CREDIT WHERE ITS DUE

by Greg Forest

They say you can't fight city hall but recently it seems that you can add another entity that is immune to any consumer backlash - big banks.

The gorilla banks that were deemed, "too big to fail" during the 2008 meltdown are now bigger and still leveraging your savings and mortgages with toxic derivatives that make their 2008 stature look like 98-pound weaklings.

The saddest part is that recently Congress, through buy-partisan legislation, put the U.S. taxpayer on the hook again for any future meltdowns. Wall Street banks are flying over treacherous territory with a multi-trillion dollar net below them that we have woven.

What can a consumer do to protect their assets and savings? An idea that is coming of age is keeping your money in your community instead of sending it off to the Wall Street crap shoot.

Credit unions are stepping up to the plate to allow us to have more control in how our checking, savings and other monetary products are handled.

The biggest difference between a bank and a credit union is that banks are owned by investors that are looking for massive short term profits while credit unions are owned by members who are more interested in long-term stability.

The move from banks to credit unions began slowly but is gaining momentum especially in the last year when 2 million new customers walked in their doors and the assets now held by credit unions passed $1 trillion dollars with credit unions serving 90 million customers.

When weighing a move to a credit union, there are some compelling reasons that make it worthwhile and a few drawbacks:

Protecting Your Money

Credit unions, while not under the umbrella of the F.D.I.C., have their own safety net in the form of the National Share Insurance Fund (NCUSIF) which insures accounts up to $250,000 in a program similar to the FDIC. In 2008 when the T.A.R.P. injected over $700 billion in banking relief, the credit unions (the vast majority wholesale credit unions that don't handle retail accounts), also victimized by sub-prime mortgages and mortgage backed securities in their portfolios, required only $20 billion to shore up accounts. Only one of these entities was based in Texas. During the banking crisis only 33 retail credit unions failed as opposed to 297 banks and savings and loan institutions. Bottom line: credit unions have greater solvency and fail at a much lower rate than banks.

Customer Service

In polls of customer satisfaction, credit unions win hands down. Being tied to the community and owned by members, it would be hard to imagine otherwise.

Checking Account Fees

70% of credit unions feature no-fee checking accounts while only 39% of banks do. With the monthly account fees being charged by banks averaging $12.26 in 2014 (almost $150 annually), those credit unions that do charge monthly account fees charge much less. There are also limits on many of the free checking accounts offered by banks such as minimum balances and the number of transactions you must post in a billing cycle.

Lower Mortgage & Loan Rates

Most credit unions are offering mortgages at a point or two lower than the big banks and even better rates on car loans and credit cards.

Accessibility, Products and Options

There are a large number of products and conveniences that banks offer and where credit unions are moving to catch up with emerging technology. Overall online banking services offer more options and products than a credit union and there are no large ATM networks - although many credit unions offer limited member rebates for members using out-of-network ATMS. With hundreds and sometimes thousands of in-network ATMs available, the banks have a clear advantage in this regard. Also credit unions are only available to individuals so you will have to take your business account to a bank.

The big national banks also have hundreds, if not thousands, of brick an mortar outlets - in all major cities and sometimes even overseas.

Talking to Sandy Lumbley, CEO and president of the Hill Country Federal Credit Union, she had this to say about the solvency of local Hill Country credit unions, "I know of no Hill Country credit union that took a bailout. I know of no Hill Country credit union that has ever failed."

When it comes to capital reserves she commented, "Our credit union is making sure that we focus on our Capital position. Capital is your savings of all of the money you have earned through the years. When bad times come your Capital is your safety net. Loan losses can take away from your Capital. You make sure that your underwriting is strong but yet you can still serve your membership. "

When asked about the growth recently of her credit union, it seems to be following the national trend, "Our growth has been amazing. We have an average growth rate of 20% a year."

There appears to be reasons to use both credit unions and banks but, at least for me personally, I feel a bit better about my money management when I do my best to keep my small nest egg in my local community rather than Wall Street. I ask myself, "What has a mega-corp big bank ever done for me?" The answer seems to be an increase in fees for everything that banks used to deliver as part of a basic personal bank account.