

Credit Union vs. Bank

Basic Terminology Differences

Bank – account holder	Credit Union – member
Bank – savings account	Credit Union – share account
Bank – checking account	Credit Union – share draft account
Bank – Certificates of Deposit	Credit Union – share term certificates

For Profit vs Not-For-Profit

The primary difference between a bank and credit union is their tax status. A bank is a FOR profit financial institution while a credit union is a NOT-FOR profit financial institution.

Banks profits are returned as earnings to their stockholders. Stockholders receive their income through the bank customers. To better serve the stockholders interest, banks are incented to charge higher interest and fees in order to drive higher profits.

Since the credit unions are non-profit, the credit union can return its earnings to members in the form of higher interest rates on savings products and lower interest rates on loans and credit cards.

If a credit union brings in more money than required to operate the credit union in turn will distribute the overage to all members in the form of dividends.

Board of Directors

Banks are required by law to have board of directors to make decisions in the best interest of the stockholders and the account holders of banks do not have a vote in the decisions made for the bank.

Credit Unions have member elected board members. This gives the members more of an influence into the Credit Union, where as each member has an equal vote no matter how much money they have on deposit or number of loans they have with the Credit Union.

NCUA vs FDIC

Both Credit Unions and Banks are regulated by different organizations and use different insurance funds but both have coverage that is similar.

NCUA = National Credit Union Administration FDIC= Federal Deposit Insurance Corporation

FDIC was created in 1933 and the NCUA was created in 1970 and both are backed by the United States Government. Account holders of both are insured up to \$250,000.00, but if you own other deposit accounts you can qualify for additional coverage for accounts with joint owners, trust accounts and qualified types of retirement accounts.

Eligibility Requirements

Credit Unions and banks are federally required to verify the identity of the applicant wanting to open an account. Banks have the decision to decide who is eligible to open an account where as a Credit Union must follow the guidelines set within their field of membership that is defined within their charter. Eligibility requirements for Credit Unions have made it easier in recent years for people to join whereas most people qualify for a credit union in their community based on where they live, work, worship, attend school or have a family member that is currently a member.