

Credit Union Perks or How to Avoid the Games Banks Play

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It's never been true that all financial institutions are the same. But before you commit to a particular bank for direct deposit of your paycheck and your daily financial needs, check around to see if you might be better off at a credit union.

Credit unions are non-profit cooperatives that serve groups of members that have something in common such as an employer, membership in an association or residents of a particular community. They are often able to offer higher interest rates on savings accounts, money markets and CDs, and lower rates on credit cards and loans. There will also be very little or no fees compared to a traditional bank. In most cases it is easy to qualify to become a member if you live in a particular region or work, go to school or even worship there. To find a credit union you might qualify for visit mycreditunion.gov or asmarterchoice.org. Traditional banks are not very happy that it is so easy to join a credit union.

Memberships in credit unions continue to increase. In 2015 there were 103.3 million members showing a 3.1 percent increase from the previous year, according to the Credit Union National Association (CUNA). In comparison, there are over 200 million checking accounts in traditional banks. Deposits at credit unions total \$1.191 billion vs. \$10.6 trillion in traditional banks, and there are 6,397 credit unions vs. 5,441 banks. (This does not include the number of each bank's branches.)

"Broader eligibility requirements and greater awareness are reasons for the growth in credit unions," said CUNA Chief Executive Bill Hampel. "For instance, many have made it easier for more people to join over the past several decades by expanding eligibility based on where customers live, instead of restricting membership to a particular employer."

How Credit Unions are Different

Like traditional banks, credit unions make their money by giving out loans. But they do not have all the expenses associated with large banks in that they are exempt from federal taxes and do not have to pay dividends to shareholders as a public company. (However the interest you earn on a credit union savings account is called a dividend.)

With a credit union you aren't going to be charged every time you use their ATM or your balance goes below a certain amount. Most banks charge a monthly service fee. For example Bank of America charges \$12 if you don't have a direct deposit of \$250 or more each month. With no monthly service charge at credit unions, this alone can save you over a hundred dollars each year. Also, most credit unions offer immediate access to your deposits so you don't have to wait a day or two to start spending your own money.

Checking accounts can be automatically linked to a savings account without a fee, so if your checking account goes negative the funds are taken from your savings. And if you have to

use an ATM outside their network, many will reimburse you for the fees up to \$5 per month. Also, with direct deposit of your paycheck you can often have access to your money up to two days early.

Since credit unions are non-profits, you might find lower interest rates for new and used car loans in particular. According to the National Credit Union Administration, as of September 25, 2015, the average interest rate on a 48-month new-car loan was 2.57 percent at a credit union, compared with 4.62 percent at major banks. In general, borrowing standards might be a little more flexible if you are a member in good standing.

And just like most major banks, all credit union accounts are federally insured up to \$250,000 and backed by the U.S. government.

...Where to stash your hard-earned cash is a decision not to be taken lightly. Make sure you examine all your options and read the fine print before choosing any bank or credit union.