FEDERAL CREDIT UNIONS

Cooperative
Thrift
and
Credit

The Member's Record of Savings and Loans

Purpose

A FEDERAL credit union is a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive uses.

A credit union makes it possible for its members to save money conveniently, safely, and in small sums. Savings may be used to purchase shares at the convenience of the member, either monthly, on pay days, or at irregular intervals. The money thus saved is loaned to members at reasonable rates of interest.

Management

The business affairs of a Federal credit union are handled by a board of directors, a credit committee, and a supervisory committee. The directors and committeemen are elected by the members at their annual meeting in January each year. Each member has only one vote regardless of the number of shares he holds.

A board of directors of at least five members directs and controls the operations of the credit union. It elects the officers of the credit union, which are a president, a vice president, a treasurer, and a clerk. A credit committee of three or more members considers and passes or rejects loan applications. A supervisory committee of three members must audit the books of the credit union at least quarterly.

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Membership

A membership fee of 25 cents is charged each new member. No other fees are charged.

Each member agrees to save at least 25 cents per month through the purchase of shares, but may save in larger sums if he desires. In most instances, savings other than the membership fee, may be withdrawn at any time, but 60 days notice may be imposed if considered necessary.

While in debt to a credit union a member may not withdraw an amount greater than that by which his savings exceed his loan.

Each member is a part owner of his credit union. The success of this co-operative thrift and loan organization depends on the manner in which its members fulfill their agreements.

NOT FOR PROFIT

NOT FOR CHARITY

BUT FOR SERVICE

Dividends

Dividends may be paid from the balance of earnings remaining after expenses have been paid and 20 percent of net earnings for the fiscal year have been set aside as a reserve for possible bad loans. Dividends are authorized by a majority of the members voting at the annual meeting.

Dividends may not exceed 6 percent per year under a regulation laid down by the Governor of the Farm Credit Administration. Dividends are paid on each share outstanding at the end of the year in proportion to the number of preceding, consecutive, whole months for which it has been paid in full. Dividends may be paid in cash or by check or credited to the members' accounts at the discretion of the board of directors.

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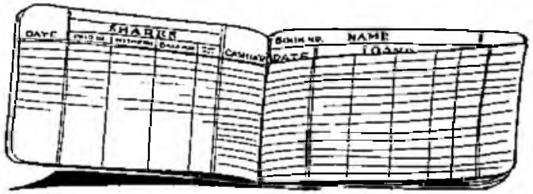

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Safety

The membership of a Federal credit union is limited to a group having a close common bond of association. Hence, each member is associated with the others and appreciates their problems.

Loans are made to members only under satisfactory detailed plans for repayment. Loans for more than $50 must be secured.

Directors and committeemen are elected by and from the membership. Officers are chosen by the directors. An officer, director, or committeeman may not endorse notes of borrowers nor borrow more than his holdings in the credit union.

All money received must be deposited in a bank selected by the board of directors, the deposits of which must be insured by the Federal Deposit Insurance Corporation. The treasurer and others handling money must be bonded. Funds not needed for lending may be invested only in Government securities or those guaranteed by the United States Government.

An annual independent audit is required, either by a practicing public accountant or by examiners of the Farm Credit Administration.

Fees, fines, and 20 percent of the net earnings of a Federal credit union must be set aside as a reserve against possible bad loans. This fund may not be distributed except on liquidation of the credit union.

SAVE REGULARLY

BORROW WHEN IN NEED

MAKE REPAYMENTS PROMPTLY

Credit Unions Encourage Thrift and Make Loans for Useful Purposes

Loans

Loans are made only to members at an interest rate not exceeding 1 percent per month on unpaid balances. Interest covers all charges for making the loan. Small fines may be assessed if payments are not made when due.

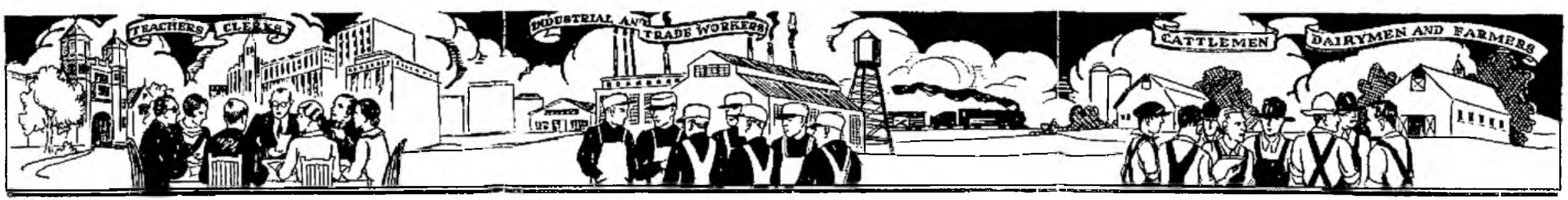
Loans may be made for provident or productive purposes only. A provident purpose generally is regarded as one which would be of service to the member borrower and his family.

The term of a loan may not exceed 2 years. Repayment must be made at regular intervals, usually each pay day.

The maximum limits on secured and unsecured loans are fixed by the board of directors but, according to law, an unsecured loan may not exceed $50 and an adequately secured loan may not exceed $200, or 10 percent of the assets of the credit union, whichever is greater. Security for a loan may include the assignment of shares or endorsement of a note.

In passing on loan applications, a credit committee carefully considers the purpose of the loan, the character of the applicant, his ability to repay, and the security offered.

Federal credit unions are organized under the provisions of the Federal Credit Union Act.



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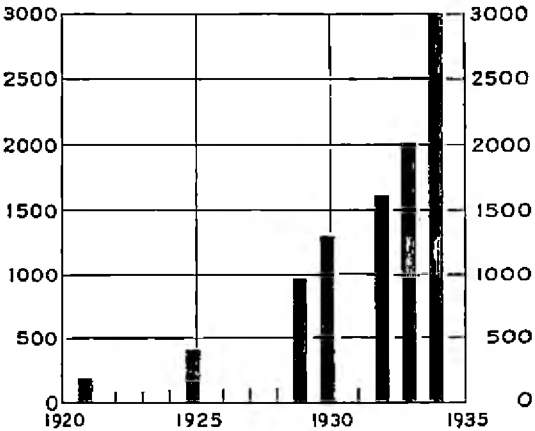

The Number of Credit Unions Has Grown Rapidly

History

The first credit unions were established in Germany by Frederick Wilhelm Raiffeisen abcut the middle of the nineteenth century. These were organized among farmers and proved of great assistance during the difficult famine years of that period.

Later, a prominent American philanthropist became greatly impressed with the possibilities of credit unions and has spent much time and money in sponsoring credit unions throughout the United States. The first State credit union law was passed in Massachusetts in 1909.

The number of credit unions increased slowly during the 20 years from 1909 to 1929. During the last 5 depression years, however, the growth has been very rapid. Approximately 3,000 credit unions were in operation on December 31, 1934.

If you are interested in the credit union as a place to accumulate savings or as a source from which to borrow in an emergency, you should consider joining your local credit union and get acquainted with its officers.