

Credit Union

In 1971, a few volunteers with the cooperation of NYC UZ 2 founded Lufthansa's first and only Credit Union, a corporation incorporated under the Federal Laws of the United States.

What is a Credit Union? What purpose does it serve? Perhaps a review of the history of the Credit Union movement will shed some light on the "mystery" of the credit ideas.

A credit union is a simple thing. It is a group, who shares a common bond, such as their place of work, and pool their savings and make low cost loans to each other. They own their credit union, and run it on a "one-man", "one-vote" basis. This is a credit union X-rayed. It shows only the skeleton; beyond that is it's heart, an elusive "X" factor, evolving from this process of self-government, self-involvement, self-help, and, mutual trust which, in the end, forms a bond of loyalty, stronger than any written contract, yet devised by man. The most distinguishing characteristic of a credit union is, that a man's character is the principal security for a loan.

The credit union concept was first undertaken in Germany in the mid-nineteenth century. The crop failure of 1846 had been followed by a particularly harsh winter, which led to starvation and finally mass looting of the grain mills. Herman Schulze, a reformist from the town of Delitzsch, started a loan association to help urban shopowners and craftsmen, unable to cope with the high interest rates. This effort quickly failed since, primarily, borrowers were not required to save, and, wealthy investors simply lost interest in the operation when they saw little chance of making an attractive profit. He tried again; only, this time everyone had to save, in order to borrow and, no wealthy patrons were allowed to invest. Moreover, the association operated on the basis that all members were equally responsible for the debts of the association. The association was fully democratic. Authority was in the general membership which allowed one vote for each member, regardless of the amount he had on deposit; and, each member was required to spend at least some time in the routine affairs of the organization.

Meanwhile, in the rural areas of Germany, Friedrich Wilhelm Raiffeisen, the young major of Flammersfeld and its 26 surrounding villages, was humanizing this process and making a lasting contribution to the concept. Schulze was a sensitive person, but Raiffeisen, was a deeply religious idealist. Schulze saw low-cost credit as an end in itself. Raiffeisen, saw it as a means of curing the cause of poverty through selfhelp, rather than simply the means of providing temporary relief for financial problems. Because of this contribution, it was Raiffeisen, the idealist, who earned a place in history as the "Father of the Credit Union Movement".

In 1900, the credit union idea became implanted in North America. That chapter is tied to the personality of a French Canadian journalist, Alphonse Desjardins, who, like Schulze and Raiffeisen, was deeply touched by the economic plight of his friends and neighbors. He learned of the national scope of Canada's poverty and loan-shark operations, while covering hearings in Parliament on a bill, to outlaw usury. Testimony revealed the details of a case in which an individual had been charged 1200 per cent interest on a small business loan; that turned Desjardins to action. In September of 1900, he discussed these problems with a few friends. Upon drawing up a constitution and by-laws, the committee realized that there was no law, authorizing the establishment of such a financial institution. It was Desjardins' deter-



Federal Examiner, Warren G. H. Rowe, presents, for the fifth time in a row, Rolf Hoehn, NYC UM 7, President, and Hildegard Wichmann, NYC UN 3, Secretary, the "Thrift Honor Award".

mination that kept the project moving "Everything that is not prohibited, is permitted" he said; and, on January 23rd, 1901, La Caisse Poulair de Levis (Credit Society of the People of Levis) opened for business. The first deposit was a dime. By the end of the day deposits were US-\$ 26.40. Within four months, the new credit union society was serving 840 members and had US-\$ 8,000.00 out in loans.

The immediate success proved to Desjardins, already during the first year, that the cooperative principle of mutual trust, inherent in a small group, provided all the necessary security.

Presently there are 28,000 credit unions operating and touching the lives of 35 million people in North America alone. One could wonder, what Schulze, Raiffeisen, Desjardins, Filene and Bergengren would say about that! They probably would say "Let's go out and organize just one more, before sundown".

Looking back to our credit union's humble beginning, we were confronted with the nearly impossible

task to organize, promote and administer a house bank. Each volunteer has spent numerous after working hours in an unselfish manner to establish and complete the desired goal. After nine months of troublesome operation, our assets amounted to US-\$ 55,000.00 with the "horrendous" high profit of US-\$ 919.39, but an idea was born and even after our fellow employees, who invested each month a few dollars, saw, that they would not receive any interest distribution, kept their funds in the credit union as a personal sacrifice to promote this idea.

In 1972, we paid the first dividend on members savings, a negligible 3³/₄ per cent, but the employees kept supporting their credit union. By the end of 1972, we were able to pay 5 per cent on deposits and were at least competitive with other savings and thrift institutions. The continued growth of our savings and loan volume permitted us to gradually raise the interest rate to the present 6³/₄ per cent, while the loan rate was reduced from 12 per cent to 10.8 per cent.

Additionally, the credit union sells American Express money orders, travelers cheques and engages in a limited way in the exchange of foreign currency.

The Federal Credit Union has now been operating successful for over six years and nearly 75 per cent of Lufthansa's U. S. work force has joined!

On December 31, 1976, our assets exceeded the 1 million dollar mark and by year end we project assets close to 1.5 million dollars and outstanding loans exceeding 1 million dollars, as well as investments of approximately 0.3 million dollars.

The sponsors and members of our credit union should be proud of their roles which they have been privileged to play, in proving the validity of the credit union idea. The credit union philosophy stands today, as a proven financial instrument for solving human problems, attaining desired goals, for helping people achieve personal economic security, and, a better standard of living through self-help, without dependence on government or charity.

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