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R.O.I.

By BRETT ARENDS



For Better Banking, Check Out a Credit Union

August 27, 2008 1:54 p.m.

For obvious reasons, many Americans are pretty unimpressed with the banking industry right now.

So maybe it's a good time to look at an alternative – like moving your account to a local credit union instead.

These not-for-profit co-operatives have a kind of sleepy, backwater image. They're often seen as the local libraries of banking. But that's too bad. The chances are they didn't pay their chief executive \$10 million while writing off billions in subprime loans. And they can offer you some surprisingly good deals.

"Credit unions very often beat their banking counterparts in terms of offering lower rates on loans and higher rates on deposits," says Greg McBride, economist for Bankrate.com. "For a consumer who's shopping around for the best deal, that has to include looking at credit unions."

Nearly 90 million Americans already do some banking at a credit union and that figure rose by more than one million last year, according to the industry trade body, the Credit Union National Association. Total deposits are about \$800 billion. Credit unions have been around for nearly 100 years – the first one was launched in Manchester, N.H., in 1909 - and there are now 8,500 of them around America. They traditionally grew up around a particular community or the employees of a big company, and their membership is limited to a defined group. As non profits, they are exempt from taxes.

In normal times, credit unions boasted that they could offer a better deal than banks because they didn't have to make profits for outside shareholders.

Of course, these days the same goes for a lot of traditional banks as well. Instead, the new "no longer in profit" (NLIP) sector is losing billions. Big banks are currently passing the hat around Wall Street, Washington, Singapore and Dubai looking for help.

So instead many credit unions can boast that they don't have to pay for billions in losses on subprime mortgages and other bad loans. As an added bonus, few of them waste money on expensive marketing and advertising campaigns, takeovers, huge executive bonuses, and the kind of costly "growth" initiatives that CEOs chase to give their stock options on Wall Street the needed juice.

Being stuck in the past has its benefits. You could take this for some kind of metaphor for our finance industry. Once upon a time, Washington Mutual was a "not for profit." In the past year it's lost \$6.1 billion after tax.

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So if you are looking at moving to a credit union, what do you need to know?

Go to creditunion.coop, the Web site run by the trade organization, to find credit unions near you.

Look for credit unions you are allowed to join. Each one is restricted to offering membership to a predetermined group, like employees of a company, members of an organization, or those who work, live or worship within a neighborhood, county, or area.

If you are concerned about safety, pick a credit union where deposits are insured by the federal government through the National Credit Union Administration (NCUA). About 98% are. Look for an NCUA blue sticker on the window - or just ask. The NCUA works for credit unions the way the FDIC works for banks. It guarantees deposits up to \$100,000, and there are higher limits for some joint and retirement accounts.

Before signing up, also look at the range of services on offer as well as the number of branches. Credit unions tend to offer far fewer of both than banks. (That may not be a bad thing. I happen to notice that the credit union in my area with the fewest branches, products, services and exciting innovations also seems to offer by far the best deal on straightforward checking and saving. There's a much bigger credit union near me that seems to behave like a bank - it even advertises like a bank - and yes, it seems to charge fees like a bank too.)

If you need credit and debit card, make sure it offers them. If you need ATM access on the road, make sure your credit union is a member of the Coop Network. Other members won't hit you with a surcharge if you use their ATMs.

And be willing to cherry pick. You can take advantage of your local credit union's great CD rates while leaving your checking account at Greedy Bank, Inc.

Write to Brett Arends at brett.arends@wsj.com

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