



What is a credit union?

Credit unions are not-for-profit financial cooperatives that are owned and operated *by* the people they serve *for* the people they serve. While credit unions provide many similar financial products and services to banks, this “people helping people” structure and focus sets credit unions of all asset sizes apart from other financial institutions.

CREDIT UNIONS

BANKS

Structure

Not-for-profit cooperatives owned by the people who use them.

For-profit corporations owned by shareholders, who don't have to be customers.

Earnings

Returned to members in the form of better rates, fewer/lower fees and services like free ATMs.

Returned to shareholders in the form of dividends.

Service limitations

- Credit unions have restrictions on who they can serve, due to their field of membership requirements.
- Credit unions have an arbitrary business lending limit of 12.25% of assets, restricting their ability to serve small businesses.
- Credit unions are generally limited to offering loans with a 15-year statutory maturity (with a few exceptions, including residential mortgage loans.)

- Banks do not have restrictions on who they can serve.
- Banks do not have any limits on business lending.
- Banks have no similar loan maturity restrictions.

Governance

- Credit unions are financial democracies. Every member has an equal vote, no matter how much money they have on deposit.
- The Board of Directors are members of the credit union elected by their peers/fellow depositors.
- Credit union board members belong to the credit union, and the majority are volunteers.

- Bank customers do not have a vote. Only shareholders have a say in how the bank is run, and their influence increases with how much stock is owned.
- The Board of Directors is elected by shareholders, who may not be customers of the bank.
- Banks' board members are paid positions.

Oversight

Credit unions are regulated by the National Credit Union Administration (NCUA).

Banks are regulated by the OCC, Federal Reserve, or Federal Deposit Insurance Corporation (FDIC), depending on charter type.

Insurance

- Deposits federally insured up to \$250k by the NCUA.
- Credit union insurance fund has been fully capitalized for 35 years

- Deposits federally insured up to \$250k by the FDIC.
- Bank insurance fund has operated in the negative twice in the past 35 years

Taxes

Pay property, sales, and payroll taxes; Credit unions don't pay the federal income tax on profits – because profits are returned to members.

Pay property, sales, and payroll taxes; Not exempt from federal income tax on profits – because shareholders retain profits. NOTE: Subchapter S banks **do not pay federal income tax.**