

Consumer Eye on Credit Unions

A bank of your own

How would you like to own your own bank? Well, you can—by joining a credit union. Credit unions are nonprofit financial cooperatives that are owned and operated by their members. A cooperative (or co-op, as it is sometimes called) enables ordinary citizens to band together in order to serve their needs collectively rather than individually. For example, farmer, artisan, food and financial co-ops help groups of producers or consumers achieve lower costs and better prices.

Cooperatives began in Europe in the 1800s as buyer co-ops and credit co-ops. The buyer co-ops helped members obtain favorable prices on market goods, whereas the credit co-ops helped members obtain credit from pooled and borrowed funds. The credit co-ops served as a model for what became credit unions in America at the turn of the century. These served the credit needs of many small savers and borrowers who could not obtain credit elsewhere.

Today, the membership of credit unions is as diverse as the population in general. Few people want to forego the advantages of owning their own bank. Typically, these include lower fees on accounts and services, higher rates on deposits, lower rates on loans, and more free and low-cost services, including consumer-oriented financial education and counseling. Credit unions are able to cut costs and share earnings because they are member-owned and operated. It is their function to return earnings to their member shareholders in the form of lower costs, better rates, and member services.

Credit union facts and figures

There are just under 12,000 credit unions nationwide. A survey of membership indicates that compared to non-members, credit union members are more likely to be younger, college educated, non-white, and employed full-time, with a spouse that is employed full-time.

In Hawaii, there are 109 credit unions serving in excess of 575,000 members. All but four of these credit unions are federally chartered, and all are federally insured. Like banks and savings-and-loan associations, credit union deposits are insured for up to \$100,000 per account by an



independent federal government agency. The safety of credit union accounts is also ensured by reserve funds, which are required by law to cover bad debts, and bond insurance, which is required to cover employees who handle money and credit union records.

Who runs a credit union?

A credit union is run by paid staff and member volunteers. Every member has the opportunity and responsibility to participate in the running of their credit union. Regardless of the number of shares owned, each member has one vote to cast for the board of directors. The board is elected from and by the members to oversee the direction and operation of the credit union. It hires management, sets policies, and designates benefits. Any eligible member can run for the board, serve on other committees, and contribute ideas and suggestions to management and the board. The ownership structure of credit unions ensures that the membership's wishes are heard and heeded.

Who can be a member?

Credit unions are chartered to serve a group of people defined by a particular "field of membership." The identity of the group might be based on an area of residence, an occupation, or some organizational affiliation. Eligibility for membership is usually extended not only to eligible members but also to members of their households. Eligibility may also be extended to persons who previously were eligible for membership, including former or retired members of an eligible group. The Hawaii Credit Union League (808-941-0556) can help you determine if you might be eligible to join a credit union.

Choosing the right financial institution for banking and saving is an important part of managing one's financial affairs. The products and services provided by various types of financial institutions can be of great benefit, but they can also be costly. Thus, it makes sense to explore your options and choose carefully.

Ron Wall

Extension Specialist in Family Economics and Management