

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: March 2008 LETTER NO.: 08-CU-04

TO: Federally Insured Credit Unions

SUBJ: State of the Credit Union Industry as of December 31, 2007

**ENCL: Financial Trends in Federally Insured Credit Unions
January 1 – December 31, 2007**

Dear Board of Directors:

Enclosed is a report highlighting credit union financial trends for 2007. We based our analysis on data compiled from the quarterly call reports submitted by all federally insured credit unions.

The financial condition of the credit union industry remains sound, as indicated by high net worth levels. Consistent with the last several years, the majority of the loan growth in 2007 came from the real estate sector. Delinquency, especially in the real estate portfolio, increased significantly during 2007. It is important to note the increases in delinquency, though substantive, do not threaten the overall safety and soundness and stability of the credit union industry.

Credit unions with a large or increasing real estate loan portfolio need to maintain vigilance in their asset-liability management and liquidity management planning processes, as well as address the credit risk implications in light of ongoing developments in the real estate sector of the market. All credit unions need to ensure the loans they make reflect not only the needs of the members but also the risk profile of the credit union in order to control future losses.

Thank you for your cooperation in submitting your financial and statistical data in a timely manner.

Sincerely,

JoAnn Johnson
Chairman