How Federal Credit Unions Operate During Work Stoppages

To determine the services that Federal credit unions provide during a time of work stoppage, the Bureau of Federal Credit Unions in September 1952 mailed questionnaires to 237 institutions in companies that were thought or known to have had a strike or other form of work stoppage. Replies were received from 133 credit unions; 87 unions. Nineteen dealt with work stoppages that had resulted from the strike; of these 87 reports, 58 referred to the strike in the steel industry in the early summer of 1952 or to work stoppages that had resulted from the consequent shortage of raw materials. Seventy-three of the 87 reporting credit unions imposed no restrictions on share withdrawals. The restrictions imposed by the other 14 were of varying types. Some limited the amount that the members could withdraw, and others imposed waiting periods.

Almost half (40) of the credit unions reported establishing restrictions on loans made during the strike. The most severe was a blanket refusal to make a loan of any type or in any amount. Some credit unions discontinued making all except emergency loans or made only emergency loans not exceeding $100. Others set maximums ($100 or $200) on the amount that the members could borrow, and still others specified limits ($50 and $150) only on unsecured loans. In some cases the amount was fixed according to the member's past record of repayment. In still others, loans for nonessentials were limited, but no limit was set on loans for food and shelter. Loans on cars were temporarily discontinued by some credit unions.

To meet the strain on their resources, 29 of the 87 Federal credit unions found it necessary to borrow. Eleven borrowed from other credit unions, and 18 obtained loans from banks; several borrowed from both. One Federal credit union obtained a loan of $800 from the employer, with no interest charge; one large credit union made arrangements with its bank to borrow as much as $500,000, with interest at 2.75 percent, but the funds were not needed. The amounts borrowed and the interest rate are shown in the following tabulation.

<table>
<thead>
<tr>
<th>Number of Federal credit unions reporting</th>
<th>Interest rate</th>
<th>Aggregate amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from other credit unions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, 11 credit unions</td>
<td></td>
<td>$148,250</td>
</tr>
<tr>
<td>1</td>
<td>2.5</td>
<td>250</td>
</tr>
<tr>
<td>6</td>
<td>3.0</td>
<td>51,000</td>
</tr>
<tr>
<td>3</td>
<td>3.5</td>
<td>45,000</td>
</tr>
<tr>
<td>4</td>
<td>4.0</td>
<td>120,000</td>
</tr>
<tr>
<td>Loans from banks</td>
<td></td>
<td>$838,000</td>
</tr>
<tr>
<td>Total, 13 credit unions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2.0</td>
<td>25,000</td>
</tr>
<tr>
<td>2</td>
<td>2.5</td>
<td>180,000</td>
</tr>
<tr>
<td>4</td>
<td>3.0</td>
<td>30,000</td>
</tr>
<tr>
<td>5</td>
<td>4.0</td>
<td>360,000</td>
</tr>
<tr>
<td>2</td>
<td>4.0 and 5.0</td>
<td>40,000</td>
</tr>
<tr>
<td>4</td>
<td>6.0</td>
<td>6,000</td>
</tr>
</tbody>
</table>

Fifty-six of the credit unions reported that they made special effort to keep members informed on the services available to them during the work stoppage. One or a combination of the following methods was used by these 56 credit unions:

- Posting notices—through the plant, outside the credit union office, in union headquarters, and in "unemployment registration places";
- Arranging to keep the credit union office open for business and consultation with members by moving it to the treasurer's home, the foremen's club, union hall, or other temporary quarters;
- Informing members, by word of mouth and posters, of the credit union's location and office hours if the pending strike should materialize;
- Sending postcards to all members and letters to members affected by the strike;
- Making announcements in union meetings and spot radio announce-
the three smaller units, two were financially sound in 90 days or less, while the third reported that it would be financially sound by November 30, "when the loans that became delinquent during the strike will be restored to current status."

In addition to showing some of the unusual methods adopted to provide service and to keep members informed, the survey strengthened the long-time belief of credit union leaders that these organizations, if properly staffed, can cope with most crises.

Certain more specific conclusions may also be drawn. The survey shows the importance, in times of work stoppages, of maintaining the confidence of members by providing emergency loan and share withdrawal services and by using special information devices where necessary. The cash position of the credit union is vital; cash for emergency loans can be provided by cashing credit union investments, borrowing by the credit union, or obtaining extra share payments from members who have funds.

The survey indicates, in addition, that the larger, established Federal credit unions can cope with a crisis arising from a work stoppage more easily than the smaller units can, and that thrift promotion and sound loan collection policies and procedures during normal times are real services to members.

Finally, the reports show that membership participation in a credit union is promoted by any effort that increases members' understanding of credit union objectives and justifies their confidence in the organization. Actual experience indicates that it is possible for a credit union to come through unusual and trying circumstances, such as those produced by a work stoppage, in a stronger position than it had held before.

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