NCUA LETTER TO CREDIT UNIONS

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

DATE: July 2009 LETTER NO.: 09-CU-15

TO: Federally Insured Credit Unions

SUBJ: Credit Union Financial Trends for the First Quarter of 2009

ENCL: Financial Trends in Federally Insured Credit Unions

January 1 - March 31, 2009

Dear Board of Directors:

Enclosed is a report highlighting credit union financial trends for the first three months of 2009. The analysis is based on data compiled from the quarterly call reports submitted by all federally insured credit unions.

Overall, the financial condition of the credit union industry remains sound. However, the current financial environment and adverse economic conditions are impacting credit union trends. Delinquency and net charge-offs continue to increase, especially in the real estate sector, indicating continued elevated concerns in the credit quality of loan portfolios.

Consistent with the last several years, the loan growth in the 1st quarter of 2009 came from the real estate sector with the primary funding sources being higher cost share accounts and borrowed funds. The cyclical influx of share growth was noted in the 1st quarter.

Given the current issues within the mortgage and credit markets, credit unions originating real estate loans are encouraged to remain vigilant and enforce sound underwriting practices. Management must continue to follow proper risk management practices to mitigate future losses while continuing to meet member needs. Credit unions with higher levels of liquidity or interest rate risk must maintain diligent risk management procedures.

I will continue to pursue initiatives and any available assistance to help protect the safety and soundness of the credit union industry and your members. Thank you for your cooperation in submitting your financial and statistical data in a timely manner.

Sincerely,

/s/

Michael E. Fryzel Chairman