

Employers often allow employees to direct deposit their paychecks into a credit union account. Credit unions pioneered this convenient innovation. Experience shows this simplifies deposit operations and encourages more employees to use credit union services.

Many employers permit employees time to conduct their credit union business, especially during the first few months of its operation. The personnel office and the credit union can mutually assist employees to help themselves and make the credit union an effective employee service organization.

In fact, educating members to maintain responsible financial affairs is the third basic function of credit unions—the other functions are to promote saving and provide credit.

### Can I Start a Federal Credit Union?

If you think a federal credit union would help you and others where you work, members of an association where you belong, or people in your community, first discuss the need with members of the group. If the group is interested, write or call NCUA's Division of Consumer Access in the Office of Consumer Protection at [newfcu@ncua.gov](mailto:newfcu@ncua.gov) or 703-518-1140.

The office will provide further information and, in many instances, will send a representative to talk with your group and answer questions. If your group is eligible, NCUA's staff will assist you with preparing an application for a charter and see that your group receives guidance in getting your federal credit union started.

### How Can I Get More Information?

To learn more about federal credit unions in your area, or to inquire about the insurance status of a specific credit union, contact the appropriate regional office, or contact the

**NCUA Consumer Assistance Center**  
**1-800-755-1030**  
**[consumerassistance@ncua.gov](mailto:consumerassistance@ncua.gov)**  
Visit NCUA on the Internet at  
**<http://www.ncua.gov>**

### NCUA Regional Offices

**Region I—Albany**  
9 Washington Square  
Washington Avenue Extension  
Albany, New York 12205  
T 518-862-7400 F 518-862-7420  
[region1@ncua.gov](mailto:region1@ncua.gov)

Connecticut | Maine | Massachusetts  
Michigan | Nevada | New Hampshire  
New York | Rhode Island | Vermont

**Region II—Capital**  
1775 Duke Street  
Suite 4206  
Alexandria, VA 22314-3437  
T 703-519-4600 F 703-519-4620  
[region2@ncua.gov](mailto:region2@ncua.gov)

California | Delaware | District of Columbia  
Maryland | New Jersey | Pennsylvania  
Virginia | West Virginia

**Region III—Atlanta**  
7000 Central Parkway  
Suite 1600  
Atlanta, GA 30328  
T 678-443-3000 F 678-443-3020  
[region3@ncua.gov](mailto:region3@ncua.gov)

Alabama | Florida | Georgia | Indiana  
Kentucky | Mississippi | North Carolina  
Ohio | Puerto Rico | South Carolina  
Tennessee | Virgin Islands

### NCUA Regional Offices

**Region IV—Austin**  
4807 Spicewood Springs Road  
Suite 5200  
Austin, TX 78759-8490  
T 512-342-5600 F 512-342-5620  
[region4@ncua.gov](mailto:region4@ncua.gov)

Arkansas | Illinois | Iowa | Kansas  
Louisiana | Minnesota | Missouri  
Nebraska | North Dakota | Oklahoma  
South Dakota | Texas | Wisconsin

**Region V—Tempe**  
1230 West Washington Street  
Suite 301  
Tempe, AZ 85281  
T 602-302-6000 F 602-302-6024  
[region5@ncua.gov](mailto:region5@ncua.gov)

Alaska | Arizona | Colorado | Guam  
Hawaii | Idaho | Montana | New Mexico  
Oregon | Utah | Washington | Wyoming



National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314  
703-518-6300  
<http://www.ncua.gov>

NCUA 8005 (Revised 10/2010)



# Facts About Federal Credit Unions



Your savings federally insured to at least \$250,000  
and backed by the full faith and credit of the United States Government

# NCUA

National Credit Union Administration, a U.S. Government Agency

## Congress Formed Our Federal Credit Union System

President Roosevelt signed the Federal Credit Union Act in 1934. This Act established the federal credit union system and created the Bureau of Federal Credit Unions, NCUA's predecessor, to charter and supervise federal credit unions. The general provisions in the Federal Credit Union Act are similar to those of many state credit union laws.

The Federal Credit Union Act is amended periodically to evolve and maintain a modern credit union law. This contemporary law, coupled with the NCUA Board's commitment to reduce regulatory burden, enables federal credit unions to meet the financial needs of their members.

### What Is a Federal Credit Union?

A federal credit union is a cooperative financial institution chartered by the federal government and owned by its members. Federal credit unions offer members a safe place to save and borrow at reasonable rates. Surplus income is returned to members in the form of dividends.

The credit union movement began in the United States in 1909 when the first credit union was formed in Manchester, New Hampshire. Credit unions serve many people left unserved by traditional banking institutions and provide an alternative to the oppressive loan rates charged by predatory lenders.

Today's credit unions remain unique financial institutions with a "not for profit but for service" operating philosophy. Annual polls show that credit unions lead the financial community year after year by providing top quality personal service to millions of Americans.

Federal credit unions are chartered, supervised and insured by the National Credit Union Administration (NCUA), an agency of the federal

government. The share insurance provided by NCUA is similar to the deposit insurance protection offered by the Federal Deposit Insurance Corporation (FDIC). Additionally, not one penny of insured savings has been lost by a member of a federally insured credit union. You can read more about your insured savings in the brochure, *How Your Accounts Are Insured*, and in the booklet, *Your Insured Funds*. You can find the booklet and brochure at [www.ncua.gov/resources/shareinsurancetoolkit.aspx](http://www.ncua.gov/resources/shareinsurancetoolkit.aspx)

### What Can a Credit Union Do for You?

Credit unions encourage their members to save regularly to build economic security for themselves and their families. Credit union members provide one another with consumer loans and, in many cases, home mortgage loans from their pooled savings.

Credit unions have been able to keep pace with the needs of their members by offering a variety of services in addition to savings and loans. For example, many federal credit unions offer share drafts, share certificates, credit and debit cards, and retirement accounts. In recent years, many have expanded their lending programs to include real estate, member business loans and guaranteed student loans as well as traditional consumer loans.

As technology evolves, more and more federal credit unions respond by offering transaction services by telephone and by personal computer via the Internet. Today's credit union can be a member's primary financial institution. Because a credit union is a cooperative, it is able to fairly price their products and services and competitively price their rates on savings accounts and loans. These benefits and many others help members achieve financial stability.

### How Do I Join a Credit Union?

Each federal credit union's charter specifies who is eligible to join. Membership is limited to groups or people with the common bond of employment, association, or residence specified in the charter.

Eligible people must submit a membership application and purchase one share to join. A credit union can determine how much one share will be; however, it is usually \$5 to \$10. By purchasing at least one share, members actually purchase and own a share in their credit union and can vote in officer elections.

### Are My Deposits Safe?

Member deposits in federal credit unions are insured to at least \$250,000 by the National Credit Union Share Insurance Fund (NCUSIF) and backed by the full faith and credit of the U.S. Government. Member savings are also protected by a number of provisions in the Federal Credit Union Act and the standard Bylaws.

Some protections are:

1. All persons handling or having custody of credit union funds must be bonded.
2. The affairs of the credit union and the records of the treasurer are audited by the supervisory committee or a contracted licensed CPA.
3. The Federal Credit Union Act and Bylaws require fund reserves for uncollectible loans.
4. Credit unions may invest surplus funds only in specified investments.

### How Does a Credit Union Operate?

The basic purpose of credit unions is to encourage savings while promoting prudent borrowing for reasons such as a big purchase item, an emergency, or for educational needs. Whether large or small, the amount is secondary to developing the habit of saving regularly.

Members' accumulated savings are used to make loans to fellow credit union members. Each federal credit union's board of directors, elected by the members, has the authority to set loan limits as the

credit union grows. The interest rate charged is also established by the credit union's board of directors within the statutory limits set by NCUA Rules and Regulations. The interest and other finance charges are disclosed in total and as an annual percentage rate in compliance with the Truth in Lending Act.

Federal credit unions operate in compliance with all federal consumer protection laws, including the Equal Credit Opportunity Act. This law requires credit be made available to all members without regard to sex, marital status, race, age, or any other prohibited basis.

### Credit Union Control and Management

The members themselves exercise democratic control of the credit union by attending and participating in regular and special membership meetings and by electing the board of directors (and credit committee when applicable). The board elects officers from its own membership and appoints a supervisory committee to act as independent "watch dogs" of the credit union. Each member is entitled to one vote, regardless of the number of shares owned, and no member may vote by proxy.

The board of directors has responsibility for directing and controlling the affairs of the credit union and providing effective and efficient management of the credit union's operations. Accordingly, officials should develop strategic and/or business plans.

### Benefits To Sponsor Organizations

According to many sponsor organizations, a credit union is an important fringe benefit for employees. Credit unions do not require outside financial support. However, many employers find credit unions so beneficial in maintaining employee morale and well-being, they gladly provide space and utilities on the premises for a credit union office.