

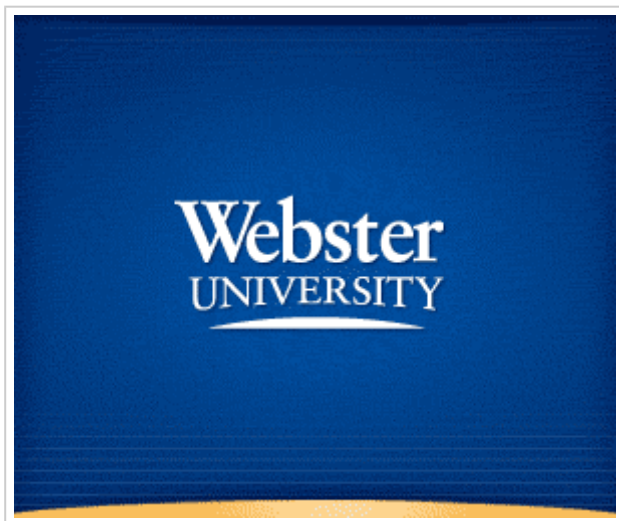
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Georgia credit unions doing well
in recession

A report says they are lending more and that savings grew.

By [Walter C.
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ATLANTA - Despite a global recession, Georgia's 444 credit unions increased the amount of money they loaned out in 2008 by more than 8 percent compared to the previous year, according to a report released this week.

"Georgia credit unions are very safe. Their capital structure is very strong, and they have quite a bit of money to lend," said Mike Mercer, president of the Georgia Credit Union Association.

The report, prepared by the Credit Union National Association, also shows that savings grew by more than 10 percent as consumers trimmed back their spending.

Credit unions - non-profit, member-owned financial institutions - have always had conservative lending practices, Mercer said. So when banks grew more conservative about who they would lend to and how much, they came closer to the practices credit unions had already been using.

Still, credit unions have gotten a little more cautious and are requiring larger down payments, according to Bobby Michaels, president of the CORE Credit Union in Savannah.

"We might not give as much as people used to get, but we're still loaning money," he said.

Delinquencies at the state's credit unions also grew from 0.7 percent of assets in 2007 to 1.1 percent in 2008, a 57 percent jump. But no Georgia credit unions have failed this year when five banks have so far.

"Credit unions are no different in what we have felt in the challenges," said Phyllis Cochran, president of the Augusta Veterans Administration Hospital Federal Credit Union.

Employee layoffs in communities around the state have had an impact on credit unions, she said. For example, there has been a rise in what she calls voluntary repossessions of cars, in which the owners relinquish the vehicles when they can no longer make the payments.

"We've seen more of that in the last 12 months by folks who just didn't anticipate what was going to happen," she said.

The report also notes that credit unions charge lower fees, lower loan rates and pay higher interest to borrowers when compared to the average bank in the state. For example, financing a new car at a credit union would save the average borrower \$244 in interest over the life of a five year loan compared to a bank, according to the report.

Joe Brannen, president of the Georgia Bankers Association, doesn't dispute the comparison.

"If they can do that, it's because they pay no state, local or federal taxes," he said.

He said Congress continues to grant tax exemptions to credit unions even though many compete with banks for depositors. He argues that credit unions have an unfair advantage since they have broadened membership in recent years beyond small clubs and employee basis.

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