

What makes credit unions different from banks?



America's
Credit Unions



crossstate
Credit Union Association

NOT-FOR-PROFIT

Credit unions are not-for-profit financial cooperatives, and every member benefits. Banks operate for the profit and benefit of their shareholders.

OWNERSHIP

Each credit union member is an equal owner, regardless of how much money they have on deposit in the credit union. Banks are owned by stockholders, who do not have to be customers.

VOTING RIGHTS

Every credit union depositor has one vote, regardless of the amount of money they have on deposit, making it a financial democracy.

VOLUNTEER SERVICES

Credit union board members are elected by and from the credit union's membership, with most serving as unpaid volunteers. Banks have paid directors.

COMMON BONDS

Credit unions are restricted by statute to a limited market (a field of membership composed of a specific group or set of groups). Credit unions cannot serve the general public, only members of their community as outlined in their field of membership. Banks do not have this restriction.

PEOPLE HELPING PEOPLE

A “people first” philosophy guides credit unions in their efforts to serve their members. People overwhelmingly support credit unions because they know their financial well-being comes first. The data backs it up: 89% of members say their credit union has improved their financial well-being. Credit union members are 1.4 times more likely than nonmembers to get personalized financial counseling, 90% report positive experiences obtaining low-cost loans and 87% say it is easy to get a loan (versus 69% and 68% of nonmembers, respectively).

TAXATION

While credit unions pay a significant amount of taxes, they do not pay the federal income tax on profits. That is because those profits are returned back to members in a variety of ways.

The reasons for granting credit unions their federal income tax status are just as important and valid today as when it was first granted. Congress reaffirmed credit unions' tax status in the Tax Equalization Act of 1951, citing the following reasons it should continue: “Credit unions without capital stock organized and operated for mutual purposes and without profit will remain tax exempt.”

To this day, credit unions of all sizes are still without capital stockholders, are still organized and operated for mutual purposes, and are still not-for-profit.

