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Banks have you scared? Why credit unions may be options

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The news from AJC banking reporter Paul Donsky is more often bad than good when it comes to the health of the Georgia banking industry. In late December, Donsky reported that five more small Georgia banks had joined the list of those regulators have brought increased pressure upon.

About one third of Georgia's more than 300 banks have faced the same scrutiny, Donsky wrote.

Despite the woes, we're not likely to withdraw our money and head for the hills. First, our deposits are still secure, with up to \$250,000 insured by the FDIC. Secondly, there is another option touted by one segment of the financial industry: credit unions.

It's not that credit unions are immune to recessionary pain; they just haven't been gashed as severely. None of Georgia's 170 credit unions have failed and they have a combined \$15 billion in capital, said Michael Mercer, president and CEO of [Georgia Credit Union Affiliates](#).

"They are not immune," said Greg McBride, senior financial analyst for Bankrate.com.

"Unemployment among their members has increased as well. But credit unions weren't doing crazy option arms and things like that. They are weathering the storm better."

In [Bankrate.com's](#) Safe and Sound rating system, which takes a close-up look at financial institutions, only one percent of credit unions nationally earned one star, while 10 percent of banks received the low, one-star rating.

So, what are the advantages of using a credit unions, which are nonprofits? Because they do not have to be concerned about generating earnings for shareholders, credit unions can generally:

- Offer lower rates on loans
- Have higher rates on deposits
- Have lower and less punitive fees
- Boast outstanding customer service

"Most of our credit unions are in very good shape," Mercer said. "We went into the crisis with strong reserves."

Credit unions, by nature, do not issue high-risk loans. While it may be harder to get a loan from a credit union, those who do get them are better positioned to repay them, Mercer said. As a result, the credit unions are not embroiled in the real estate debacle. Additionally, they do not make commercial development loans at all. Most of their losses have come in car loans and credit cards, Mercer said.

At the end of September, 129 of the Georgia credit unions had less than \$50 million in assets. They've also increased their collective leverage with the shared branch network, as individual credit unions form a cooperative relationship to offer member services. There are some credit unions in grocery stores, they have launched online services and they are increasingly available to the public rather than exclusively to employees at certain companies.

Banks have deeper pockets, bigger muscle and more visibility. They can make loans to suit the needs of even the most wealthy. Plus, despite credit unions' shared branch network, large banks are simply more convenient. Credit unions can, however, more evenly stand toe to toe with community banks, many of which in Georgia are in turmoil.

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