

## HOW DID OUR CREDIT UNION AVOID GETTING INTO TROUBLE?

Differences in corporate structure lead to differences in corporate behavior. Banks seek to maximize profits to enrich their stockholder-owners. In contrast, credit unions seek to maximize member service and return their profits to their member-owners.

As a practical matter, this difference means that credit unions tend to be more conservative, careful lenders and tend to focus on helping members obtain sensible, workable loans.

Banks, as noted earlier, are primarily driven to maximize short-term profits by generating as many loans (that is, as much loan fee income) as possible, regardless of whether or not the loans were appropriate for consumers.

Operational differences also influence behavior. Since banks tended to originate and then sell mortgages, they cared little if the loans they originated were repaid—that became someone else's problem. Credit unions are much more likely to hang on to the loans they originate and, therefore, care deeply if those loans are repaid.

## SO WHY DO WE HEAR THAT PEOPLE ARE HAVING TROUBLE GETTING LOANS?

Those people must not belong to credit unions, which are not-for-profit financial cooperatives. There are more potential credit union members (about 240 million) than actual (about 90 million). Our credit union and others have plenty of money to lend.

But credit unions still face some outdated legal limitations. That's why, for example, they've lobbied Congress to raise the limit on member business loans. That would allow credit unions to make billions of dollars available for member business startups and expansion.

And guess what? Raising the member business loan limit would create jobs without costing taxpayers a cent.

## DO CREDIT UNIONS ARE HERE TO STAY?

Absolutely. We are here to stay. We will continue to serve our members. We will continue to offer new loans on loans, high rates on savings, and outstanding service.

Credit unions focus on self-reliance. Unlike banks, they never had to be bailed out by taxpayers and never will.

Sample



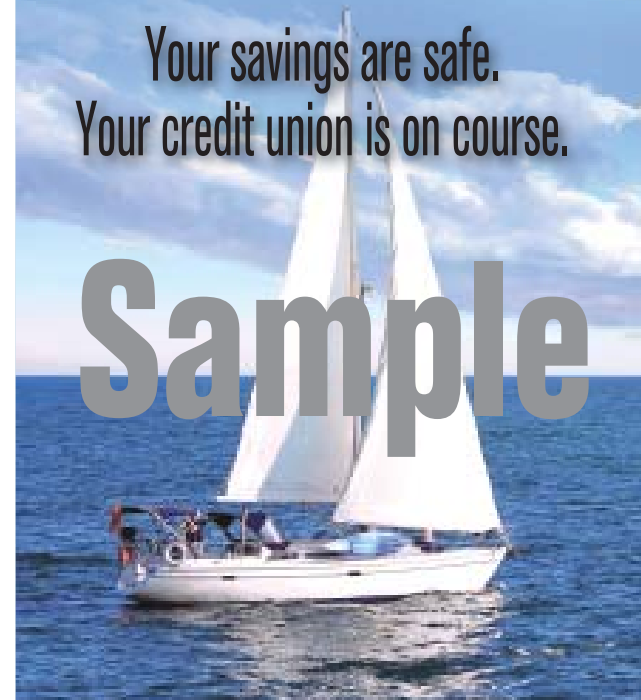
Stock No. 29778-PRO [cuna.org](http://cuna.org)

© 2010 Credit Union National Association Inc., the trade association for credit unions in the U.S.

# Credit Unions: No Bailout Needed

Your savings are safe.  
Your credit union is on course.

Sample





The nation's financial crisis continues to dominate the news. Reports blame bad lending and investment decisions for causing financial institutions to fail. They describe how taxpayer money has been used to prop up the U.S. banking industry.

Rest assured your credit union is on a different path. Still, you might be wondering:

### ARE MY CREDIT UNION SAVINGS SAFE?

Yes. Without a doubt.

Two federal deposit insurance funds cover consumer savings to at least \$250,000 per account—additional coverage extends to certain retirement accounts. One protects credit union members. The other protects bank customers.

Both credit unions and banks contribute part of their earnings to keep their respective funds at strong levels. Both insurance funds are guaranteed by the U.S. government.

### ARE CREDIT UNIONS IN AS MUCH TROUBLE AS BANKS?

No. Not even close.

Many banks—in a misguided effort to boost short-term profits—originated “toxic mortgages” (subprime mortgages) and invested a great deal of money in collections of these home loans called “mortgage-backed securities.” When mortgage holders in large numbers stopped making payments on these loans during the recent recession, these loans and securities became worthless.

For the most part, the nation's more than 7,500 credit unions have been innocent bystanders in the mortgage mess. Credit unions do not originate toxic mortgages. The reason many credit unions have experienced more loan defaults is mainly because some members lost their jobs in the poor economy. Overall, credit union loan defaults are less than half the rate experienced by banks. Moreover, credit union default rates have been declining since the beginning of 2010.

### WHAT ABOUT THOSE CREDIT UNIONS THAT THE GOVERNMENT HAS TAKEN OVER?

Those weren't credit unions like ours. They were “corporate” credit unions that provide a range of services just to other credit unions rather than to people. Think of a corporate

## Credit unions never had to be bailed out by taxpayers and never will.

credit union as “wholesale,” and our credit union as “retail.”

Normally, the network of corporate credit unions helps meet member loan demand, by shifting funds from credit unions with a temporary excess of funds to those with a temporary need for funds to make loans.

A few of these corporate credit unions invested in mortgage-backed securities because they relied on assurances from professional rating agencies. Everyone *now* knows that the rating agencies were wrong.

### BUT THE GOVERNMENT WON'T BE BAILING OUT THESE “WHOLESALE” CREDIT UNIONS?

Not at all.

Unlike the banking industry, the credit union movement is addressing its challenges on its own. No taxpayer money will be used to cover corporate credit union losses. The credit union system will use its unique, self-financing insurance fund to ensure this is the case in the future, as well.