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# Focus

## Finance Monthly

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### FINANCE MONTHLY

## A conversation with: David Adams

By Tom Henderson

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**David Adams** is president and CEO of the Livonia-based **Michigan Credit Union League**, a trade organization that represents 345 state credit unions and their 4.4 million members. He spoke with *Crain's* reporter **Tom Henderson** about issues facing his member organizations.

**Lost in the cash-for-clunkers hoopla was the successful credit union program "Invest in Michigan," which offered members the same rates General Motors and Chrysler offer the employees of their suppliers. Is the program still in effect?** Absolutely. With GM, we expect that we'll extend the contract that runs through December until the end of 2010.

Chrysler had temporarily suspended it when they went all in for cash for clunkers, but we expect a Chrysler discount for credit union members to be reimplemented soon. Nationwide, 200,000 cars and trucks were sold through the program. Our members in Michigan have had a 32.6 percent growth in auto loans since the program was initiated in January.

**Credit unions continue to consolidate through merger. Why?** Nationally, we lose four to five percent of our credit unions every year. The main driver is that technology offers economies of scale. All deposit institutions are under a lot of pressure on their bottom lines with shrinking net margins. That causes credit unions to combine together to create a larger institution that can drive down costs. But the big difference between banks and credit unions is when credit unions merge, the surviving entity is still based in Michigan. They don't get gobbled up by out-of-state institutions, like you see with banks.

**How about assets and membership?** Credit union assets have grown, while assets for FDIC-insured institutions have shrunk. For the 12 months that ended June 30, assets in Michigan credit unions grew by 8.7 percent, loans were up by 5.8 percent and membership was up 0.2 percent. The reason membership growth wasn't higher was because of a declining state population.

**Why don't new credit unions open more often?** Credit unions are not-for-profits. There are no outside shareholders, so you can't form credit unions the way you can banks. You just need a group of investors to say, "Let's start a bank in Alpena," and they can start one. Credit unions are formed when people pool their deposits. There's no seed capital, which makes it difficult to start one. There is one small credit union forming to serve the Indian tribe in Mt. Clemens, but other than that, we haven't had a credit union form in Michigan in 25 years.

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