

### **Setting the record straight** - Myths and fallacies about credit unions

#### **Credit unions can serve anyone**

This is not true. Unlike banks, credit unions cannot serve the general public. Credit union membership is limited to persons who share a common bond of employment, association or community.

A credit union's field of membership is restricted by law. The banking industry has been trying for years to deny consumers and employees of small businesses access to credit unions. At a time when banks are experiencing record breaking profits, it is evident that the prosperity of credit unions and their ability to serve millions of consumers has had no impact on banks' bottom line.

#### **Credit unions do not pay taxes**

Credit unions do, in fact, pay taxes. They pay property, county, school, municipal and employer taxes. But, because credit unions are not-for-profit cooperatives, returning all profits to their members in the form of higher rates on savings, lower loan rates and low- or no-fee services, they do not pay corporate income taxes.

On the contrary, banks must pay corporate income tax because they are in business to maximize profits and return them to stockholders, not customers. For that reason, banks are subject to the same income taxes as other for-profits businesses.

#### **Credit unions look and act like banks**

Credit unions are not banks and banks are not credit unions. It is true that credit unions offer financial services similar to those offered by banks. But, credit unions subscribe to a very different business philosophy and structure.

Credit unions give consumers the option of owning the institution where they do their financial business. Therefore, credit union members are not just another customer - they have an equal vote in determining the direction taken by the institution. Credit unions cannot issue stock, so, and most importantly, they return all earnings to their members.

Banks, on the other hand, are for-profit and have stock-holdings by outside investors, who essentially own them and hold voting rights. Banks exist to enrich stockholders, usually to the expense of their customers.

**Compare the [benefits](#) of New Mexico credit unions and banks.**

#### **Credit unions don't insure investments**

Credit unions DO insure their investments. Credit unions have their own federal insurance program covering member savings accounts. Share accounts in New Mexico are federally insured up to at least \$250,000 by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is administered by the National Credit Union Administration (NCUA). No taxpayer monies, or monies from other federal deposit insurance programs, are used to fund the NCUSIF. Credit unions pay a percentage of their deposits to build the fund. And, like other financial service providers, credit unions are regulated and audited either by state or federal agencies.