

What is a Credit Union?



Today's world offers many choices in financial institutions. What is the best option for your employees and their families? When you compare choices, you'll see credit unions stand apart from the rest.

A *credit union* is a cooperative, not-for-profit financial institution chartered by the state or federal government. It's owned and controlled by its members and organized to promote thrift and provide credit to those who belong. Credit unions serve only members in the fields of membership—usually associations, employee groups, or communities—named in their charters. As not-for-profit financial service cooperatives, **credit unions return earnings to their members in higher savings rates, better services, and lower borrowing rates.**

A *bank* is a financial institution, chartered by the state or federal government, which accepts deposits and makes loans for a profit, serving corporations as well as individuals.

A *savings and loan* is a state or federally chartered financial institution in business to accept deposits and make loans, primarily first and second mortgages, at a profit.

Both banks and savings and loans are owned by groups of stockholders whose main interest is to earn a healthy return on their investments. In contrast, credit unions exist to serve their member-owners, the people who save and borrow there.



AMERICA'S
CREDIT UNIONS®

Where *people* are worth more than money.®

Not for Profit...

As Credit Union Members, Your Employees Come First

A Valuable Employee Benefit

Credit union service is one of the most popular “fringe benefits” you can offer your employees. Although employees often consider credit union membership a company benefit, credit unions are self-supporting and operate independently so there is no cost or financial risk to your organization.

The Credit Union Membership Access Act of 1998—H.R. 1151—makes it possible for groups too small to form their own credit union to form a relationship with an existing credit union to obtain financial services.

Credit unions help people build better lives by providing consumer education, a safe place for members to put their savings, and access to loans at reasonable rates.

Regardless of the size of your company, you can offer credit union services. There are about 7,700 credit unions throughout the country, serving more than 90 million members.

Services provided by a credit union usually complement your organization’s benefits package. The savings, loan, and transaction services provided by a credit union can be an excellent addition to your insurance, investment, and retirement plans.

Payroll deduction is one of the most popular services credit unions provide. It makes it easy for members to save or to make loan payments automatically and can help make other credit union services more convenient. Servicing payroll deduction is simple and economical for your organization.

If your organization is equipped, most credit unions accept direct deposit/net pay, which may save money for your payroll program. Although offering payroll deduction and direct deposit are not mandatory, we hope you will consider these services.



Because credit unions are not-for-profit financial service cooperatives—owned and controlled by the people who use their services—they work for the benefit of members. This unique relationship in the financial services industry drives credit union product and service offerings and is the true measure of a credit union’s success. Here’s what credit union members can expect:

1. A financially secure institution complying with the laws and regulations that govern
2. A solid financial condition; responsible management of members’ financial resources
3. Highly principled employees demonstrating integrity, professionalism, and ethical behavior.
4. Respectful, courteous, timely, and unbiased personal service.
5. Confidential records and transactions.
6. The opportunity for your opinions to be heard and valued.
7. Voting rights.
8. Volunteer credit union board and committee membership opportunities if you qualify and are elected.
9. Dividend and loan rates that compete with and often offer advantages over other financial institutions’ rates.
10. Truthful advertising and disclosure of product and service rates, risks, charges, obligations, terms, and conditions.
11. Timely notification and correction of credit union errors or inaccuracies.
12. Timely response to loan requests, account problems, or suggestions.
13. Recourse appeal and fair resolution of problems.
14. Consumer information to help you make wise credit, saving, and purchasing decisions and to effectively manage your money.

...But for Service



Credit Union Membership Can Benefit Employees by:

- Providing low-cost financial services with rates and terms that often are better than those at other financial institutions.
- Making loans easier to obtain by considering an individual's character as well as collateral and by making smaller loans than other institutions. Employees perceive a company-based credit union as an excellent fringe benefit.
- Encouraging them to save regularly.
- Helping educate them about sound personal financial habits.
- Offering financial planning and counseling.
- Eliminating requests for pay advances and visits to payday lenders for check-cashing services.

Through education—and promoting savings and the judicious use of credit—credit unions help members take charge of their finances and achieve financial stability.

Because of organizations like yours, more and more people now have access to credit union membership. Credit unions serve every type of business, industry, and profession, including schools, hospitals, associations, parishes, and entire communities.

Service to Members: People Helping People

Credit unions are based on the philosophy of "People Helping People." Their commitment to service is second to none. From their humble beginnings, credit unions have grown and prospered because of a deep-rooted belief in the idea that people can realize dreams when they work together.

Credit unions offer attractive rates on savings

Because credit unions are nonprofit financial cooperatives, they return operating income to members in the form of higher savings rates.

Savings

Credit unions help people save to meet their financial goals. Share accounts are basic savings accounts in which shares (deposits) earn a competitive return. Credit unions offer a variety of savings options.

Checking accounts

Credit unions offer checking accounts (also called shared draft accounts). They usually have low service fees and low or no minimum balances, and that means more money in your employees' pockets. Many checking accounts pay interest. Add the convenience of debit cards, a sweep deposit, and overdraft protection, and your employees have the ultimate in checking service.

Credit unions provide affordable loan rates

Nearly everyone needs a loan at one time or another, and credit unions have traditionally been the best place to get a loan. Because a

credit union's mission is service before profit, interest rates and fees generally are lower than those of other lenders.

Vehicle loans

Credit unions take a lot of the stress out of buying a vehicle. With credit union vehicle loan rates averaging one to two percentage points lower than other lenders' rates and the convenience of preapproved loans, members are armed and ready to shop. Credit unions also offer pricing information and other vehicle-buying resources to help members narrow their choices.

Home mortgages

Many credit unions also offer members affordable home financing. Programs are available from adjustable-rate mortgages to 30-year, fixed-rate mortgages, to others in between, and vary at each credit union.

Other loans

- Home improvement
- Home equity
- Personal/signature
- Boat
- Motorcycle
- Recreational vehicle
- Student
- Stock/insurance
- Consolidation



SAMPLE

SAMPLE

Credit Unions Offer Specialized Services



Payroll deduction

Payroll deduction makes saving money and making loan payments easy. Payroll deduction allows credit union members to deduct any specified amount from their paychecks (for deposit to many types of credit union savings accounts) or to make credit union loan payments.

Direct deposit

Direct deposit is a great convenience: no standing in line on payday, no lost checks, and no forgetting to deposit checks. Members can have their paychecks, Social Security checks, tax refunds, and other types of regular payments sent directly to their credit union accounts. With direct deposit, members' money starts earning interest right away.

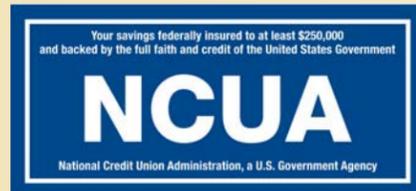
Other credit union services*:

- Annuities
- Credit cards
- Debit cards
- Individual retirement accounts (IRAs)
- Share certificates (CDs)
- Personal financial planning
- Home equity loans
- Home mortgages
- Internet banking
- Audio-response units (ARUs)
- Mutual funds

**Not all credit unions offer all services*

Credit Unions are Safe

Credit unions, like other financial institutions, are closely regulated. And historically, they have operated in a very prudent manner. Just as the FDIC does for bank deposits, the National Credit Union Share Insurance Fund—administered by an agency of the federal government—insures deposits of credit union members at about 7,700 federal- and state-chartered credit unions nationwide. Accounts generally are insured up to \$250,000.



Service and Safety

Who Can Join a Credit Union?

Members of a credit union must belong to the particular field or fields of membership stipulated in the credit union's charter. That means members of each credit union typically share a common association, whether it's an employer, a church, a professional group, or a community. Many credit unions serve more than one group, and family members usually are eligible to join.

How to become a credit union member

To become a member, an eligible individual makes a deposit, which represents an ownership share in the credit union. It's that easy! Many credit unions also encourage extended family members to join.

Who runs the credit union?

Credit unions are not like other financial institutions. They are cooperatives. Members vote for the credit union's board of directors. Members generally choose directors from the membership. Directors serve on a voluntary basis, without pay. The board of directors usually hires a manager, chief executive officer, who usually hires professional staff to manage the credit union. There are no outside stockholders. Member reserves are set aside, earnings are returned to members in the form of better rates on loans, higher dividends on savings, and new services.

The Credit Union System

A responsive support network

Since the first U.S. credit union was formed more than 100 years ago, the movement has developed a flexible, highly organized cooperative network—the Credit Union System. Made up of organizations at the local, state, and national levels, the Credit Union System supports credit unions with the strongest team in the field of financial services.

Credit unions serve their members at the local level. Leagues, league service corporations, and corporate credit unions (credit unions for credit unions) serve credit unions at the state and regional level. On the national level, there are the Credit Union National Association (CUNA), Inc. and affiliated organizations. They provide credit unions—through state leagues and corporates—with products, services, advocacy, and leadership to help credit unions compete in today's financial marketplace.

Credit unions tap this comprehensive, cooperative effort for governmental representation, products and services, training and education, investment services, information, and coordinated marketing efforts. It is the organization, the sharing of ideas and resources, and the support within the Credit Union System that makes today's credit union movement strong. This strength is evidence that "members make the difference."



Credit Unions—The Good News Is Spreading

Credit unions, because they are not-for-profit financial cooperatives, exist only to serve their members. Independent surveys repeatedly show that credit union members are more satisfied with the service they receive from their credit union than are customers from a bank or savings and loan.

Here's what some well-known figures, employers, and others have to say about the value of credit union membership:

Business & Other Leaders

The credit crisis and subsequent bank bailouts reinforced consumer perceptions that large, for-profit financial institutions are indifferent or even hostile to the interests of the customers. Credit unions have stood apart during this crisis. While many banks have faltered due to high-risk, high-reward investment practices, credit unions stuck to their tried and true practice of making responsible loans to their members.

—Paul Hazen, CEO, National Cooperative Business Association

Credit unions represent an alternative banking system in the U.S., one that has done the right thing. Most credit unions have been untouched by the country's financial crisis.

—Dan Ariely, Professor of Behavioral Economics, Duke University, Durham, North Carolina

The option for small firms to offer credit union membership to their employees is invaluable.... Our credit unions serve a valuable role providing start-up capital to entrepreneur members of credit unions that big banks won't touch. These member loans are often the only source of capital which allow individuals to take their ideas to the marketplace. This entrepreneurial activity must be encouraged by elected officials if America is to maintain robust job creation, and its competitive edge in the global marketplace.

—Karen Kerrigan, president/CEO, Small Business & Entrepreneurship Council

Even if you never join a credit union, you benefit from them. They inject needed competition into the marketplace. One reason why bank fees are not rising more rapidly is because competition is being paid to the differences in fees charged by banks and credit unions.

—Stephen Brobeck, executive director, Consumer Federation of America

Government

Year after year, we see that credit unions run fiscally strong, community-based operations that often serve those most in need ... Credit unions make invaluable contributions to communities and should continue doing so without added financial burdens from the federal government.

—Barack Obama (as a candidate for U.S. Senate)

If credit unions had been the only ones making mortgages, 'there wouldn't have been a subprime crisis or a credit crisis.'

—Rep. Barney Frank (D-Mass.)

America will face some tough choices the next few years, and credit unions "will be part of the solution" in returning the country to prosperity.

—Rep. Carolyn Maloney (D-N.Y.)

Credit unions remain strong financially. If banks followed their strategies, we would not be facing this credit crisis. Credit unions are the pulse of the communities [they serve].

—House Ways & Means Chairman, Rep. Dave Camp (R-Mich.)

The impact of credit unions is great—they pool resources that create liquidity. Credit unions in third-world countries have helped build a stable and safe financial system.

—Rep. Ed Royce (R-Calif.)

Our constitution provides for individual liberties ... and member-owned credit unions have the same goals. They exist to help individual members achieve financial independence.

—Rep. Rob Bishop (R-Utah)

Press

Credit unions are gaining a new stature as reliable sources of lending in the tempest-tossed credit market. Big banks have become the wards of the government while smaller banks are failing at a rate of about one a week. However, more and more savers and borrowers are finding a safe harbor in ... credit unions.

—The Wall Street Journal

When economic times get tough, people often turn to cooperatives, including credit unions. When difficult economic conditions arrive, consumers are seeking security and the ability to combine resources for saving.

—Portland Press Herald

If your company, town, or organization doesn't have a credit union, now is the time to start looking around. Most credit unions offer their members superior deals—higher rates on savings than banks provide and lower rates on consumer loans.

—Jane Bryant Quinn, money management author and columnist

Credit Union Members

I've been with the credit union since I was 19. I'm now 47 and I have seen all the changes from then and now. This credit union raised me.

—Marshall D., St. Charles, Mo.

It's easy to get caught up in trying to find the very lowest interest rate for loans, credit cards, and mortgages, but when it comes down to it, it's much easier to deal with someone local that knows you and that you trust will help you do the right thing. I've watched as the credit union has expanded and grown with new members, new offices, new technology and I'm proud of its progress. It's been nice that we have sort of 'grown up' together.

—Ranae W., Courtland, Va.

This is more like a bank should be. Always friendly and willing to help. No crazy fees and penalties. More like a hometown bank.

—C. & K., Cordova, Tenn.

To hear more about credit unions, visit asmarterchoice.org.