The Wisconsin Credit Union League

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NEWS RELEASE

For Immediate Release
July 7, 2009

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Credit unions' credit card practices applauded in light of federal credit card reforms

Pewaukee, Wis. - An independent study by two Harvard doctoral candidates found that credit unions offer credit cards that not only have lower rates than banks, but also adhere to policies that avoid gouging consumers.

Researchers Ryan Bubb and Alex Kaufman reported to the *New York Times* that credit unions are already protecting their members from the unscrupulous practices that a new federal law – the Credit Card Accountability, Responsibility and Disclosure Act – aims to prevent other card issuers from continuing.

The study compared credit cards issued by for-profit banks to those issued by not-for-profit credit unions and found that credit unions:

- **Are less likely to charge fees and penalties** that the new act hopes to eliminate, and when they do, they charge less than other issuers.
- **Do not increase the interest rate** if the borrower fails to make a minimum payment on time.
- **Charge half (on average) the amount other issuers charge** for exceeding credit limits.
- **Offer lower annual fees and longer grace periods** than other cards.

Bubb and Kaufman explained that these practices are unique to credit unions because "they answer to a different group of owners – profits not reinvested are paid to member-owners as a dividend."

Brett Thompson, President & CEO of the Wisconsin Credit Union League, says that because the new law will send many for-profit banks scrambling to devise new ways to drive profits, it's still up to bank customers to understand the terms of their cards, read the fine print and be vigilant to protect their own interests.

"This study supports what we have always said," Thompson says. "Wisconsin credit unions look out for the best interests of their 2.2 million member owners, not just protecting them from unnecessary costs for credit cards but also on savings, loans, checking accounts, ATMs and just about every other financial service working people use."

"Credit union cards demonstrate that punishing fees are not an essential ingredient of profitable lending," Bubb and Kaufman noted. They suggested any bank that tries to pad its bottom line with fees will see many customers flee to credit unions or other institutions that adopt credit union-like practices.

Credit unions' member-favored pricing and policies typify their REAL Solutions® initiative, which meets the needs of members and communities without regard for profit and teaches consumers to save, avoid financial predators, access low-cost loans, improve creditworthiness and build wealth.

Visit www.creditunion.coop/ratedex.php to compare credit union and bank rates and www.theleague.coop/findacu to find a credit union you can join.

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Credit unions are cooperative financial institutions that are owned by their members and do not have stockholders. Because they are not-for-profit, they return earnings to members in the form of more competitive rates of return on accounts, lower interest on loans, lower fees and improved services. Around 2.2 million Wisconsin residents belong to credit unions, of which nearly half are open to the local community. People can find a credit union to join by looking in the phone book or by visiting www.theleague.coop/findacu.