

The Differences Between Credit Union and Bank Charters			
	Federal Credit Union	Federal Mutual Thrift (Bank). Step 1 conversion	Federal Stock Thrift (Bank). Step 2 conversion
Legal Purpose	To serve member-owners.	To serve the institution itself. ¹	To maximize profits for shareholders.
Ownership	Member-owned. All customers become member-owners.	Technically member-owned, although according to US federal case law, “depositor ownership of a mutual thrift is merely a technicality.” ²	Owned by shareholders, not customers.
Customers	Limited to members of specific communities (e.g. employees of AAA Inc. and residents of Arrow County.) All customers become member-owners.	Anyone. Customers become mutual owners.	Anyone. Customers do not become owners.
Voting	Democratic. One member one vote.	Usually one vote for each \$100 invested, capped at 1000 votes. Board of directors may effectively control the institution though “running proxies.”	One vote per share of stock owned.
CEO’s Compensation	Usually lower than at banks to keep costs low, so credit union can give members the best rates.	Typically higher than at credit unions.	Paid over 50% more than at credit unions and given an average of \$1.9 million in stock gifts and options. ³
Director’s Compensation	Unpaid volunteers. elected to serve the members’ interests.	Paid. Often from \$2,500 to over \$50,000 a year. ⁴	Paid and usually given stock gifts and options. Including purchases, own an average of \$800,000 in stock. ³
Taxes	Exempt from corporate income taxes, which allows credit unions to offer better rates.	Pay corporate income taxes of 34-45%. This increased cost usually leads to worse rates and fees.	
Lending Limits	Business loans can account for no more than 12.25% of assets.	Business loans can account for no more than 20% of assets. Must hold 65% in residential, credit card, consumer, educational, and small business lending. Subject to CRA regulations.	
Rates	Credit unions that have converted offer worse rates across the board, according to a 2006 study by the University of Wisconsin. ⁵ Compare current credit union to bank rates in your area and see the difference yourself at http://www.datatrac.net/nafcu/ .		

¹ AACUL, *Protecting the Rights and Interests of Credit Union Members*. 2005, p58.

² *Ordover v. OTS*, 999 F.2d 1183, 1185 (7th Cir. 1993)

³ Study of five converted credit unions, by the Credit Union National Association.

⁴ Theriault, Alan, “Why Convert? Director and Executive Compensation.”

⁵ Heinrich and Kashian, *Credit Union to Mutual Conversion: Do Rates Diverge?* University of Wisconsin-Whitewater, 2006.

Read a more technical chart comparing the Credit Union and Mutual Thrift charters at

http://www.membertrust.org/NCMT_FCUvsMSA.pdf