

Credit Union vs a Bank (The Credit Union Difference)

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A credit union and a bank both offer financial services, but how they're structured and what they prioritize differ significantly. A bank is a for profit institution owned by shareholders, aiming to maximize profits through services such as loans, savings accounts and investments. Credit unions are not for profit, member owned cooperatives, where account holders are also stakeholders.

This fundamental difference shapes their different operations and benefits. Credit Unions typically offer lower fees, higher saving account rates, and lower loan interest rates compared to banks. Since credit unions prioritize member benefit over profit, they reinvest earnings into better services or rates rather than shareholder dividends. For example, credit unions will oftentimes provide more favorable auto or mortgage loan terms.

Credit unions also tend to prioritize community focus, offering personalized service and supporting community initiatives. Banks may offer more broader services, such as larger ATM networks, advanced digital platforms, and global reach, which credit unions might lack in due to their smaller scale. Credit unions often achieve more when it comes to customer satisfaction, as their member driven model lays the foundation.

For those prioritizing lower costs, community ties, and personalized service, a credit union may be the answer. However, eligibility typically requires meeting certain criteria, such as living in a specific area or working in that area, unlike banks which offer open access