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Credit unions lending, say no bailouts are needed

By Tony Adams

Polly Bell's blood pressure rises every time she hears that banks aren't lending money to consumers.

That's because the chief executive officer of MEA Federal Credit Union knows her offices in Columbus have been making loans amid a national financial crisis.

"What's frustrating is they're hearing in the media that (consumers) can't get loans anywhere," Bell said Tuesday.

"There are potential credit union members out there who can get loans, who can get their financial needs met. They don't have to wait for the banks to ease credit. We already are lending to our members."

A report released Tuesday by Duluth, Ga.-based Georgia Credit Union Affiliates appears to back up Bell's assertion. It shows the 170 credit unions in the state loaned \$4 billion collectively in 2008, down from \$4.1 billion the year before.

But more loans were approved for at Georgia credit unions last year than in 2007, with the number rising from 348,000 to 360,000. It's just that the average loan amount dipped from \$11,874 to \$11,029.

"The biggest driver in that was mortgages," said Eric Jenkins, senior vice president of growth services with Georgia Credit Union Affiliates. "We had, unfortunately in '08, less mortgage applications and less car loans, which inflate the average balance, and more of the personal consumer-type loans."

But there have not been any government bailouts of the credit union sector like those faced by traditional for-profit banks, savings and loans, and credit card firms, Jenkins said.

None of Georgia's credit unions have become insolvent, he said. Just the opposite, the average capital reserve rate — excess cash on hand — stands at an average 14 percent in the state. The minimum regulatory requirement is 7 percent.

Instead of paying traditional stock shareholders in far-flung places across the U.S. or around the globe, the credit unions reward their members — 1.8 million of them in Georgia, Jenkins said.

"Any excess earnings that credit unions accumulate are able to be returned back to their members in the form of

lower interest rates on loans, higher rates on deposit CDs, IRAs, lower fees on checking type accounts,” he said. “And that’s what the index points out.”

Notable data from the report show in 2008 the average rate for a 60-month new car loan at credit unions was 5.79, compared to an average 7.8 percent at banks. The average credit-card rate at the Georgia credit unions was 11.53, lower than the average 12.41 percent at banks.

On the flip side, the credit unions last year charged slightly higher rates on 15- and 30-year mortgage loans — 3.09 and 5.73 percent, respectively, compared to 3.04 and 5.26 percent for banks.

MEA did see smaller loans last year, but more of them, Bell said, with members reluctant to borrow because of concern over losing jobs. But that has been turning around so far this year with more people shopping for new-car bargains.

The CEO said her credit union’s capital-reserve level is at 18 percent.

“So regardless of what pressures we might have with unemployment or maybe high delinquencies, we’re well positioned to weather that through the remainder of the year,” she said. “We’re also positioned to take advantage of the increasing loan market as it occurs.”

When a rebound will occur right now is anyone’s guess, Jenkins conceded. The credit union index, to be updated at the end of June, should help gauge the situation, he said.

“Anecdotally, we believe things are probably pretty flat so far in 2009,” he said. “We don’t think there’s been any serious fall-off. We also don’t have the numbers to say that there’s been some real bounce-back either.”

Economic experts have been projecting the end of the recession — which started in December 2007 — later this year or in early 2010.

“If this period of downturn occurred in the latter part of 2007, according to the economists, we are seeing the opportunity for a better tomorrow with every day that passes,” Bell said.

MEA is the third-largest credit union in Columbus, with \$44 million in assets.

It’s ranked 40th out of the 170 in Georgia.

TIC Federal Credit Union is the largest in the city — and 9th largest in the state — with \$206 million in assets.

Aflac Credit Union has \$140 million in assets and ranks second in the city, 14th in the state.

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