



## What is the Credit Union Difference?

New federal laws and regulations are changing the structure and face of the financial services industry. In this time of accelerating change, it is important to truly understand how credit unions are unique and different, and why we remain a necessary and extremely popular financial alternative for 87 million Americans – and growing!



### Not-for-profit

Credit unions are not-for-profit financial cooperatives. We exist to serve our members, not to make a profit. Unlike most other financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. Instead, earnings are returned to our members in the form of lower loan rates, higher interest on deposits, and lower fees.

### Taxation

Credit unions do pay taxes - payroll taxes, sales taxes, and property taxes. Congress exempts credit unions from federal income taxes. The exemption was established in 1937, affirmed by statute in 1951, and re-affirmed in 1998 in H.R. 1151, the Credit Union Membership Access Act, which states:

"Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because credit unions are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors, and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means."

### Ownership

Credit unions are established as an economic democracy. Each credit union member has equal ownership and one vote -- regardless of how much money a member has on deposit. At a credit union, every customer is both a member and an owner.

### **Volunteer Boards**

Each credit union is governed by a board of directors. Each board member is elected by and from the credit union's membership, and serves voluntarily.

### **Membership Eligibility**

By current federal statute, credit unions cannot serve the general public. People qualify for a credit union membership through their employer, organizational affiliations (such as, churches or social groups), or through a community-chartered credit union.

### **Financial Education for Members**

Credit unions assist members to become better-educated consumers of financial services. Additionally, the Credit Union National Association (CUNA) is partnering with the National Endowment for Financial Education, a not-for-profit foundation, to expand financial education among high school students. A national study shows that just ten hours of personal finance education can positively affect students' spending and savings habits for a lifetime.

### **Social Purpose: People Helping People**

Credit unions exist to help people, not make a profit. Our goal is to serve all our members well, including those of modest means, and to ensure that every member counts. Our members are fiercely loyal for this reason. They know their credit union will be there for them in bad times, as well as good. The same people-first philosophy causes credit unions and our employees to get involved in community charitable activities and worthwhile causes – just ask us...

***New Mexico credit unions look out for their members!***

