

Five Reasons To Use A Credit Union Instead Of A Corporate Bank

Creature comforts like smartphone bank deposits are nice, but how much are they costing you? Your statement might not show the costs directly, but there's an old adage about situations like this: If you're not paying for a service, you're not the customer. You're the product. In this case, corporate banks use slick technological bells and whistles to get you in so you'll be more likely to take out loans and use other for-pay services.

If you're tired of being treated like a product, you're not alone. Last year, 2 million people between the ages of 18 and 35 joined a credit union. 28% of credit union members are under 35 while 54% of them are under age 50. The tools of technology are making it easier to see the value that credit unions offer.

Don't just take our word for it. Do your research and see for yourself how credit unions compare to for-profit banks. Consider these five categories:

1.) Ease of service

Here's a fun game. Call a corporate bank with a simple request, like checking the balance of a savings account. Count the number of irritating phone tree menus you have to sift through before you could talk to a real person who could answer your question. You win when you get frustrated and slam the phone down in anger!

For-profit banks have earned a reputation for cumbersome customer service and out-of-touch policies. Getting information on financial services, like credit repair or auto loans, means sitting on hold for hours. Credit unions, on the other hand, provide easy-to-use services and real, live human beings who can answer questions, make recommendations and help you understand the complicated world of finance.

2.) Lending practices

For-profit banks answer to corporate owners. They expect a predictable, stable rate of return on their investments. This demand puts a straitjacket on lending and ensures those practices never deviate from a pre-determined formula. Take income, multiply by credit score, divide by 2, that's the interest rate they'll charge.

However, let's pretend you just got a new job, so last year's tax returns aren't a good indicator of how much you are earning. That's not in the formula, so it doesn't matter. Credit history ruined by an old medical bill? Corporate banks stop reading after the first three words of that sentence. In short, there's no room for flexibility and interest rates tend to be much higher.

Credit unions are community institutions, so helping people out is part of what they do. Their rates tend to be lower than those of corporate banks. They also tend to be more willing to make exceptions for details that may not be reflected in the conventional lending formula.

3.) Online banking is everywhere

In the wild west days of the Internet, only corporate banks could afford online banking. Now, your pet gerbil can have his own website. The Internet is everywhere and credit unions are on board. The services you use every day, like online bill pay, direct deposit and checking on account balances are just a click away. Credit unions are increasingly integrated with e-commerce services like Paypal and Square, making it easier than ever to send and receive money electronically.

Individual smartphone apps and other gimmicks don't provide a whole lot of extra service. 67% of young people say mobile banking services at banks don't measure up to their expectations. Most people don't handle paper checks anymore, so banking from the computer is all most consumers really need.

4.) Educational resources

Corporate banks have historically made a killing by keeping people in the dark about their practices. Credit card companies made it hard to tell exactly how much interest you were being charged. Banks charged overdraft fees without ever telling you they were doing it. These things got so bad, Congress took action. Consumer ignorance was built into the profit model of big financial institutions. Educating consumers was not just a waste of money to them, it was actually costing them business.

Credit unions are not-for-profits that want to make their communities a better place. Part of that mission includes financial education. If you need advice about home-buying, making a budget or using credit responsibly, your credit union will be happy to help.

5.) Savings

Credit unions work for their members. They pay back the money they make to their members in the form of dividends. Since their members are also the people paying for their services, they don't have much of an incentive to charge an arm and a leg in interest and fees.

Credit unions also offer competitive rates on savings accounts and CDs. Because they don't have to siphon off money to pay shareholders, they can return that money to their investors: you know, the people who do their banking with the credit union. Compare the earned interest on a credit union checking or savings account to those offered by a for-profit bank. Then, go open an account at a credit union. You'll thank yourself later.