



What is a credit union?

Credit unions are member-owned, not-for-profit financial institutions that provide many of the same financial services that banks do, including checking and savings, loans, credit cards and ATMs. However, they are uniquely different from for-profit institutions and offer other special advantages:

- Member ownership – Each member of a credit union is a part owner of that credit union and is entitled to one vote at the annual meeting, regardless of how much money he or she has deposited in the credit union.
- Members come first – Because credit unions are not-for-profit cooperatives, they are usually able to offer lower loan rates, higher savings rates and lower fees than for-profit institutions.
- Special services – Credit unions serve their members and can offer special services that for-profit institutions may not always offer. Examples include small denomination signature loans under \$1,000 to help members through financial difficulties, savings clubs for kids and seniors, and financial counseling.
- Volunteer leadership – Credit unions are led by a board of directors elected from the membership at the annual meeting. Board members volunteer their time and service and are not compensated.

Vision Statement on the Mission of Credit Unions

The purpose of credit unions is to provide the economic well-being of all people, including those of modest means, through a credit union system which is cooperative, member-owned, volunteer-directed, not-for-profit, and therefore tax-exempt; to provide a secure financial alternative for all consumers, and to provide financial and related products and services to members.

- Credit unions conform to the above principles, and therefore are not subject to income tax and must have their own unique regulatory and share insurance system.
- Credit unions generate wealth and benefits for their members in a number of ways, and those members incur tax obligations as the benefits are distributed in the form of dividends.
- Credit unions include service to people of modest means in their business activities because of the inherent dedication of not-for-profit, cooperative financial institutions to such service, the traditions and values of credit unions, and the commitment of boards of directors to credit union values.

Global Cooperative Principles for Georgia Credit Unions

- **Members, Not Just Customers** – By joining a credit union, people become member/owners. Members expect more value and deserve more respect than is available in the typical customer interaction at non-cooperative financial institutions.
- **Democratic Control** – Members have equal influence in the voting process and equal opportunity to run for election to the board. One member, one vote. Once elected, directors have fiduciary responsibility to all members.
- **Service Differentiates** – Democratic control provides a decision-making environment that elevates creating value for the members above profit accumulation at the credit union. It is the dedication to providing service that differentiates credit unions from for-profit suppliers.
- **“Profits” Belong to the Members** – In order to grow and provide new services, credit unions generate capital by retaining a portion of earnings. These retained earnings are used for the betterment of the entire membership.

History of Credit Unions

The first credit unions were founded in Germany in the 1840s to provide savings and borrowing opportunities to working-class people. The guiding principles were simple:

- Only people who were credit union members could borrow there.
- Loans should be prudent and productive purposes.
- A person’s desire to repay (character) would be considered as important as a person’s ability to repay (income).

These principles still govern most of the credit unions in the world today.

In Georgia, the credit union movement started when Edward A. Filene, a Boston merchant, visited Atlanta in 1922 and persuasively explained the need for credit unions. Later that year, Atlanta attorney E. Marvin Underwood drafted a state credit union bill, which was introduced in the Georgia General Assembly that year and each following year until it was passed in 1925.

Setting the Record Straight

Credit Unions Can Serve Anyone.

This is not true. Unlike banks, credit unions cannot serve the general public. Credit union membership is limited to persons who share a common bond of employment, association or community.

A credit union’s field of membership is restricted by law. The banking industry has been trying for years to deny consumers and employees of small businesses access to credit unions. At a time when banks are

experiencing record breaking profits, it is evident that the prosperity of credit unions and their ability to serve millions of consumers has had no impact on banks' bottom line.

Credit Unions Do Not Pay Taxes.

Credit unions do, in fact, pay taxes. They pay property, county, school, municipal and employer taxes. But, because credit unions are not-for-profit, returning all profits to their members in the form of higher rates on savings, lower loan rates and low – or no-fee services, they do not pay corporate income taxes.

On the contrary, banks must pay corporate income tax because they are in business to maximize profits and return them to stockholders, not customers. For that reason, banks are subject to the same income taxes as other for-profits businesses.

Credit Unions Look and Act Like Banks.

It is true that credit unions offer financial services similar to those offered by banks. But, credit unions, smallest to largest, subscribe to a business philosophy and retain a structure that is very different from banks.

Credit unions give consumers the option of owning the institution where they do their financial business. Therefore, credit union members are not just another customer – they have an equal vote in determining the direction taken by the institution. Credit unions cannot issue stock, so, and most importantly, they return all earnings to their members.

Banks, on the other hand, are for-profit and have stock-holdings by outside investors, who essentially own them and hold voting rights. Banks exist to enrich stockholders, usually to the expense of their customers.

Credit Unions Don't Insure Investments.

Credit unions DO insure their investments. Credit unions have their own federal insurance program covering member savings accounts. Today, all credit union share accounts in Georgia are insured to at least \$250,000 by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is administered by the National Credit Union Administration (NCUA). No taxpayer monies, or monies from other federal deposit insurance programs, are used to fund the NCUSIF. Credit unions pay a percentage of their deposits to build the fund. And, like other financial service providers, credit unions are regulated and audited either by state or federal agencies.