

Faith-based credit unions offer an alternative to big banks, payday loans

**“The purpose of a bank is to make money for the investors,” said a Catholic credit union leader. “The purpose of a credit union is to serve the membership.”**

by [Katelyn Ferral](#) in the [January 16, 2019](#) issue

When Milwaukee’s Greater Galilee Missionary Baptist Church started a credit union in 1965, its predominantly African American members were often denied loans, lines of credit, and other basic financial services from banks.

More than 50 years later, in what is still one of the most racially segregated cities in the country, “not much has changed,” said Gloria Neff, a credit union board member and small-business owner. “We’re still having the same problems.”

Greater Galilee’s members, many of whom are elderly, still struggle to secure loans—even if they have the means to repay them.

“Although they pay their bills and they have the finances to pay, they still need to come to an establishment like this to get loans,” she said.

That reality has driven Greater Galilee Credit Union board members, all volunteers, to expand its services even as the number of faith-based credit unions shrinks nationwide. According to the National Credit Union Administration, there are 133 active credit unions with a faith-based charter in the United States and 276 inactive ones.

They are a distinct dimension of the credit union industry, offering a consumer-focused alternative to payday lenders and impersonal larger banks—along with shared religious beliefs. They face obstacles in a rapidly changing consumer bank industry and from government regulation.

But Greater Galilee and other faith-based credit unions are finding ways to adapt and continue. Keeping their credit union alive is about helping their neighbors attain a higher quality of life and affording them opportunity, said board members.

“We care enough to give them an opportunity,” Neff said. “We genuinely care—that’s the key.”

The credit union has about 200 members, all of whom must be a member of the church or related to a member. It is run separately from the church, though it is housed in two rooms in the congregation’s basement. It offers passbook savings accounts and personal and auto loans, along with funeral estate planning. The credit union also hopes to offer services for preparing wills and power of attorney documents for members, said Ed Murphy, board president.

Without its services, many credit union members would likely go to payday lenders and other high-interest-rate institutions, said Murphy, especially in states that have relaxed restrictions on the payday lending industry over the last decade.

“There is a lot of predatory lending that takes place in our community,” Murphy said.

Greater Galilee’s board rates are modest compared to those of a payday lender, Murphy said. And the credit union tries to educate borrowers on the “pitfalls of those institutions,” he said. It also plans to offer workshops on money management and financial literacy.

To increase business, the credit union board is considering opening up membership to people outside the church and is working on offering debit cards and checking accounts.

“We are moving in that direction,” Murphy said. “Being a closed shop for just a church and the church members—that’s not a large enough audience.”

Credit unions can be chartered at the state or federal level and are insured by the National Credit Union Administration and regulated by states.

Keeping up with increasing government regulations is also costly.

“We’re charged with carrying out the same kind of built-in controls—the internal controls—that the larger institutions have to abide by, despite the fact that we are considerably smaller,” Murphy said.

Expensive compliance and technological changes led Notre Dame Federal Credit Union in Indiana to create the Catholic Credit Union Association in 2016. Its aim is to help Catholic credit unions nationwide share resources and stay in business. The group has about 30 members nationwide. Larger credit unions sometimes team up with smaller ones on loans, allowing the smaller credit unions to get additional income from interest.

Catholic credit unions have decreased in number from about 827 in 1960 to fewer than 100 today, said Robert Kloska, who works for Notre Dame Federal Credit Union and helped organize the association.

Credit unions largely started in Italy and Germany in the early part of the 19th century. Both were Catholic countries at the time, Kloska noted, and the idea spread through priests who traveled as missionaries to North America and Canada.

“They saw that the people in town were not being treated well by the banks so they organized their parishioners,” he said. Before long, some of their Protestant neighbors began joining as well.

Now, Kloska said, most Catholic bishops are unaware of the Catholic social teaching that underpins the mission of credit unions: solidarity, people banding together for the common good.

“The purpose of a bank is to make money for the investors,” he said. “The purpose of a credit union is to serve the membership.”

Rick Gonsiorek, 37, the general manager of a Catholic radio station in South Bend, became a member of Notre Dame Federal Credit Union when he was a student at Holy Cross College. He stayed on after graduation, because the credit union didn’t charge ATM fees and had great customer services.

Gonsiorek eventually made the credit union his primary banking institution and got his mortgage through it, saying its values fit with his Catholic faith.

“I’ve been really impressed with the ways they give back to the community and the types of organizations they choose to give back to,” he said, “organizations that are doing such great work.” —Religion News Service

*A version of this article appears in the print edition under the title “Church-run credit unions persevere amid challenges.”*