

My Money

Why You Need a Credit Union Account

By [JIM WANG](#)

Posted: April 26, 2011

Credit unions have been around for quite a while but it hasn't been until the last few years, after people have grown wise to the excesses of the "too big to fail" commercial banks, that they've really grown in popularity. The first "bank" I joined was a credit union, Teachers Federal Credit Union, and I kept that account until just a few years ago. It's my firm belief that everyone should have an account at a credit union because they represent everything good about banking.

Here's the biggest difference between credit unions and commercial banks—credit unions work for you, banks work for their shareholders. Commercial banks, especially those that are publicly traded, are obligated to act in the best interests of its shareholders. Credit unions are also obligated to act in the best interests of their shareholders. The difference is that the shareholders of a credit union are its customers.

[See the best personal finance stories from around the Web at the *U.S. News My Money* blog.]

It's the reason why your checking account is called a "share draft" account, rather than a "checking" account. This is also why interest rates on deposit accounts is usually higher at a credit union (and why loan interest rates are lower). There are plenty of reasons why credit unions are better than commercial banks, here are just a few:

- **They're smaller, which usually means better service.** The fewer customers you have, the less likely each customer becomes an account number. When you get to a certain size, everything gets boiled down into a spreadsheet line item and you lose a bit of the human touch. Credit unions are usually much smaller, more localized, and so you get more personalized service.
- **Better rates.** You can usually find some of the best CD rates and the best car loan rates at a credit union. Banks make their money by borrowing it for cheap (from deposit accounts like CDs) and lending it out for more (like on mortgage and car loans). Credit unions don't have as much pressure to do that because the customers, the ones depositing and borrowing money, are the beneficiaries of any profits.

(more)

- **Fees and minimum balances are generally lower.** Most credit unions have share draft accounts with very low minimums and low, if any, maintenance fees. Again, without a strong profit motive, certainly not as strong as the publicly traded commercial banks, there's little incentive to entice people to deposit more to increase loan amounts.
- **You can try to join the Board of Directors!** The Board of Directors at a credit union is made up of its members, depositors such as yourself. It's entirely voluntary and you have to be elected but it's a possibility. Just try to get on the Board of Directors at any commercial bank. Good luck!
- **NCUA insurance is as strong as FDIC insurance.** If you're concerned that your funds may not be insured, don't be. The National Credit Union Administration (NCUA) insures your deposits to the same level as the FDIC. Your funds are just as secure.

[In Pictures: [10 Smart Ways to Improve Your Budget.](#)]

There are downsides to credit unions, it's not all perfect. Credit unions, by law, have to restrict membership in some way. This is usually done by membership to an organization, such as limiting membership to military and their families, or by geographic area, such as a city or county. Another downside is that credit unions, since they are very small, will have a limited geographic footprint and thus you may be required to travel a ways to get to a branch or ATM. Some credit unions partner with ATM networks to alleviate this, so check with the credit union.

In the end, all of the hassles are worth it. Credit unions are a fantastic way to bite your thumb at the "too big to fail" banks. If you've been searching for a way to sever your ties to a commercial bank, consider credit unions.

Jim Wang writes about personal finance at Bargaineering.com. When he's not tackling money issues, he's usually looking forward to his next vacation and writing about it at Wanderlust Journey.