

PEOPLE, NOT PROFIT

THE STORY OF THE CREDIT UNION MOVEMENT

FOURTH EDITION

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How We Got Here

The original building that housed the first U.S. credit union is now home to America's Credit Union Museum. Along with three floors of artifacts and stories that highlight key events in credit union movement history, the museum has conference facilities for hosting educational sessions and visiting dignitaries. Visit its Web site at www.acumuseum.org for a tour.

The credit union idea is really a modern idea that's more than 150 years old. The movement toward cooperative credit arose out of specific historical circumstances. Understanding how we got to where we are now can give you a perspective on many of the issues and debates we face today. So we'll look at how the credit union idea developed, how it arrived in the United States and what happened to it here.

The development of credit unions in the United States came from several sources. (See also the supplement on Credit Union Origins: Our European Roots.) Edward A. Filene, a Boston merchant and philanthropist, learned about cooperative credit during



Alphonse Desjardins at desk, prior to 1917.

his travels to India. The work of Alphonse Desjardins in Canada inspired leaders in Manchester, N.H., where the first U.S. credit union was chartered.

Desjardins was a journalist who decided people needed an alternative to loan sharks and pawnshops. He investigated European credit societies, then opened one with a group of his neighbors in Lévis, Quebec. In January 1901, La Caisse Populaire de Lévis began operation out of Desjardins' home as the first credit union in North America.

The idea caught on. The number of cooperative banks in Canada increased rapidly, and legislation recognizing the organizations followed.

FIRST STIRRINGS IN THE UNITED STATES

As the Canadian movement became established, interest grew to the south. The parishioners of St. Mary's Church, in Manchester, N.H., decided they wanted to form a credit union. They invited Desjardins to help them. The first U.S. credit union was organized in 1908 and chartered in 1909. Called La Caisse Populaire Ste. Marie, it was chartered under a special act of the New Hampshire legislature. It still operates under that authority, with the same progressive tradition. The Caisse

Populaire Ste. Marie is known today as St. Mary's Bank, but don't let the name fool you. It *is* a credit union.

Real growth of the U.S. credit union movement, though, would evolve from developments taking place at the same time in Massachusetts. Filene and Roy Bergengren, an attorney, played a major role in establishing U.S. credit unions. (See *A Gallery of Credit Union Leaders* [p. 79] for information on Filene, Bergengren, and other early and contemporary credit union leaders.)

Growth came slowly at first. Credit unions weren't the only organizations that grew out of a recognition of the

need for consumer credit. Many larger employers provided saving and borrowing services, which they thought made a credit union unnecessary. Other savings and lending plans gained a certain amount of acceptance, even though their rates often weren't as good. No one was spending enough time and effort on organizing credit unions. And there was the natural skepticism of people, particularly regarding innovations in financial affairs. Credit unions sounded like another way to separate



Home of the original St. Mary's Bank (La Caisse Populaire Ste. Marie) Manchester, N.H., 1909.

a fool from his money. There were also serious problems in the movement. No uniform operating standards existed and there weren't enough qualified managers. So new organizing was slow.

By 1916 though, Filene and others had organized the Massachusetts Credit Union Association (MCUA), whose purpose was to aid existing credit unions and form new ones. Almost from the start, credit union people recognized the benefits of helping and encouraging each other. Still, economic conditions resulting from World War I were not favorable for credit unions.

Credit unions languished until a turning point in 1920. Growing prosperity gave Americans more disposable income than they'd ever had before, but not so much that they could pay cash for major purchases. Borrowing became socially acceptable, but banks and savings institutions still were not interested in serving the small saver and borrower. These circumstances provided fertile ground for credit unions to grow.



Edward A. Filene (left) and Roy F. Bergengren, pioneers in the U.S. credit union movement, shown in the early 1930s.

FILENE AND BERGENGREN: A DYNAMIC DUO

Filene eventually spent more than a million dollars of his own money to foster the growth of credit unions. One of the things he did in 1920 was hire Roy Bergengren to head the MCUA. Within a very short time, Bergengren became the prime mover in the start-up of 19 credit unions in Massachusetts.

Realizing that greater strength lay in unity and the direct involvement of those interested in a supporting organization, delegates of many Massachusetts credit unions agreed to band together to form a new, self-supporting association called a "league." The purpose of the Massachusetts