

**FIN13**

## **THE BENEFITS OF USING THE WAIVERS OF THE LOW-INCOME DESIGNATION ON CREDIT UNION PERFORMANCE**

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### **Abstract**

This study explores the specific advantages of the three regulatory waivers derived from the Low-Income Designation (LID) (the ability to issue business loans, the ability to accept non-member deposits for credit unions, and the ability to raise secondary capital) on credit union's profitability, risk, and growth. We find that issuing business loans and accepting non-member deposits, increase the Return on Assets (ROA) of credit unions. However, both business loans and non-member deposits can adversely affect net interest margin (NIM). All three regulatory waivers significantly increase the credit risk of the credit union and at the same time have a significant impact on the growth of credit unions. Overall, we interpret these results to mean that regulatory waivers help credit unions grow and take more risk.

### **Conference Track**

Finance and Investment