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## News

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### Georgia's credit unions OK despite recession Economic downturn

By Walter C. Jones | Morris News Service | Story updated at 9:46 pm on 5/2/2009

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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 last 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

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spending and tucked more away for emergencies.

Credit unions - nonprofit, member-owned financial institutions - always have had conservative lending practices, Mercer said. So when banks grew more conservative about whom they would lend to and how much, they came closer to the practices credit unions already had 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," Michaels said.

And no Georgia credit unions failed this year, while 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, Cochran 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 no longer can make the loan payments or had to chose between paying on a car loan or a home mortgage.

"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 and 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," Brannen said. "If you don't pay taxes like banks do, your cost of doing business is 40 percent less."

Congress continues to grant tax exemptions to credit unions even though many compete with banks for depositors, he said.

Originally published in the Athens Banner-Herald on Sunday, May 03, 2009

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