

# 10 reasons why credit unions rule

Posted Jan 06 2009, 08:22 AM by Karen Datko

Rating: ★★★★★☆

Credit unions exist to help their members. Commercial banks exist to enrich their shareholders.

You read that right. That's why credit unions often have better interest rates on both loans and deposits. Commercial banks are businesses. Their sole purpose is to figure out how to make more money from customers (you). Interest rates on accounts are often very low (or nonexistent), and they always try to sell you new products.

Credit unions, by law, have to have membership requirements. Credit unions are often tied to a geographic area or particular group, and as long as you qualify you can join. For instance, the Pentagon Federal Credit Union is one of the better-known credit unions, because of its once mighty [CD rates](#) (still competitive if you look at terms of three-plus years), and if you aren't active/retired military or work in defense, you can become eligible by joining the National Military Families Association. There are membership rules, but there are ways around them.

Here are 10 reasons why you [should try to find a way to join](#) (*sample rates listed below were from Dec. 12*):

**Better interest rates on loans.** At Tower Federal Credit Union, a credit union in Maryland, the rate on a 60-month loan for a new car starts at 4.75% APR. At Bank of America, the nation's largest commercial bank, the rate on a 60-month loan for a new car starts at 4.95% APR.

**Personal loans are more likely.** The prospect of getting a personal loan at a credit union is much higher than at a commercial bank. Credit union relationships are much stronger and so the likelihood of getting a personal loan is higher because nonfinancial factors are taken into consideration.

**Better interest rates on deposits.** At TFCU, the regular checking account earns 0.25% APY while the regular checking account at Bank of America earns nothing. While I wouldn't recommend putting your savings in a checking account, the fact that you can earn *something* while your money is waiting to be spent on regular bills certainly beats earning nothing. The savings account rate is 1.40% at TFCU versus 0.20% APY at BoA on the regular savings account.

**Lower fees.** There are no minimum-balance requirements at TFCU for checking or savings accounts. At BoA, you need to keep at least \$300 in your savings or have an automatic monthly transfer of \$25 or more to avoid a \$3 fee. If you use a non-TFCU ATM, there's a 75-cent fee; if you use a non-BoA ATM, that'll be \$2.

**Fewer customers, better relationships.** At a huge bank, you're an account number. They see so many customers throughout the day that there's no opportunity to build relationships. At a smaller bank, you have a better chance to forge those relationships with the employees. Credit unions are often much smaller and naturally more conducive to this.

**Fewer customers, so you're more important.** Let's say you want to get an erroneous fee removed. Do you think it's easier at your local credit union, where you're one of a few thousand customers, or at Bank of America, where you're one of millions?

**No call centers.** Credit unions and small banks often answer their own phones. Have a problem at a larger bank? You might call in and find yourself talking to someone at a call center. Call centers aren't all bad, but I prefer a bank employee over someone at a phone bank reading off a script.

**You can be involved at a credit union.** Did you know that the board of directors at a credit union is composed of members who volunteer their time, are unpaid, and elected by the union membership? If you don't like the direction your credit union is going, *you* have a say in it.

**NCUA insurance.** Just like commercial banks and FDIC insurance, credit unions are protected with [National Credit Union Administration](#) insurance. The NCUA insurance limit mirrors that of the FDIC.

**Less profit-driven.** When you are beholden to shareholders and have the pressure to constantly generate bigger profits, you might be tempted to take greater risks. We see the fallout of that mentality today, with [25 bank failures in 2008](#). Credit unions aren't immune to loan defaults, but when you don't feel the constant pressure to generate profit, you don't take on those riskier loans.

[Credit unions rule!](#) If you want to read more about credit unions and banks, here's an article on the [differences between thrifts, credit unions and commercial banks](#).

Do you have a credit union account? Have any other reasons I missed on why credit unions rule?