

What is it like to bank with a credit union?

Credit unions are small, local financial cooperatives. They serve the same purpose as banks.

To open an account or take out a loan from a credit union, you need to join and become a 'member'. As a member, you get

- A share of the credit union's profit, called a dividend, deposited at year end into your account. It's a small amount.
- To vote for the Board of Directors of your credit union. This means you get a little bit of say in how the credit union is managed.

Credit unions may be local, but they share a free network of ATMs (bank machines) across all provinces (except Quebec). This network is comparable in size to that of any of the Big 5 Five banks.

- You can check if a credit union belongs to the Exchange Network at www.theexchangenetwork.ca (look for 'Participating Institutions').
- If your credit union is a member, you will see its green/blue logo on the back of your debit card, in the bottom right corner.
- This network should always work for withdrawals. Depending on which credit union you bank with, you may not be allowed to complete other transactions.
- You may also get free access to some ATMs in the U.S. (via a network called ACCEL).

Not everybody can join a credit union. You must:

- Reside in the province your credit union is located (assuming the credit union is provincially regulated - most are).
- Be the age of the majority in that province (18/19).
- Buy an equity share in the credit union which entitles you to a share of the credit union's profit (the share usually costs less than \$25).
- Not have declared bankruptcy in last 7 years.

Are credit unions 'banks'?

The Bank Act is a federal law that governs how banks operate in Canada. It restricts the use of words like 'bank', 'banker', and 'banking' by financial institutions that are not subject to this law.

Credit unions are provincially regulated financial institutions; the federal Bank Act does not apply to them. Technically, they are not allowed to call themselves 'banks'.

In practical terms, products and services offered by credit unions are almost identical to comparable traditional banks.

The key difference between a credit union and a bank is what they do with their profit. Credit unions distribute part of their profits amongst members (customers / account holders of the credit union), whereas banks distribute profits amongst their shareholders (individuals / institutions who have purchased shares of the bank - the shares symbolize an ownership stake).