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Credit Unions: a Cheaper Banking Option

By RACHEL LOUISE ENSIGN

With banks doing away with free checking and tacking on more fees, you may be able to get more bang for your buck with a credit union.

Credit unions typically offer better deals on checking accounts, loans and other products compared with banks. And it's a lot easier these days to join one of the more than 7,000 credit unions out there.

But in some cases, you'll just get basic service. That may mean no online banking or any of the bells and whistles being offered by banks.

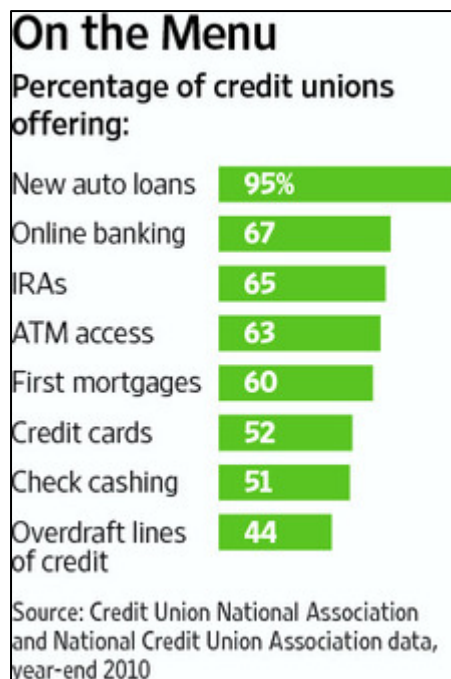
Credit unions are able to beat banks across the board because they're nonprofit and owned by members, so they have an incentive to offer the best deals possible, says Greg McBride, senior financial analyst at Bankrate.com.

Free checking is a thing of the past at many banks. But about three out of four credit unions still offer accounts with no monthly service fees. Also, out-of-network ATM fees and overdraft fees are lower at credit unions on average. Credit unions charge members an average 99 cents for using an out-of-network ATM, compared with an average \$1.41 for banks, according to Bankrate.com.

Many credit unions participate in networks that let customers make transactions at other credit unions and withdraw money at ATMs nationwide.

For instance, through CO-OP Shared Branching, if you're a member of one of over 1,700 credit unions, you can use the more than 4,300 branches of the other member credit unions nationwide for deposits and withdrawals.

But if your credit union isn't part of a large network, you'll likely only have access to a few branches and free ATMs. Some very small credit unions won't even give you an ATM card.



What's more, the types of additional services you get -- such as check cashing and online banking -- will vary.

Interest rates on saving accounts and certificates of deposit are pretty paltry everywhere, but you're still likely to get a better rate with a credit union. For instance, a one-year CD paid 0.7% on average at a credit union in mid-August, compared with 0.42% on average at banks, according to Bankrate.com.

And rates are typically lower on what you want them to be: credit cards and loans. For new-car loans, rates were an average 4.67% at credit unions in mid-August while banks charged an average 5.47%, says Bankrate.com.

A home-equity line of credit at credit unions had a 4.16% interest rate on average in mid-August, compared with 5.38% at banks, says Bankrate.com.

Based on those rates, if you borrowed \$30,000 against your home equity, you'd pay \$1,248 in interest annually at a credit union, compared with \$1,614 at a bank -- a difference of \$366.

But don't expect to get a better deal on a first mortgage. Rates on first mortgages are largely based on the going rate investors are paying to buy and sell mortgages on the secondary market, says Mr. McBride.

Most people are eligible to join some sort of credit union, says Patrick Keefe, vice president of communications at the Credit Union National Association, a Washington, D.C.-based trade group. You can join a credit union affiliated with your employer or participate in one open to employees of multiple companies. You also may be eligible to join one affiliated with a company you do business with.

For example, Transportation Safety Administration employees working at airports can join the American Airlines Credit Union. Ask your human-resources department about your credit-union eligibility.

Other options: community credit unions, which are usually open to people who live, work, attend school or worship in a specific geographic area. The Midland Credit Union, for example, is open to anyone who lives or works in one of eight central Iowa counties.

Also look for a credit union affiliated with your college, religious group or branch of the military. Often, your immediate family can join as well.

You can search for local credit unions and find out about eligibility requirements at asmarterchoice.org.