

Credit Unions: Different by Design

Can credit unions stay healthy in these tough economic times? Mike Schenk, an economist with the Credit Union National Association in Madison, Wis., answers a few questions. (1571)

How are credit unions doing in this troubled economy?

Despite the challenges today, credit unions remain well capitalized, with average capital ratios that are roughly double the minimum required by regulators. What that means is that credit unions have a lot of wiggle room to absorb mistakes or losses.

Why are credit unions doing well while other types of financial institutions are struggling, even failing?

(50229) Most credit unions didn't participate in the activities that caused the economic problems, namely sub-prime mortgage lending. Unlike credit unions, the for-profit lenders made a lot of profit for themselves by originating these mortgages, but at the expense of incautious consumers, many of whom shouldn't have been given these loans in the first place.

Why didn't credit unions make these mortgages?

One key reason is that their members are owners. Credit unions knew that ultimately these mortgages would not be in their members' best (20371) interests. The for-profit sector's primary concern isn't consumers' best interests. They're focused on generating income for stockholders.

Also, by and large, credit unions are portfolio lenders. That means they hold in their portfolios most of the loans they originate instead of selling them to investors. In the past several years, credit unions have held roughly 70% of the mortgages they originated. So they care about the financial performance of those loans.

Should I worry about the money I have in my credit union?

There's no need to worry. Credit unions have federal insurance just like bank deposits do. Congress has temporarily increased the insured deposit limit from \$100,000 to \$250,000 until Dec. 31, 2009. Congress will decide in 2009 whether or not to make the increase permanent. If you have questions about coverage limitations ask a professional at (30191) Nucor Employee's Credit Union.

So credit unions truly are different?

In normal times, the difference between credit unions and other players in the financial marketplace isn't quite as obvious to a lot of people. In the current economy, the credit union difference is more visible to everyone—consumers and policymakers. Credit unions are well positioned to do what they do best: help people in times of need.

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1st Quarter, 2009 RATES

stated in Annual Percentage Yield

SAVINGS PLANS

SHARES

\$5.00 - \$999.99 - 1.20% APY
\$1,000.00 - and up - 1.50% APY
IRA Share: 2.25% APY
Checking: 0.50% APY
\$1,000.00 Certificate:
1-year - 2.75% APY
6-month - 2.50% APY

LOANS

Share Loan: 10.00% APR
Signature Loan: 18.00% APR
C.D. Loan: 2% APR above C.D. rate
Home Equity Real Estate:
8.25% APR (variable)
New Autos:
5.7% APR to 5.9% APR
Used Vehicles: 6.9%
VISA with no annual fee
10.0% APR variable
Premium VISA: 6.00% APR
APR - Annual Percentage Rate

For more information on terms, please contact the credit union
Rates subject to change without notice