

# Credit Union History and Philosophy

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# What is a Credit Union?

Credit unions are:

- non-profit financial cooperatives;
- owned by their members; and,
- governed by a board of directors elected by, and from among, those members.



# What is a Bank?

Banks are:

- Community, regional or national for-profit business corporations;
- Owned by private investors; and,
- Governed by a board of directors chosen by the stockholders.



# Range of Services

- **Banks** emphasize business and consumer accounts, and many provide trust services
- **Credit unions** emphasize consumer deposit and loan services



# What's the Difference?

## Banks

- Customers
- Paid Board
- For Profit
- Stockholders
- Commercial Loans
- Regulated by FDIC
- High fees

## Credit Unions

- Members
- Volunteer
- Not-for-profit
- Shareholders
- Consumer Loans
- Regulated by NCUA
- Lower fees

# What is a Cooperative?

A cooperative is an organization that is voluntarily owned and controlled by the people who use its products, supplies, or services.

- *Democratic member control*
- *Generally operated on a not-for-profit basis*
- *Concern for community*
- *Purpose is to provide and distribute benefits to its users on the basis of their use*



# Guiding Principles

- Membership would be open to all
- The society would run democratically
- Any earnings of the society would be shared among its members

(Established in 1844 by the workers  
of the Rochdale Society of Equitable Pioneers.)



# How it All Began

1844 – First credit unions were formed in England



# How it All Began

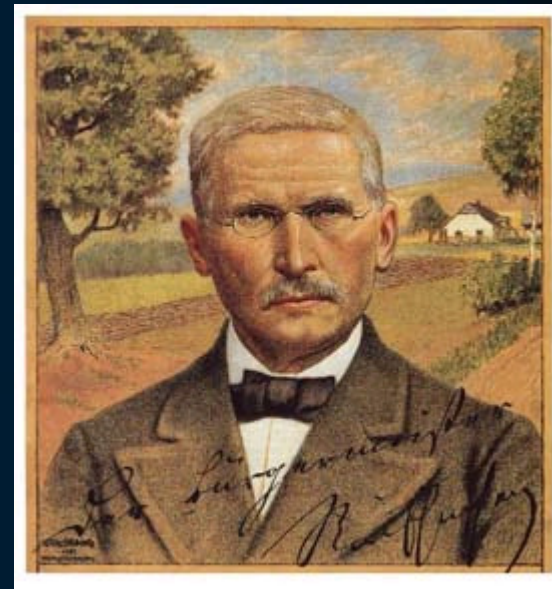
1852 – First true credit unions were formed in Germany



# Friedrich Raifaissen

Known as the “Father  
of the Credit Union  
Movement”

Organized “credit  
cooperatives” also  
known as “the  
peoples’ banks”



# Credit Unions Organized in Western Hemisphere



1900 – First credit union organized in the Western Hemisphere by Alphonse Desjardins (a journalist)

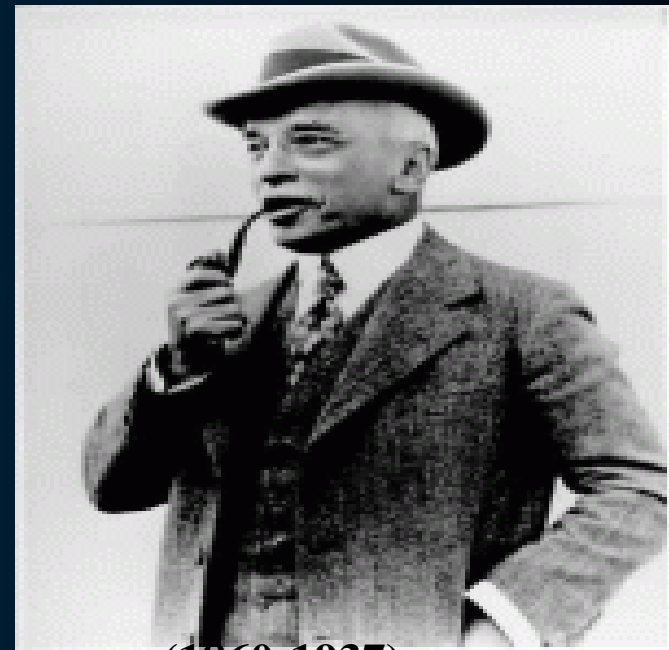
# Credit Unions Organize in the United States

Started by Edward Filene



# Edward A. Filene

- Businessman, philanthropist
- Discovered financial cooperatives in India in 1907
- Instrumental in helping to pass the first state credit union law



(1860-1937)

# New Life for Credit Unions

- New Prosperity—post World War I
- New Leadership—Roy Bergengren
- New Organization—Credit Union National Extension Bureau established (1921)



# Roy Bergengren



- Roy Bergengren hired to help promote credit unions
- Director and co-organizer of the Credit Union National Extension Bureau (CUNEB)

# Credit Union National Extension Bureau (CUNEB)

Organized to:

1. Push for state laws permitting credit union charters
2. Organize individual credit unions
3. Establish state leagues
4. Promote credit unionism all over the United States



# The Organized Movement

- 1924 – Fresno Postal Employees CU organized
- 1930 – 32 states had enacted CU legislation
- 1933 – California Credit Union League is formed



# 1934

## (Was a Very Good Year)



- Credit Union National Association was formed in Estes Park, Colorado
- Congress passed the Federal Credit Union Act
- President Franklin D. Roosevelt signed the Federal Credit Union Act into law

# 1935 – CUNA Mutual Created

- Developed Loan Protection Insurance
- Developed Share Life Insurance program



# National Credit Union Administration

- Created in 1970 to charter and supervise federal credit unions
- National Credit Union Share Insurance Fund organized to insure credit union deposits



# Still More Credit Union History

- 1970 - World Council of Credit Unions (WOCCU) is formed
- 1980 - 21,465 credit unions in U.S.
- 1990 - 14,549 credit unions in U.S.
- 1998 – H.R. 1151 is passed



World Council of Credit Unions



# H.R. 1151- Credit Union Membership Access Act

- Protect existing credit union members and membership groups
- Facilitate credit union expansion beyond core membership groups
- Reform credit union safety and soundness safeguards
- Reaffirm and reinforce credit unions' mission of serving persons of modest means



Former President Bill Clinton



# A More Current Photo

- 42<sup>nd</sup> president
- Served from 1993 – 2001
- Signed HR 1151 bill into law while in office on August 7, 1998



# Credit Unions – 2010

- 7,651 credit unions in USA
- 452 credit unions in CA
- 25 credit unions in San Diego and Imperial Counties

(as of 8/2/2010)



# Challenges Facing Credit Unions

- Competition
- Declining growth coupled with weak loan demand
- Not attracting younger members
- Banker attacks
- Corporate bailouts
- Regulatory environment

# Credit Union Challenges

- Lack of awareness among SEG nonmembers regarding what credit unions are
- Credit union consolidations nationwide
- Impact of the economic crisis



# Credit Union

## Abbreviations and Acronyms

- CU – Credit Union
- CCUL – CA/NV Credit Union Leagues
- CLSC – CA League Service Corp.
- CUES – Credit Union Executive Society
- CUMIS – Credit Union Mutual Insurance Society
- CUNA – Credit Union National Association
- CUSO – Credit Union Service Organization
- DFI – Department of Financial Institutions (CA)
- E&T – Education and Training
- FCU – Federal Credit Union
- FID – Financial Institutions Division (NV)



California  
CREDIT UNION LEAGUE

NEVADA  
CREDIT UNION LEAGUE



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CREDIT UNIONS™  
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# Credit Union

## Abbreviations and Acronyms

- FOM – Field of Membership
- FRB – Federal Reserve Bank
- NAFCU – National Association of FCUs
- NCUSIF – National Credit Union Share Insurance Fund
- NCUA – National Credit Union Administration
- R&I – Research and Information
- SEG – Select Employee Group
- WesCorp – Western Corporate Federal Credit Union
- WOCCU – World Council of Credit Unions
- WesPay – Western Payments Alliance



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# Credit Union Motto



*“Not for profit  
Not for charity  
But for service”*

--Elmer Bloom  
Credit Union Volunteer  
Missouri – 1930