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# Where the Banking Deals Are

## Credit Unions Still Outdo Their Bank Counterparts, and It's Easier to Get In

- By [NICOLE RIDGWAY](#)

Credit unions increasingly are opening their doors to a broader group of people—and offering deals that handily beat those offered at fee-heavy big banks.

Credit unions are nonprofit financial institutions owned and controlled by members. They typically offer better rates than banks on auto and personal loans, certificates of deposit, money-market accounts, home-equity lines of credit, savings and checking accounts, and credit cards—virtually everything except mortgages—according to data compiled by market-research firm Informa Research Services Inc. of Calabasas, Calif.

The deals are looking even better to consumers as rates on bank products fall near multidecade lows. Over the past five years, membership at credit unions has grown by an average of 1.3% a year, with the total membership reaching 91.8 million in 2010, according to the Credit Union National Association, a trade group based in Washington.

Members of credit unions also pay significantly less in fees for ATM transactions and insufficient funds. According to an October 2010 study by Bankrate.com, customers with checking accounts at traditional banks paid an average fee of \$30.47 for insufficient funds and \$2.33 each time they used an out-of-network ATM.

Credit-union members with checking accounts paid an average fee of \$26.05 for insufficient funds and \$1.28 for using another bank's ATM, a separate Bankrate study conducted in March 2011 found.

Part of credit unions' competitive advantage stems from their not-for-profit structure, which allows them to return profits to members in the form of more-competitive interest rates and better products, says Greg McBride, senior financial analyst at Bankrate.com.

### Opening Doors

Thanks to a 1998 Supreme Court ruling that opened up membership at credit unions, joining a credit union no longer depends on where you work or where you worship. Many now offer membership to anyone living in the general vicinity. SEFCU, a credit union in Albany, N.Y., for example, extends membership to any resident of 32 towns and cities in upstate New York, including Albany, Buffalo and Syracuse. (To find a credit union in your area, go to [www.asmarterchoice.org](http://www.asmarterchoice.org).)

By loosening membership requirements, credit unions create greater economies of scale, allowing for more profits to be returned to members, explains Patrick Keefe, vice president of communications at the Credit Union National Association.

To be sure, banks still offer accessibility and convenience, with more branches and ATMs than credit unions, as well as a broader range of financial products. Many credit unions used to boast only one or two branches and a limited number of ATMs, so customers were forced either to go out of their way to make deposits and get cash or pay out-of-network fees at another bank's ATM.

Some credit unions have since banded together to form ATM networks, and technologies like mobile banking have made them accessible to more people.

Credit unions are facing some of the same issues banks are, such as a new regulation, scheduled to take effect next month, that will cap the amount retailers pay banks and credit unions each time a shopper swipes a debit card to 12 cents from an average of 44 cents.

"Over time, we are going to see interest rates that are a little less competitive or fees that are a little bit higher, just as a reflection of the cost of doing business," Mr. McBride says.

Some credit unions say they will be forced to get rid of perks such as free checking, and increase fees for debit purchases, nonmember ATM transactions and insufficient funds. Credit-union members also could start seeing less competitive rates on deposits.

#### Comparing Deals

For now, credit unions are still offering good deals. Here are some examples. To compare deals among various credit unions, go to [www.bankrate.com/funnel/credit-union](http://www.bankrate.com/funnel/credit-union).

- **Auto loans.** The Navy Federal Credit Union, which boasts 3.7 million members and \$44.1 billion in assets, offers a 48-month new-auto loan at a rate of 2.49%, compared with the average auto-loan rate of 3.81%, according to Bankrate.com. Membership in the credit union is open to active and retired members of the military and those working with the Department of Defense, as well as their family members. The cheapest comparable loan from a commercial bank in Annapolis, Md.—the home of the U.S. Naval Academy—was 3.24%, offered by [PNC Financial Services Group](#) Inc.'s PNC Bank.

- **Credit cards.** The lowest advertised rate for credit union-issued credit cards averaged 9.9%, compared with 12.99% for bank-issued cards, according to a survey conducted last month by the Pew Charitable Trusts, a nonprofit public-policy research group based in Philadelphia.

New York's SEFCU, for example, currently offers members a credit card with a 7.75% APR on purchases (based on credit-worthiness), according to Bankrate.com. The lowest-rate card offered by a big commercial bank was [Capital One Financial](#) Corp.'s Platinum Prestige Card, which offered an APR of between 10.9% and 18.9% with a 0% introductory rate until July 2012, according to Bankrate.com.

- **CDs.** Patelco Credit Union of Merced, Calif., one of the largest credit unions in the country, is offering special promotions on products like certificates of deposit. Open to anyone living in Northern California, as well as employees of more than 1,000 trade groups, government agencies and companies including [AT&T](#) Inc. and [Walgreen](#) Co., the credit union is offering a 12-month \$1,000 CD at an impressive 5%—a far cry from the average 0.95% annual percentage yield

offered on other one-year CDs, according to Bankrate.com. Of the big national banks, [MetLife Inc.](#)'s MetLife Bank, came in with the highest rate—1.3%—on a one-year CD.

- **Money-market accounts.** Interest rates are so low that returns on savings products like money-market accounts are minuscule, with average annual percentage yields of 0.37%, according to Bankrate.com.

Some credit unions are dangling better offers. The State Employees' Credit Union of North Carolina, for example, which is limited to state employees and educators (and their family members), is offering an annual percentage yield of 1.26% on a \$10,000 money-market account with a minimum balance of \$250.

- **Personal loans.** Credit unions currently offer unsecured personal loans at an average rate of 10.62%, better than the 11.05% rate offered by banks, according to Informa. Members of the Pentagon Federal Credit Union can get a no-fee personal loan at a rate of 8.99%, according to Bankrate.com.

Membership in PenFed is open to an array of groups and organizations including members of the military and veterans and their families, government employees and volunteers for the American Red Cross.