



What Is a Credit Union?

Part 1: Competitive Loan Rates

Credit unions are the best kept secret for getting quality services with low rates and fees. When it comes to finding competitive loan rates, local credit unions consistently outperform commercial banks. Some may hesitate to become a member because they don't understand what a credit union is. To help with this, we have created a three-part series to explain all the ins and outs of [credit unions](#) and how they can work for you.

How Do Credit Unions Work?

A credit union is a not-for-profit institution whose goal is to bring financial wellness to its community. In contrast to banks, credit unions are member-owned and controlled, electing board members to run the organization. There are two types of credit unions: federal and state chartered. Federal credit unions are regulated by the National Credit Union Association (NCUA), while state credit unions follow state-specific guidelines. To join, you must first meet the criteria to [become a member](#), often based on residence in a certain location. Members are required to make a onetime deposit, their ownership shares in the credit union. This share deposit is held as long as the membership account remains open and intitles members to reap the benefits of these cooperative institutions.

Credit Unions vs. Banks

A credit union should be your first stop when looking to borrow money for a variety of life's circumstances because of their attitude of service to their members. While commercial banks exist to turn a profit for their shareholders, credit unions are community focused. Their goal is to help their members save money and provide financial health for their area. Credit unions use their nonprofit status to offer better savings for their members, including lower interest rates on [loans](#). Individuals have a better chance of getting approved for a loan at their local credit union because these community institutions understand local market conditions. Their better customer satisfaction rates also make them a great alternative to banks.

Lower Interest Rates

Credit unions are able to offer their members lower rates because they are not-for-profit organizations and meaning that all profits are returned back to the credit union's members in the form of lower loan rates, lower fees, and higher dividend rates. Credit unions take into consideration your full financial picture when considering your loan application, including your credit history and member standing. They are able to offer a similar [variety of loan products](#) as commercial banks, including options for big purchases, emergencies, consolidating debt, and more. Lower rates and flexible loan terms make credit unions ideally suited to serve fair and low credit members. Because they take a personal approach, credit unions are often more willing to work with members who have a lower credit score, getting them the most affordable option for a loan.

Take the time to learn more details about the competitive rates on a variety of loan products at credit unions, including [home loans](#), [auto loans](#), and [personal loans](#). Going with [your local credit union](#) for your loan application may just be the right choice for you.