

Business

Personal Finance: For credit union, you better shop around

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Tribune Media Services

Tucson, Arizona | Published: 05.10.2009

<http://www.azstarnet.com/allheadlines/292139.php>

Fed up with high fees, low returns and poor service at your bank? It may be time to shop for a credit union.

These non-profit cooperatives could be the most misunderstood bargain in banking. Although they often offer higher rates for deposits, lower costs for loans and reduced fees for such things as overdrafts and checking accounts, many people are confused about what it takes to bank with one.

Many consumers have an old-school notion that credit unions are always exclusive clubs, open only to employees of a single company, or to members of a particular church, union or profession. But with many credit unions that's no longer the case.

There are certainly some that restrict membership. But, increasingly, these institutions have thrown open their doors to anyone who lives and breathes in a particular ZIP code. (Go to www.creditunion.coop and click on "Locate a Credit Union.") (*Info on Hughes is there!*)

Since the 1998 Credit Union Membership Access Act, which allowed credit unions to broaden their field of membership, thousands of organizations have extended their membership to anyone living in a particular community. And that community can be vast - all of Southern California, for example - or extended to anyone who has ever been employed by or attended school in the state.

Of course, if you also happen to be a teacher or engineer, broadcaster, public worker or employer of a credit-union-sponsoring group, you can qualify the old-fashioned way, too.

Why go through the trouble of seeking out a credit union when you could far more easily just wander into a bank? There's a good chance that you could drop the cost of a revolving credit-card balance by 1 percentage point if you do. Your new-car loan could be about 1.5 percentage points cheaper than if you financed through a bank.

And, although deposit rates are pretty paltry everywhere, they're about a quarter better on average at credit unions than banks, says Datatrac, which does a daily survey for the Credit Union National Association.

Six of the 10 top-earning checking accounts offered through www.Checkingfinder.com were offered through credit unions, in a recent survey, said Don Shafer, chairman of BancVue in Austin, Texas.

Although there are strings attached to the super-high-rate accounts - such as having to sign up for direct deposit and use your debit card - the rates ranged from 3.4 percent to 5 percent, about twice what you could earn on a certificate of deposit today, Shafer said. And unlike some bank deals, these aren't "teaser" rates destined to evaporate in a month or two, he added."

Are your deposits as safe in a credit union as they are in a bank? Absolutely, said Katye Long, a spokeswoman for the Credit Union National Association. They're backed by the National Credit Union Share Insurance Fund, which is a sister agency to the Federal Deposit Insurance Corp. and mimics FDIC rules. That means that each account owner gets up to \$250,000 in coverage this year.

However, if you are wise, you'll shop for a credit union just like you'd shop for a good bank. The services, rates and fees of institutions can vary widely.

The best way to shop is to start with a list of the things you want - free online banking, perhaps; fee-free access to your cash through automated teller machines; a home-equity line of credit; an auto loan or a loan for your business, maybe. Turn your list into a grid, with the services you want down the left margin, and columns for at least five credit unions where you'll check rates and terms.

Now find a group of credit unions that will accept you for membership by using the www.creditunion.coop search tool. The tool provides general information about each credit union, including the parameters of membership when the credit union opened. Many have since vastly expanded their membership, Long said. So, you'll have to click on a link to the credit union's home site to determine whether you can join.

When you find an institution that will take you, pull out your checklist. Most provide information about their rates and fees right on their Web sites. If you're efficient, this cost comparison will take about half an hour.

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