

WHY ARE CREDIT UNIONS DIFFERENT THAN BANKS?

A popular misconception is that a credit union is the same thing as a bank, but in reality, they are as different as night and day. Choosing between the two should reflect your own personal self interest, and decided after examining your particular financial situation.

Most banks are run by a group of investors who have a large amount of capital, which goes into the funding for the bank. Some are nationwide, while others are smaller, local institutions. Either way, a bank's primary purpose is to make money for the investors and for the stock holders.

Banks are federally insured by the (FDIC) Federal Deposit Insurance Corporation. A paid Board of Directors makes all of the decisions for the bank, which are usually profit-driven and hold little benefit for the customers of the bank. Anyone, in any city or state, can open an account with a bank, and customers hold no voting privileges or decision-making power within the institution.

Credit Unions, on the other hand, are designed to serve a particular group or neighborhood. People who use credit unions for their financial services are members of the credit union, rather than customers. Since credit unions are not-for-profit organizations, the profits incurred by the credit union directly benefit the members after covering overhead costs.

Credit unions are insured by the (NCUA) National Credit Union Administration, and are democratically controlled by the members. This means that members have more say in how the credit union is run, and hold decision-making power. Members elect a Board of Directors – rather than hiring one – who are chosen to fully represent the members in making decisions and upholding policies.

Many people choose credit unions over banks because the former allows for lower interest rates and low-cost services. They like the fact that they are treated as a benefit to the institution, rather than "just another account number". The more members who deposit money into a credit union, the higher the benefits to the existing members. Credit unions are also tax-exempt.

In the past, credit unions have offered a limited range of resources, which included only low-interest loans and savings accounts. They have recently begun to expand their services to include checking accounts, IRA's and credit cards. Some have also begun to diversify in the types of loans that they offer. Many credit unions worldwide offer student loans, small business loans and mortgages.

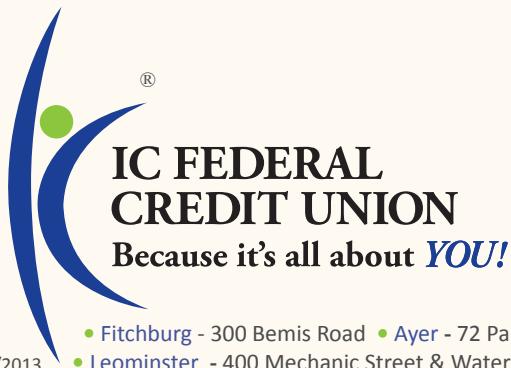


Banks, however, do offer a wider range of services, and are often more accessible to customers. For example, if you have an account with a branch of Wells Fargo in Texas, you can access that same account at branches and ATM's in Michigan. This makes travel easier for many people.

Many companies – from small businesses to large corporations – have “adopted” credit unions as their source for maintaining IRA's and pensions for employees. This is universally beneficial because it makes the company's job much simpler, rather than having to deal with multiple institutions, and the employees are not only members of the credit union, but also owners, as all members of credit unions own a small share of the institution.

If you have a bank account at a traditional bank and an IRA account with a credit union, you might be enjoying the best of both worlds. You can obtain the benefits of the credit union while still retaining access to the diversity of your bank.

Since credit union members usually have higher interest rates on savings accounts, you might also want to open a savings account with your credit union, while leaving your checking account with a traditional bank. Most credit unions offer ATM cards along with savings account for member convenience.



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A current trend among banks, which is sending more people to credit unions, lies in the charging of monthly fees. For example, if you have a checking account with a large bank, you will be charged a monthly maintenance fee unless you have direct deposit from your employer or maintain a specified balance.

With a credit union, this isn't an issue. Since credit unions aren't in the business of making money as not-for-profit organizations, they don't charge the high fees and finance charges of traditional banks.

To find information about credit unions in your area, go to your local phone directory. Locate credit unions that are close to your home, and visit to learn more. Financial decisions should be based upon informed research of all options, and you might find that a credit union could be saving you money.

Likewise, if you know that you will be needing a monetary loan in the next several months, you might want to look into opening an account with a credit union. It will be easier to secure a loan if you are already a member, and the interest payments will be significantly lower than with a traditional banking center.

Whichever you choose – a bank or a credit union – make smart decisions with your money and be sure that you're getting the most out of your banking institution.

Reference: www.banklady.com/credit-union-or-bank

iccreditunion.org
Connecting All Departments
800.262.1001

