

# Credit Unions: Pros and Cons

## Members like the savings and service, but there are downsides

by: [Sid Kirchheimer](#) | from: [AARP Bulletin](#) | December 8, 2011

In the past two months, with 441,000 customers moving from banks to credit unions, you may be wondering, can credit unions be that great?

Ask customers, consumer advocates and banking insiders, and you'll usually get a "yes." They like the higher interest returns for savings, lower rates on loans and lower (if any) fees for services.

According to the credit union industry, its customers last year saved more than \$6.4 billion — roughly \$70 per member — compared with what they'd have paid to banks. A recent Harris poll finds that credit union members are up to three times as likely as big-bank customers to feel valued as a customer and to trust that institution. That suggests better customer service.

How do credit unions do it? “Credit unions are subject to many of same regulatory pressures that have prompted banks to raise fees, but what makes them unique is their not-for-profit, membership orientation,” says Bankrate.com's Greg McBride. The owners are the members.

“Rather than having to generate profits for shareholders, whatever profits they generate are returned to members — through favorable interest rates, lower fees and more product offerings.” Many credit unions also cut operating costs by having unpaid volunteers serving on their board of directors.

So what's the downside?

- Fewer branches. Unlike big banks, you won't find credit unions on every corner.
- Shorter hours for some smaller credit unions.
- Membership restrictions. Historically, to join a credit union you had to work for a particular employer, be a member of a labor union or have some other narrow affiliation. Joining is easier today — about a third of credit unions now treat local residency as qualifying you for membership. But many still have requirements for membership.

“Even today, not everyone can just walk in and join a credit union,” says Patrick Keefe of the Credit Union National Association, the industry's trade group.

- Fewer ATMs. That's true, but what's not widely known is that many credit unions have formed cooperative associations. That means if you join one credit union, you may use

any of 28,000 ATMs belonging to others, including (at no charge) those at 7-11 stores. Look for the red-and-black CO-OP Network triangle on automated teller machines.

- Limited financial products. Credit unions are ideal for savings and checking accounts and loans but often lack investment management, brokerage services and other more sophisticated services offered by big banks.

If you decide a credit union is for you, visit this industry website (<http://www.findacreditunion.com>) to find one nearby.

\*\*\*\*\*

Note from AARP 1917 Webmaster: More information on credit unions can be found at [www.lovemycreditunion.org](http://www.lovemycreditunion.org).