be an adversarial or hostile relationship. That is the old way of regulating, and it won’t fly in the coming years – not if the regulators want to stay in business.”

Hinton applauded the NCUA for doing a better job of helping credit unions grow by starting to review and remove outdated and antiquated policies, rules and procedures that have hurt credit unions over the past ten years. “We seeing encouraging signs from the NCUA and many state credit union regulators when it comes to applying common sense rules in this modern, technology-driven era. That’s an encouraging first step,” Hinton said.



STATE DEPARTMENT FEDERAL CREDIT UNION HOSTS FINANCIAL EDUCATION WEBINARS

Making the Most of Your Credit Union Membership on Dec 18, 2014 12:00 PM EST at:
<https://attendee.gotowebinar.com/register/2773771331451738369>

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****This webinar is open to both members and non-members of SDFCU.****

Takata Corporation is “Asleep at the Wheel” on Airbag Safety Issue. According to the American Consumer Council, Takata Corporation, the vilified Japanese manufacturer of millions of airbags, appears to be “asleep at the wheel” when it comes to understanding the negative impact their actions are having as millions of American consumers reacted negatively to their indecision to issue a nationwide recall on all affected airbag products.



Takata Corporation's irresponsibility has reached the point where the company has hired the public relations firm Sard Verbinnen & Co, to handle the fallout from its recall crisis for potentially defective airbag inflators that can spray vehicle occupants with metal shrapnel.

Thomas Hinton, president of the American Consumer Council, said, "Takata is asleep at the wheel on this issue. It's hard to believe that Takata's leadership is repeating the same mistakes that crippled Toyota during its costly accelerator incident in 2009-2014."

Hinton was referring to the Toyota sticking accelerator and floor mat entrapment that resulted in 16 deaths and a \$1.2 Billion settlement because, according to Hinton, "Toyota's corporate stupidity and leadership arrogance." More than 20 million vehicles have been recalled globally by automakers since 2008 for defective Takata inflators, which have been linked to five deaths. Honda Motor Co, Takata's biggest customer, alone has recalled 13.4 million cars, primarily in the United States.

Mr. Takada, the 48-year-old, third-generation head of the company, apologized to shareholders at Takata's annual meeting in late June, which was closed to media, but has otherwise not been seen in public.

The issue involves defective inflator and propellant devices that may deploy improperly in the event of a crash, shooting metal fragments into vehicle occupants. Nearly 11 million vehicles are potentially affected in the United States.

While Toyota says there have been no related injuries or deaths involving its vehicles, a New York Times report in September found a total of at least 139 reported injuries across all automakers. In particular, there have been at least two deaths and 30 injuries in Honda vehicles.

According to the *New York Times*, Honda and Takata allegedly have known about the faulty inflators since 2004, but failed to notify NHTSA in previous recall filings (which began in 2008) that the affected airbags had actually ruptured or were linked to injuries and deaths.

Takata Corporation first said that propellant chemicals were mishandled and improperly stored during assembly, which supposedly caused the metal airbag inflators to burst open due to excessive pressure inside. In July, the company blamed humid weather and spurred additional recalls. ACC's Hinton called Takata's explanations "ridiculous" and said, "It's a matter of poor manufacturing quality control and a faulty design."

According to documents reviewed by [Reuters](#), Takata says that rust, bad welds, and even chewing gum dropped into at least one inflator are also at fault. The same documents show that in 2002, Takata's plant in Mexico allowed a defect rate that was "six to eight times above" acceptable limits, or roughly 60 to 80 defective parts for every 1 million airbag inflators shipped. The company's study has yet to reach a final conclusion and report the findings to NHTSA.



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Green CSM Certification Accepting Applications for 2015 Spring Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2015 Spring cycle are now being accepted through March 31, 2015.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at: <http://americanconsumercouncil.org/greenc.asp>

