

## What is a Credit Union?

Submitted by Darci Parsons, Ravalli County Federal Credit Union

Often times, people combine the term bank to refer to all financial institutions, which isn't the case. There are distinct differences between a credit union and a bank.

Credit unions are not-for-profit organizations that exist to serve their members. Like banks, credit unions accept deposits, make loans and provide a wide array of other financial services. But as member owned and cooperative institutions, credit unions provide a safe place to save and borrow at reasonable rates. Member's deposits are safe and insured up to \$250,000.00, just like deposits in banks.

Credit unions are member-owned, owned and controlled by the people, or members, who use their services. Member's votes count. A volunteer board of directors is elected by members to manage a credit union. The volunteer board does not receive compensation and may not own more than one share of the credit union, just as every other member.

Credit unions are not-for-profit and operate to promote the well-being of their members. Profits made by credit unions are returned to members in the form of reduced fees, higher savings rates and lower loan rates. Members of a credit union share a common bond, also known as the credit union's "field of membership".

Many credit unions serve anyone that lives, works, worships or attends school in a particular geographic area and most credit unions allow members' families to join. Many employers sponsor their own credit unions. Most credit unions are very involved in their communities. Members often have shared interests and appreciate participating in an institution designed to help other members. Credit unions may also provide financial education and outreach to consumers.

Credit unions are cooperatives. The cooperative structure of credit unions creates a cycle of mutual assistance towards the common goal of the financial well-being of members. One member's savings becomes another member's loan.

*Members of the Bitterroot Financial Education Coalition, a project of the Bitter Root RC&D, will present a monthly column about personal finances. If you would like to request a workshop on this topic or another financial topic, please contact Katelyn Andersen, 375-6611 or [katelyna@montana.edu](mailto:katelyna@montana.edu)*

*The Bitterroot Financial Education Coalition is a partnership of Ravalli County organizations working to improve lives and strengthen our community by providing access to financial education that prepares individuals for life-long success in problem solving, decision making, and personal financial competence.*