



There's Nothing Like a Credit Union



Credit unions began as an idealistic, yet practical, experiment. The concept was simple: Members pool their savings and lend to each other. Today, thousands of credit unions—which are democratically controlled financial cooperatives—serve millions of members worldwide. Credit union membership confers a real financial benefit, to the tune of about \$10.9 billion a year; that's about \$240 a year per U.S. member household, according to Credit Union National Association (CUNA), in Madison, Wis.

For service to members

Credit union founders had a motto, still used today, describing why credit unions were started in the first place: "Not for profit, not for charity, but for service." From the beginning, credit unions sought to keep people economically independent—by helping them learn to save and borrow prudently. Only members may belong or vote: The field of membership—place of work, worship, or residence, for example—determines who may join. Another feature of credit unions is their volunteer leadership. Credit union board members (directors) are qualified, unpaid volunteers the members elect. **They work for the membership's best interest, not for the interest of a few stockholders.** Most credit unions have paid professional staff and management, but some of the smallest credit unions have volunteer staffs. Most credit unions belong to state leagues, associations that help credit unions develop and grow stronger by providing education, public relations, and legislative representation. In turn, most leagues are members of CUNA.

How Credit Unions Compare		
Feature	Credit Unions (CUs)	Banks and S&Ls
Philosophy	Not for profit, not for charity, but for service. Earnings returned as better rates, fewer and lower fees, improved services.	Business orientation. Generate profit for shareholders.
Control/Management	Member-elected, unpaid volunteer directors.	Shareholder-elected, paid directors.
Savings	Share and money market accounts, share certificates, and other plans available.	Regular savings and money market accounts, certificates of deposit, and other plans available.
Loans	A wide variety of loan types including personal, auto, share-secured, home improvement, mortgage, student, and credit cards. Loan consideration takes into account applicants character and capacity to repay. Loan rates generally lower than at banks and S&Ls.	A variety of loan types but banks traditionally are oriented toward commercial loans, S&Ls oriented toward mortgages Loan consideration usually based on applicant's credit record and capacity to repay. Loan rates usually higher than CU rates.
Share Draft/Checking	Most CUs offer at least one of the following share draft accounts: economy checking, regular checking, or interest-bearing checking.	Checking account types are similar, but more banks charge higher fees associated with their accounts than do CUs.
Fees	CU fees typically are fewer and lower than bank fees. CUs rarely price fees to produce revenue.	Fees account for nearly one-third of banks total profits.
Safety	Deposits in nearly all CUs are insured up to \$250,000 by federal or private insurer	Nearly all accounts insured up to \$250,000 by a government agency.
<i>Editor's note: Descriptions are generalizations. Services individual credit unions, banks, and savings and loans offer will vary.</i>		

CUNA and the leagues work together to enable credit unions to offer services at savings possible only through economies of scale—acquiring savings by developing goods in quantity. This cooperation makes it possible to accomplish far more than any single credit union could alone. Your savings are backed up to at least \$250,000 by a private insurer or by the National Credit Union Share Insurance Fund (NCUSIF). The coverage for individual retirement accounts (IRAs) and Keoghs is \$250,000 as well. NCUSIF is a unique protector in the financial services world. Credit unions participate by investing 1% of insured savings, then NCUSIF invests those funds and uses the earnings to pay operating expenses and absorb losses.

Follow the credit union lead

The credit union movement has pioneered or greatly improved key services such as:

Direct deposit and payroll deduction. These services provide a safe and convenient way for members to save regularly and repay loans. Other institutions offer the services, but credit unions were the first to make them work.

Money-management education. Credit unions have a tradition of member education. They:

- Offer seminars on topics such as buying a car or preparing for retirement;
- Provide publications that promote ways to manage money and use credit wisely; and
- Counsel members about ways to curb spending problems before they become serious.

Technology and remote access. Credit unions are leaders in providing remote access via telephone and the Internet. And the Web enables credit unions and leagues to link with CUNA's consumer Web site (creditunion.coop) to communicate online with members and potential members. As times change, so do credit unions. When new member needs surface, credit unions find ways to satisfy those needs. Credit unions remember their mission.