



the

# CREDIT UNION philosophy

*people helping people*



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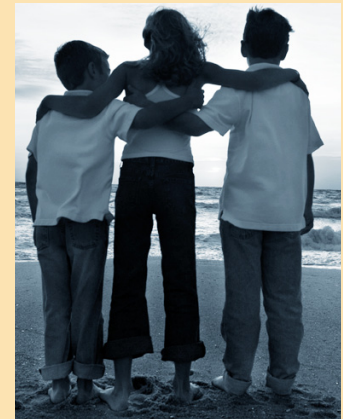
## Welcome to the Credit Union Movement!

Credit Unions (CUs) are unlike any other financial institution. They are unique in that they are not-for-profit cooperatives and are owned by their members. CUs were built upon a cooperative movement more than 150 years ago. To this day, this cooperative philosophy of “People Helping People” continues to drive the credit union movement. This guide is a brief summary about Credit Unions and will help you understand “**The Credit Union Difference.**”



## What Are Credit Unions?

A Credit Union is a member-owned financial cooperative. The concept of a financial cooperative is simple. Credit Unions are owned and operated by their members who pool their savings and lend to each other. Serving members is the reason CUs exist! Every credit union operates democratically and each member has voting rights - one member, one vote.



## A Credit Union is not-for-profit.

A common CU adage is: “Not-for-profit, not for charity, but for service.” Since all CUs are owned by the people who save and borrow there, they have no outside shareholders. Earnings are returned to members in the form of lower rates on loans, higher returns on savings, fewer fees and better service to members. Their not-for-profit status distinguishes each credit union as a business existing for a purpose other than enriching its Board members.

## A Credit Union is volunteer driven.

The active involvement of volunteers is the cornerstone of the CU philosophy. A CUs policy-making Board of Directors and some of its committees are made up of individuals elected by and from the members. Volunteers work –unpaid– for the members’ benefit.

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## Why were Credit Unions created?

The first CU was created in the mid 1800s in Germany, during a crushing depression. Poor farmers got together to pool their money to escape the hold of local moneylenders.

Interest rates were financially crippling and

CUs offered a good alternative. The CU idea soon spread to other parts of the world, and in 1900 the first CU was organized in Canada. Nine years later, the first US credit union opened its doors in New Hampshire. In North Carolina, the first CU opened in 1916. With the passage of the initial federal CU law in 1934, CUs were soon organized in all parts of the country. From the beginning, CUs demonstrated that ordinary people could organize cooperatively to provide for their own financial safety and security. The same is true for CUs today.

## Who really owns the Credit Unions?

All the people who are CU members own that credit union! Serving members is a CU's sole commitment.

### How are Credit Unions Different From Other Financial Institutions?

A credit union is a financial institution where people conduct their financial transactions, but it is not a bank! It is important to understand the fundamental differences, especially as banks continue to challenge the credit unions' cooperative ways of doing business.

## Who can join a Credit Union?

CUs can only serve specific groups of people, within their field of membership. Members are made up of people who share something in common, such as where they live, work, worship or go to school.



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## How do members participate in their Credit Union?

CU members are welcome to participate in decisions affecting their CU by electing their Board of Directors or serving as a volunteer themselves. Each member has an equal voice, regardless of the amount of money they have in their accounts. This “one member, one vote” practice helps ensure that all CUs operate in the best interest of everyone involved. Some duties performed by volunteers may include establishing policies, setting rates, determining new services and ensuring the CU’s continuing financial soundness.

## Where do Credit Union profits go?

Back to the people who own them: their members! How? The profits at the end of a financially sound year can flow back to its members in a number of possible forms such as more or better products and services offered, or in an exceptional year, sometimes in the form of a year-end dividend or bonus sent directly to all current members!



## Credit Unions Make A Huge Difference In The Everyday Lives of Their Many Members

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## How Are Credit Unions Different From Other Financial Institutions?

Feature	Credit Unions	Banks
PHILOSOPHY	Democratic, member-owned cooperative. "Not-for-profit not for charity, but for service."	Business orientation to generate profit for outside shareholders.
DIRECTORS	Unpaid volunteer Board of Directors elected by its members.	Paid Board of Directors elected by shareholders.
SERVICES	Consumer services - savings, loans and checking (share drafts*). Financial counseling.	Consumer and commercial. Loans, savings, checking and loan corporate trust services
RATES/FEES	Typically higher dividends* on savings, lower loan interest rates and fewer fees.	Charge more and higher fees than CUs.
SAFETY	Deposits in all NC CUs are insured up to \$250,000 by the National CU Share Insurance Fund (NCUSIF). (See NCUA* and NCUSIF*)	Nearly all accounts are insured up to \$250,000 by a government agency.

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## People Helping People Examples of Our Philosophy in Action

Credit Unions are often referred to as being part of a movement – The Credit Union Movement – rather than an industry, because they are dedicated to working together to improve the quality of life for everyone. Through their “**people helping people**” philosophy, CUs strive to serve their members, their communities and society as a whole. Every day in various ways, CUs everywhere are helping people build a better future. This is true for every credit union in North Carolina – *including yours.*

## Providing Education

From the beginning, CUs have sought to keep people economically independent by educating them about wise financial management. For instance, to help combat the problems of financial illiteracy among the youth of our nation, many CUs provide free financial instruction in their local schools. CUs also offer members one-on-one financial counseling – to help them get better at helping themselves.

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## Offering Help in Times of Need

CUs go the extra mile to provide assistance to members during difficult financial situations. Members may be faced with mounting expenses due to situations beyond their control. Whatever crisis members face, the CU is there to help. When Hurricane Floyd hit eastern North Carolina, thousands of people, including many credit union people, became victims of this disaster. Many credit unions in North Carolina assisted their members by offering to defer loan payments and providing special interest-free emergency loans. Also, through the Carolinas Credit Union Foundation, the charitable arm of North and South Carolina CUs, funds were distributed to many of the victims to help them get back on their feet.



## Serving the Underserved

CUs often provide economic opportunities and assistance to people who otherwise might have very limited options. Credit unions have been organized in many parts of the world. CUs offer these people a way to practice democracy and revitalize their economies. Today, volunteers from all parts of the world provide assistance and support to these CUs in order that they may continue to be available to help their members and their communities.

The North Carolina Credit Union League is committed to providing support and guidance to each and every credit union within the state, and wherever else their help and expertise might be needed. In addition, individual credit unions in NC work together when needed to provide training, assistance and support to other credit unions. This cooperative spirit extends beyond North Carolina as well. For example, the League & CUs in NC work with the World Council of Credit Unions to provide exchange programs with credit unions in other countries. This partnership has allowed for meaningful exchanges in places such as Mexico, Suriname, and Romania.

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## Supporting the Community

In keeping with the Seventh Cooperative Principle, CUs work to support and strengthen communities in many ways. North Carolina credit unions have been involved in a multitude of social responsibility programs, some of which have included combining with South Carolina CUs to raise more than \$1.5 million to support the **Victory Junction Gang Camp** for children. CUs also support communities and individual members throughout NC in a variety of ways, including providing scholarships and supporting local non-profit agencies. CU staff also generously volunteer their time to a variety of local community organizations.



*“When I became a single parent working part-time and going to school part-time, I got behind on my bills, but no one would give me that loan. After a friend suggested my local credit union, I was relieved to finally find someone who was willing to work with me. They gave me a chance and that has made all the difference!”*

-Excerpt from an interview with a current NC Credit Union member.



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## Structure of the Credit Union System

### MEMBER:

These people are the heart of the credit union system – the reason CUs exist! They will hold at least one CU share and have the right to vote on Board members and other important CU business matters.

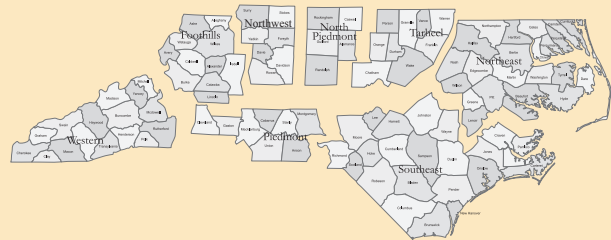
### CREDIT UNION:

Member-owned, not-for-profit financial cooperative offering financial products and services and run by a volunteer Board of Directors.

### CHAPTER:

Groups of CUs associated with a League – usually organized around geographic areas – joining together for various purposes such as education, group fundraising and networking.

There are eight very active, regional chapters associated with the NC Credit Union League spread across all of North Carolina.



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## Structure of the Credit Union System

### CUNA:

Credit Union National Association is the national non-profit trade association for the US credit union movement.



### CMG:

CUNA Mutual Group, which is owned by all credit unions, provides insurance to CUs and CU members and is the insurance company for the overall US credit union movement.



### WOCCU:

The World Council of Credit Unions is an organization of credit unions and credit union Leagues that facilitates and coordinates the development of credit unions around the world.



World  
Council  
of Credit  
Unions

### FCCCU:

First Carolina Corporate Credit Union provides financial services to CUs as "the credit unions' credit union."



### NCCUL:

The North Carolina Credit Union League is the statewide trade association for credit unions and provides a variety of specialized services to its CU members such as a continued involvement in governmental affairs, regulatory and compliance training, marketing services, public affairs, and specialized education/training programs. The League is financed through membership dues paid by all its affiliated CUs.





## Seven Cooperative Principles for Credit Unions

### 1 Voluntary Membership

Credit unions are voluntary, not-for profit financial cooperatives, offering affordable financial solutions to those eligible and willing to accept the responsibilities and benefits of membership, without discrimination.

### 2 Democratic Member Control

Credit unions are democratic organizations owned and controlled by their members, with equal opportunity for participation in setting policies and making decisions. Therefore, each member has one vote.

### 3 Members' Economic Participation

Members are the owners of credit unions. As such, they contribute to the capital of their credit union and directly impact its financial success. Members realize benefits in proportion to their relationship with their credit union and use of its products and services.

### 4 Independent

Credit unions are independent, self-reliant organizations controlled by their member-owners, not outside stockholders. Credit unions entering into agreements with other organizations must ensure continued democratic control by the members.

### 5 Education, Training and Information

Credit unions educate and train members, employees and volunteers so they can contribute effectively to the development of the credit union. In addition, credit unions provide financial education for their members and the public.

### 6 Cooperation Among Cooperatives

Credit unions serve their members most effectively and strengthen the cooperative principles by working with other cooperatives through local, state, regional, national, and international structures.

### 7 Social Responsibility

Credit unions work for the sustainable development of communities through policies developed and accepted by the members. Credit unions seek to achieve a greater good through responsible corporate citizenship.



## GLOSSARY Of Credit Union Movement Terminology

### **COOPERATIVE:**

A business owned and controlled by its member patrons and operated for and by them on a not-for-profit basis.

### **DIVIDEND:**

Interest paid to members on shares, as determined by each CUs volunteer Board of Directors.

### **FIELD OF MEMBERSHIP:**

The group of people identified in the CUs Charter that legally defines who may potentially become a member of that credit union. Usually this is directly related to either one or more employing companies, a specific organizations' membership, or a geographic area.

### **SHARE:**

A given amount of money a person deposits with a credit union to become a member. It confers ownership rights and pays dividends.

### **SHARE DRAFT:**

The credit union equivalent to a checking account.

### **PEOPLE HELPING PEOPLE:**

The universal philosophy of the credit union movement which infuses itself into everything that is involved in daily credit union business and ongoing credit union community activities.