

On the hunt for credit? Given turmoil at traditional banks, time may be right to try a credit union

By Andrea Coombes, *MarketWatch*

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SAN FRANCISCO (*MarketWatch*) -- The Web sites may not look quite as polished and the eligibility requirements may give you pause, but when it comes to low fees and generous rates, credit unions match banks head-to-head.

It's not that you'll find drastically better deals at credit unions, but their products should be among the options you consider when searching for savings and checking accounts, CDs, small-business, mortgage and auto loans, and credit cards -- particularly now, given that credit unions in large part sidestepped the subprime crisis.

Consumers should "include credit unions in their comparison shopping," said Greg McBride, senior financial analyst with *Bankrate.com*.

Currently, credit unions pay an average about 2.97% on one-year certificates of deposits, a tad better than banks' average of 2.36%, while credit unions' one-year adjustable rate mortgages average 4.88%, besting banks' 5.86%, according to Datatrac, a market-research firm focusing on bank products.

For a standard credit card, credit unions charge an average interest rate of 11.9%, compared with banks' 13.6%. And credit unions charge lower fees, on average.

"We're not-for-profit cooperatives. We don't have to charge as much, we're not going for profit and we don't have to pay taxes on the net income we do make," said Bill Hampel, chief economist with the Credit Union National Association, in Washington.

Credit unions are also weathering the subprime crisis better than some larger banks. "Credit unions didn't play the, 'Hey, there's more profit to be had by loosening our [lending] standards,'" said Daniel Penrod, industry analyst with California Credit Union League in Rancho Cucamonga, Calif. "Because we're member-owned, any dollar that's lost is a dollar of the memberships' money, not some faceless shareholder, [so] they don't take the risk."

And during these times of tight credit, credit unions may be likelier to approve your loan. Their underwriting hasn't changed for good-credit consumers, Hampel said, and those with poor credit can at least give it a try.

"Credit unions, being a little smaller, can be more understanding, especially if there were exigent circumstances," he said. Most credit unions don't operate a distinct subprime-loan program as banks do. "Credit unions essentially make no subprime loans. They made a few loans to borrowers who had subprime credit histories, but these were not under a subprime loan program," Hampel said.

That's not to say credit unions are immune to the credit crunch. "When it rains, everybody gets wet. If they're dependent on a secondary market to either raise capital or securitize loans, they could be impacted as would any other financial institution," McBride said.

But, similar to a bank, "to the extent that a credit union is doing the bulk of their activity through deposits by their own members and holding their loans in-house, they can largely escape the effects of the credit crunch," he said.

Membership hurdle

One caveat: You must be eligible to join. "The first hurdle is the eligibility requirement," McBride said. "The good news is membership requirements have been relaxed in recent years, so more people are now eligible for credit union membership based solely on where they live or where they work."

In some states, a credit union will allow any state resident to join. Elsewhere, your job or college alumni association may afford you access. Also, if a close family member is part of a credit union, you're likely eligible, no matter where you live.

Don't let a credit union's name throw you off. For instance, Boeing Employees Credit Union, now BECU, was at one time solely for Boeing employees, but then expanded to include anyone who lives in the state of Washington.

And, don't discount small credit unions in your search. "Large credit unions very often help smaller credit unions with everything from branch staffing to transaction processing. That enables a lot of small credit unions to offer some of the bells and whistles that consumers might only associate with a much larger institution," McBride said.

Finally, don't think you're necessarily tied to a local branch. "The misperception is credit unions are a local option," Penrod said. "Credit unions have gone well beyond that with the cooperative network of ATMs and shared branching, so an individual could be a member in Florida, come to California and walk into a shared branch and start doing transactions as if they were in their own branch."

Go to Findacreditunion.com to see whether you're eligible to join. Check to make sure the credit union's deposits are insured. Most are covered by the National Credit Union Administration's share insurance fund. The NCUA is a federal agency that insures most credit unions, Hampel said. Go to NCUA.gov and click on "share insurance" for more information. Other credit unions may be insured at the state level.

Andrea Coombes is an assistant personal finance editor for *MarketWatch*, based in San Francisco.