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.)
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
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
A More Current Photo

- 42nd 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)
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
Credit Union Motto

“Not for profit
Not for charity
But for service”

--Elmer Bloom
Credit Union Volunteer
Missouri – 1930