

Frequently Asked Questions

Q: What is a Credit Union?

A: A credit union is a not-for-profit financial cooperative that is owned by its members. A credit union focuses on the needs of all who qualify for membership under its charter, granted through the National Credit Union Administration or through its state government. In Minnesota, the Department of Commerce governs and supervises its state-chartered credit unions.

Government regulations require credit unions to restrict their membership to defined groups (such as those who live or work in a specific place, work for a particular company or trade, or belong to a specific non-profit group such as a church or an alumni association). Rather than serving customers, credit unions only serve members who are within a particular “field of membership.”

Q: What are the advantages and disadvantages of joining a credit union?

A: People generally join credit unions because they offer high levels of service, competitive interest rates on loans, high interest on savings and lower fees for services. Because they are member-owned and operate under a “people helping people” philosophy, credit unions also create a sense of community. In addition, a person who does not qualify for a loan with other financial institutions may be welcome at a credit union.

While most credit unions offer the same services as a typical bank, some credit unions are too small to offer every service a customer might need. A credit union probably would not be able to provide all of the services necessary for a large corporation or for a trust that needs a financial institution to act as a trustee.

Q: How do I join a credit union?

A: Visit www.FindACreditUnion.com for a list of credit unions in your area. Your eligibility to join a particular credit union may depend on your location, occupation or affiliations.

Q: Why are credit unions tax-exempt?

A: Congress elected in 1937 (and reaffirmed in 1951 and 1998) to exempt credit unions from federal income taxes because they are non-for-profit, mutually owned, democratically controlled institutions that have no capital stock and rely heavily on volunteers. Credit unions provide a low-cost alternative to for-profit banks, keeping bank fees in check. Their profits are driven back into credit union operations, rather than paid out to outside stockholders as in banks. Moreover, a credit union’s Board of Directors is elected from the membership and is not compensated.

Credit unions are exempt from paying income taxes at the federal and state level. Credit unions do pay taxes, including property, payroll and other excise taxes. Also, credit union members pay taxes on dividends and interest. Credit unions retain net income in order to ensure that capital keeps pace with asset growth and that sufficient capital exists to comply with government regulations. Unlike banks that can obtain investor capital, credit unions must grow their own capital.

Q: Are all credit unions the same?

A: No. A credit union typically reflects its field of membership. For example, if most members want their credit union to provide a good rate of return on deposits, but do not need many other services, the credit union's offerings will reflect that. Today, however, most credit unions try to offer as many services as possible to compete in the marketplace. Each credit union can choose whether to be chartered through the state or the federal government; each chartering method provides particular regulatory advantages.

Q: Are credit union deposits insured?

A: Yes. The National Credit Union Administration (NCUA) provides government insurance on deposits of up to \$250,000 or higher for federally insured credit unions, which is comparable to the bank deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Q: Do credit unions use the latest technology?

A: Many credit unions offer Internet-based services such as online account transactions and bill paying, and most belong to ATM networks. Unique to the credit union movement is a service called "shared branching" that allows a member to access his or her account at other credit unions throughout the state and nation.