National Credit Union Administration
2001 Annual Report

financial highlights 2001

NCUA Operating Fund

Operating fee revenue	$ 46.9 million
Other income	1.1 million
Total revenue	48.0 million
Expense budget	140.6 million
Actual expenses	132.6 million
Expenses transferred to Share Insurance Fund	88.5 million
Operating Fund expenses	44.1 million
Net income (loss)	3.9 million
Operating Fund balance	6.1 million

National Credit Union Share Insurance Fund

Total revenue	$ 254.6 million
Operating expenses	90.5 million
Insurance loss expense	-0- million
Net income	164.1 million
Reserve for losses	51.0 million
Fund balance	5.0 billion
Equity ratio (fund balance as percentage of insured deposits)	1.25 percent

Central Liquidity Facility

Net income before dividends and interest on deposits	$ 34.8 million
Dividends and interest on deposits	34.8 million
Total assets	985.0 million
Retained earnings	11.4 million
Capital stock	956.7 million

Federally Insured Credit Unions

Number of credit unions	9,984
Total assets	$ 501.4 billion
Total insured shares	402.7 billion
Total loans	322.3 billion
Net worth to assets	10.8 percent
Share growth	15.2 percent
Ratio of loans to shares	73.8 percent
Delinquency ratio	0.85 percent
Net income (before reserve transfers)	0.96 percent

contents

The National Credit Union Administration (NCUA) is the independent federal agency that charters, supervises and insures the nation's federal credit unions, and it insures many state-chartered credit unions. NCUA is funded by the credit unions it supervises and insures.

The 2001 NCUA Annual report is this agency's official report to the President and the Congress of the United States. The report includes the financial statements of the NCUA Operating Fund, the National Credit Union Share Insurance Fund and the Central Liquidity Facility.

NCUA, 1775 Duke Street, Alexandria, Va., 22314-3428   703-518-6300   http//www.ncua.gov

NCUA's mission

Formed to serve and protect

NCUA’s mission is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend credit for productive and provident purposes to all Americans, particularly those of modest means.

NCUA strives to ensure that credit unions are empowered to make the necessary business decisions to serve the diverse needs of their members and potential members. We do this by establishing a regulatory environment that encourages innovation, flexibility and continued focus on attracting new members and improving service to existing members.

board statement

A new era of leadership

In 2001, both the National Credit Union Administration and America's credit unions embarked on a journey into the 21st century. While events of the year resulted in our nation's spirit and sense of purpose being renewed like seldom experienced in our lifetime, America's credit unions continued unabated their sense of purpose and heartbeat for providing affordable financial services to people from all walks of life.

This past year also marked new leadership and a new era at NCUA – with a new Board and Chairman but with the same historical commitment to safety and soundness, coupled with a belief that we must create a regulatory environment encouraging innovation and empowerment both for credit unions and their members. This commitment is certainly reflected in the strong performance recorded by credit unions over the past 12 months. During 2001, credit union assets and shares grew to $501 billion and $437 billion respectively, with capital remaining strong at 10.84 percent. The number of credit union members nationwide grew to over 79 million people and the loan-to-share ratio stood at 73.76 percent at year-end, demonstrating that credit unions are still effective in meeting their members' financial needs with the low-cost loans that have become their trademark.

In addition to this performance by the credit unions NCUA regulates and insures, the Board itself demonstrated its commitment to more responsive accountability for agency operations and finances by conducting NCUA's first ever Public Forum and Budget Briefing, which resulted in stakeholders having a better understanding of the agency's budget and operations. Likewise, the NCUA initiated an internal Accountability in Management self-study, which presented opportunities to streamline operations, reallocate resources and improve the overall efficiency of the agency. These important initiatives are being implemented and will remain a high agency priority in 2002.

By adopting initiatives such as RegFlex, the revised incidental powers rule and the risk-based examination schedule, NCUA is moving to transform itself from a "one-size-fits-all" regulatory approach to one that is more risk-based. This approach will serve to strengthen NCUA's safety and soundness program, even as it provides a regulatory framework that offers greater empowerment and flexibility for credit unions as they continue to serve their members in an ever changing and demanding financial marketplace.

Looking ahead to 2002, NCUA will seek to build upon last year's impressive record of success in reaching out to millions of underserved Americans who, without access to credit union services, all too often may find themselves dependent on what might be termed predatory lenders. Last year, 164 credit unions voluntarily took advantage of streamlined procedures, adopted over 16.1 million potential new members living in underserved areas to their fields of membership, and established both a presence and a plan to serve those communities and neighborhoods.

Empowering credit unions to serve underserved communities remains a priority for NCUA. Toward this end, we are pleased to announce Access Across America, an unprecedented NCUA initiative to enhance and build upon the success of our underserved initiative in 2001. Access Across America is designed to focus NCUA resources on building economic empowerment for people from all walks of life. Building on past successes and embracing future opportunities, NCUA will continue to partner with credit unions and other governmental entities in identifying additional ways to extend access to affordable financial services.

As we move forward, NCUA remains steadfast in providing first and foremost a safe and sound regulatory environment, one that encourages innovation and empowers credit unions to meet the challenges and opportunities that a new year brings to both credit unions and their members.

Dennis Dollar

Chairman Dennis Dollar

JoAnn M. Johnson

Board Member JoAnn M. Johnson

Deborah Matz

Board Member Deborah Matz

administration

Evolving to ensure sound credit unions exist today and tomorrow

J. Leonard Skiles
Executive Director

2001 was a challenging, successful year for credit unions and NCUA. Credit unions' strong health is evident by the historical low levels of problem credit unions, high levels of capital and continued growth in members served.

Major NCUA accomplishments in 2001 include:

- Finalized plans to shift to risk-focused examinations in 2002;
- Developed a flexible examination schedule that extends the examination cycle for qualified credit unions from 12 to 18 months – directly reducing NCUA's budget;
- Posted record-setting federal field of membership expansions, particularly in underserved communities;
- Adopted a regulatory approach that encourages credit union innovation and competitiveness, evidenced by RegFlex and incidental powers regulations; and
- Approved a budget for 2002 that emphasizes controlling budget growth, identifying efficiencies, reducing staff and improving productivity.

Throughout 2001, NCUA concentrated on assessing short- and long-term plans to ensure an efficient use of resources while maintaining an appropriate focus on safety and soundness. Introducing a risk-focused examination process and reviewing NCUA's organizational structure were two critical elements of our review.

The risk-focused examination program, discussed in greater detail in the supervision section of this report, will be fully implemented in the latter part of 2002, after NCUA's examiner corps is fully trained in this innovative approach to examining and supervising credit unions. Importantly, the new exam program will enable NCUA field staff to more efficiently use our finite resources.

As part of NCUA's strategic planning and as requested by Chairman Dennis Dollar, via his Accountability in Management (AIM) initiative, all areas of agency operation are being reviewed to determine efficiency and effectiveness. NCUA's 2002 budget incorporated many recommendations attributed to that purpose and one result was the consolidation of several central offices. Consolidation coupled with regional staff reductions, due in large part to the new flexible examination schedule, results in a projected 3.4 percent reduction in staff by the end of 2002 and positions the agency to achieve at least a 4 percent staff reduction by the end of 2003.

Just as the credit unions NCUA regulates and insures continually plan for the future, we will continue to review both the central and regional office structure with an eye toward boosting efficiency and saving cost. We expect many cost saving changes in 2002 — risk-focused examinations, flexible examination scheduling for qualifying credit unions and accountability in management initiatives — will result in an improved examination program and continued good stewardship of agency resources.

In the Future

During my first year as executive director, we made a commitment to establish open, frequent lines of communication with NCUA's stakeholders. Chairman Dennis Dollar's groundbreaking idea to conduct NCUA's first open budget briefing and public forum provided an excellent opportunity for timely, direct input from our key stakeholders. Due to the success of this approach, you can be assured that NCUA will remain committed to providing open forums for gleaning input, which allows for an optimal decision-making environment.

supervision

NCUA revises exam program and schedule

NCUA substantially developed a pilot risk-focused examination program in 2001 and finalized plans to implement new time scheduling for risk-based examinations. Two internal working groups, the Flexible Examination Committee and the Future Examination Process Committee, are primarily responsible for these projects.

Examination cycle retooled

The Flexible Examination Committee (FEC) was formed in early 2000 to evaluate the scheduling cycle of federal credit union examinations. The committee concluded that while the 12-month examination cycle has been useful in controlling losses; it could be modified to give the agency more flexibility in managing resources. The current 100 percent annual examination schedule is costly, especially when it requires shifting people between exam groups and regions to perform examinations posing little or no risk to the National Credit Union Share Insurance Fund (NCUSIF).

In September 2001, NCUA implemented a risk-based examination schedule the FEC recommended. The program does not require all credit unions be examined each calendar year. Rather, the examination cycle is determined by risk to the NCUSIF, economic trends, and staff and resource availability. Low-risk credit unions may experience delayed exams (two exams in a three-year period), while others will be examined within 8 to 14 months. For credit unions with exams delayed until the next cycle, additional supervision and monitoring is required.

What is a low-risk federal credit union?

It is a credit union assigned a CAMEL code 1 or 2 in the last two consecutive examinations and it displays characteristics such as:

- In operation 10 years or more;
- Positive return on average assets;
- Net worth ratio over 7 percent, or, if applicable, meets risk-based net worth requirement;
- Adequate ALM mechanism;
- Adequate internal controls;
- Accurate, up-to-date books and records.
- No current administrative actions;
- No potentially adverse balance sheet changes;
- No high-risk programs, including pilot programs.

Over the past 25 years different events have altered the way we examine credit unions. Credit union operations have changed dramatically since deregulation, and the strong economy has resulted in a dramatic decrease in the number of problem credit unions. With NCUA making major changes to its examination approach by developing a risk-focused examination process, this is an ideal time to revise our approach for scheduling federal credit union examinations.

Risk-Focused Examinations

The Future Examination Process Committee (FEPC) is comprised of examiners, field supervisors and analysts from the six regions who share the goal of developing an examination program that better allocates agency resources to help meet NCUA's strategic goals. The program is called the risk-focused examination process.

In 2001, risk-focused examinations moved from a conceptual outline to a multi-faceted project thanks to the resources and coordination of the Office of Examination & Insurance, National Examination Council, FEPC, management development program candidates, the Training Advisory Board and many other NCUA divisions.

Risk-focused examinations are a forward-thinking approach that allocates resources to credit unions and areas exhibiting weaknesses or adverse trends. It allows examiners to allocate time and apply more scrutiny to activities posing the highest risk. Rather than evaluating a credit union solely on past performance, examiners will now focus on validating management's ability to identify, measure, monitor and control risk.

The program is based on a foundation whereby examiners monitor a credit union's risk profile. The risk profile is made up of seven specific risk categories: (1) credit, (2) interest rate, (3) liquidity, (4) transactions, (5) compliance, (6) strategic planning, and (7) reputation. Each risk category is assessed as high, moderate or low reflecting current and prospective risk to the credit union's earnings and capital. Assessing risk provides the examiner with a common supervisory tool while recognizing different levels and complexities of risk in each credit union.

Throughout the year, examiners will monitor changes in the risk profile of their district credit unions to determine:

- Frequency of examinations;
- Number of hours needed to complete examinations and provide supervision;
- Additional resource needs (subject matter examiners, specialists, team members, etc.); and
- The focus areas of each exam.

NCUA conducted a risk-focused exam pilot program in the last quarter of 2001 on credit unions ranging from $500,000 to over $1 billion in assets. Initial feedback was primarily positive from examiners and credit unions. Testing continued in the first part of 2002 and expanded to include the Iowa state supervision program. Based on feedback, the program will be refined. NCUA's entire examination staff will be trained to use the risk-focused exam during regional conferences in August 2002, and training will also be offered to state regulators. NCUA's new risk-focused examination program will be fully implemented following the regional conferences.

public affairs and legislation

Change and activity abound in PACA

2001 was a busy, eventful year for the Office of Public and Congressional Affairs (PACA) from the standpoint of public affairs activity, technology, legislation, nominations and personnel.

Robert Loftus retired as PACA director after 20 years at NCUA. Mr. Loftus provided a smooth transition for new office director, Cliff Northup, whose credit union involvement also began 20 years ago helping draft the federal legislation legalizing share drafts and making IRA's widely available for credit unions and their members.

The PACA staff worked daily with the credit union, financial and general press responding to inquiries and writing and distributing the news emerging from NCUA — from the Office of the Chairman to every division and region within the agency. Successes in 2001 included national print media coverage of faith-based credit unions and more credit unions reaching out to extend reasonably priced financial services to the many lacking access in low-income urban and rural communities.

NCUA News was produced by PACA and sent to more than 10,000 credit unions and related organizations. *NCUA News* is often the voice of NCUA for credit union officers and volunteers, those who need to know what is happening in and around the agency. Responding to media inquiries, issuing press releases, advancing media contacts, writing the *NCUA News* and *Inside NCUA*, an internal newsletter for NCUA staff, monitoring and updating the NCUA web site and producing the annual report comprise the core public affairs responsibilities of PACA.

New web page tracks legislation

To be more helpful to credit unions, their members and stakeholders, PACA added a web page (www.ncua.gov/news/legislation/legislation.html) that provides up-to-date information on federal legislation and congressional activities relevant to NCUA, along with links to additional sources of legislative information. We invite you to add this site to your "Favorites" and supply us with suggestions you think will contribute to the usefulness of this web page.

Another technology advancement in 2001 was digital photography, which allows PACA to almost immediately post photographs of NCUA Board meetings and other important events. Digital images are now imbedded in press releases and available to download from NCUA's web site for your own use. In fact, our audience can reprint anything that appears in NCUA publications, with attribution. This is another way we can be more open and accessible to our audience, a priority of the Board and the entire agency.

Appropriation legislation adds $ for special programs

NCUA provided testimony to the U.S. Congress in spring 2001 on funding the Community Development Revolving Loan Fund (CDRLF) and establishing the Central Liquidity Facility borrowing limit. President Bush signed an appropriation package into law November 26, 2001, adding $1 million to the CDRLF for loans and technical assistance programs in 2002, and the CLF borrowing authority cap was set at $1.5 billion.

NCUA recommends regulatory relief

In August 2001, Chairman Dennis Dollar and the Board, along with all federal financial regulatory agencies, provided the Financial Services Committee of the U.S. House of Representatives with legislative suggestions to address regulatory relief and economic development themes identified by the committee as the basis for new legislation. NCUA suggested: eliminate the 12-year maturity limit on loans; allow credit unions to cash checks for anyone eligible to become a member; increase the 1 percent investment limit in CUSO's; eliminate the "reasonable proximity" limit when adding new groups to a field-of-membership; expand investment authority for federal credit unions; and expand the limits on voluntary merger authority. The events of September 11, 2001, delayed progress on this legislation until 2002.

Money laundering legislation adopted

The *USA Patriot Act of 2001* became law October 27, 2001, six weeks after the terrorist attacks of September 11th. PACA was called upon to address the money laundering provisions affecting credit unions in this multi-titled, anti-terrorism bill that warranted expeditious legislative handling. Several NCUA and credit union specific amendments were added to the legislation. Consequently, the *USA Patriot Act* ensures that NCUA has an equally effective enforcement system comparable to all federal financial regulators that serves as a deterrent to any who might want to harm this country.

2001 ends with perspective new Board nominees

Before the first session of the 107th Congress adjourned in late December 2001, PACA began the process of introducing the first of two new NCUA Board nominees to the Members of the Senate Committee on Banking, Housing and Urban Affairs. The 21 U.S. Senators on the committee are responsible for reviewing and recommending NCUA Board nominees to the Senate for confirmation.

litigation, regulation and enforcement

ABA threat vanquished by courts

The United States Court of Appeals for the District of Columbia Circuit, November 9, 2001, dismissed the American Bankers Association broad attack on NCUA's field of membership regulation issued pursuant to the Credit Union Membership Access Act (CUMAA). The court's unanimous opinion found the ABA's arguments without merit and affirmed the District court's dismissal of the case.

The court rejected the ABA's argument that NCUA should count family members, pensioners and annuitants, as well as primary potential members toward the 3,000-member limit of a common bond within a multiple common bond credit union. The court also found NCUA's interpretation of CUMAA's grandfather clause was a reasonable interpretation of the Act in light of its legislative history. The NCUA regulation allows members of a group grandfathered as of August 7, 1998, to join a credit union even if they didn't become group members until after that date.

The court also found no merit to the ABA's challenges to the NCUA regulation concerning: (1) desire and intent in determining whether a group with more than 3,000 members can reasonably establish its own single common-bond credit union; (2) voluntary mergers between healthy multiple common bond credit unions; and (3) the requirement that groups with fewer than 3,000 members demonstrate they can successfully operate a credit union in order to obtain a separate charter.

Major regulatory actions taken

The Office of General Counsel processed over 25 regulatory items, including several major initiatives to alleviate regulatory burden and grant credit unions more operating flexibility and opportunities. Culminating almost two years of work, the agency issued a final incidental powers activities rule identifying permissible activities considered necessary for effective business operations. The rule lists broad categories of activities such as certification services, marketing and operational activities that include leasing, notary services, safe deposit boxes and ATMs. These are activities that were previously recognized as permissible in legal opinions issued by the NCUA Office of General Counsel. The rule also recognizes the impact of new technology on the delivery of financial services and products to credit union members by including electronic financial service activities such as web site hosting and account aggregation services among permissible activities.

RegFlex, another major rule, introduced a regulatory flexibility program that exempts credit unions with significant levels of net worth and consistently strong supervisory records from certain regulations, either in whole or in part, such as limitations on investments in fixed assets and appraisal requirements on certain loans. In addition, staff attorneys worked with the NCUA Board on several amendments to streamline the chartering and conversion process.

NCUA attorneys were speakers and trainers at numerous conferences and workshops for credit union leagues and trade associations on regulatory issues such as consumer privacy, regulatory reform, incidental powers activities, small credit union development and field of membership.

Enforcement Orders Issued

During 2001, the NCUA used supervisory enforcement powers to issue 29 prohibition orders and one cease and desist order to deal with abusive activity in insured credit unions.

credit union development

Opening doors to opportunities

The NCUA Board changed the name of the Office of Community Development Credit Unions to the Office of Credit Union Development (OCUD) in 2001 to more accurately portray the office's focus.

The OCUD and NCUA regional offices work together to foster the agency's low-income credit union initiatives. OCUD administers the Community Development Revolving Loan Fund and acts as a liaison between NCUA, low-income designated credit unions, other government agencies, trade associations and supplemental interested parties. During 2001, over 16 million people in underserved areas gained access to financial services and now have the opportunity to participate as member-owners of a credit union.

OCUD's mission is to:

- Foster the business of financial services.
- Facilitate the expansion of credit union services by chartering new credit unions and enabling field of membership expansions.
- Coordinate efforts - with third-party organizations - to improve the viability and successful operation of credit unions.

What is a low-income credit union?

"Low-income" is an official NCUA designation granted credit unions that serve a majority of members who fall below medium economic standards (contact OCUD for specifics). Low-income designated credit unions receive special benefits: authority to accept deposits from nonmembers; access to Community Development Revolving Loan Fund programs; special rules in defining field of membership (FOM); secondary capital accounts are included in establishing net worth; and an exception to the aggregate loan limit for business loans. At December 31, 2001, there were 789 designated low-income credit unions.

Community Development Revolving Loan Fund

The Revolving Loan Fund objective is to foster community development by improving credit unions' abilities to better serve members and improve the community. The Fund provides designated low-income credit unions with a source for low-cost loans and technical assistance. The Fund, administered by OCUD, received $1 million more in funding in 2001, with $650,000 allocated to the revolving loan fund and $350,000 provided for technical assistance grants. Congress appropriated another $1 million to the Fund for 2002, allocating $650,000 for the loan program and $350,000 for the technical assistance grant program. Revolving Loan Fund assets totaled $13.8 million at year-end 2001.

Low-income credit unions can apply for up to a $300,000 loan, disbursed either as notes payable or non-member share deposits. These loans have a five-year repayment period and a semi-annual repayment schedule. The Fund granted 23 loans totaling $2,657,000 in 2001. At December 31, 2001, the Fund portfolio held 74 loans totaling $9 million.

The Fund's technical assistance program provides funding for operation and development needs. Income derived from loans, interest earned on unused funds and Congressional appropriations fund the technical assistance program. The program received 213 requests for funds, totaling $1 million in 2001. In all, 161 grants totaling nearly $370,000 were approved in 2001.

Small Credit Union Program

The Small Credit Union Program (SCUP), which is monitored by OCUD, is operated by the regions to promote successful, financially healthy small credit unions (those under $5 million in assets; in operation less than 10 years with under $10 million in assets; or low-income designated credit unions). This is accomplished through appropriate use of technical and financial assistance (e.g., on-site contacts and workshops). The NCUA Board has committed 78 specialists —17 economic development specialists and 61 small credit union program specialists—to this program. There are 4,381 credit unions that fall within the SCUP criteria that are eligible to participate in the program. At December 31, 2001, there were 721 credit unions participating in the program. During 2001, the regional specialists performed 705 on-site visits providing one-on-one, on-the-job training.

Another aspect of SCUP is group training, where germane topics are addressed with program credit union officials and staff members. Outreach was in high gear during 2001, with the regions completing 43 workshops. *More than 2,100 credit union officials attended these workshops.*

New initiatives increase opportunities

Through networking efforts, OCUD has fostered partnerships with the following organizations that achieve results and opportunities for credit unions:

Neighborhood Reinvestment Corporation: Pilot programs are creating relationships between credit unions and NeighborWorks Organizations.

Community Development Financial Institutions (CDFI), Dept. of Treasury: NCUA provided information regarding CDFI's assistance programs to both credit unions and NCUA staff through workshops and newsletters in 2001. By increased awareness of CDFI programs, 25 credit unions have received over $4 million in awards. In 2002, OCUD will continue to explain available CDFI programs to credit unions and work closely with CDFI to convey an understanding of credit unions and the various fields of membership they serve.

Dept. of Housing and Urban Development (HUD): OCUD is working closely with HUD to identify and implement pilot projects with credit unions serving economically distressed areas.

Financial Management Services: FMS disburses 900 million federal payments through its direct deposit, electronic transfer account (ETA) program, and mailed checks. By implementing an ETA program, credit unions can increase their membership and income (from FMS paid fees). OCUD plans to contact state leagues and credit unions to increase understanding and interest.

Internal Revenue Service: OCUD is working with the IRS to formulate programs to promote using IRS volunteer tax preparation service for members and to provide credit unions with electronic tax filing software.

Appalachian Regional Commission (ARC): In 2002, ARC will form partnerships with credit unions to facilitate financial counseling for credit union members. OCUD will contact state leagues and credit unions to coordinate this effort.

National Service Organization (Americorp/Vista): The OCUD is working to establish a pilot project providing financial literacy programs to credit union members through credit union partnerships with the NSO.

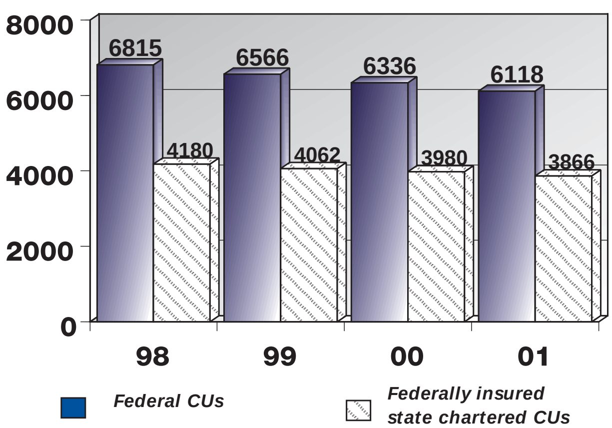
Fellow financial regulatory agencies: The OCUD and NCUA regional staffs are participating in various meetings with fellow financial agencies (Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Federal Reserve Board, etc.) to identify and create partnership opportunities for credit unions.

OCUD also plans to continue focusing on increasing business opportunities for credit unions in 2002.

credit union activity

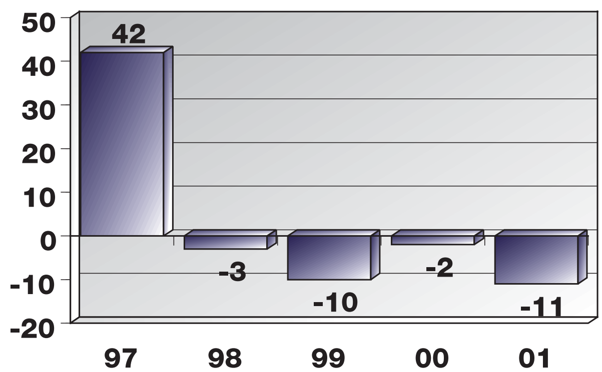
Number of federally insured CUs

December 31



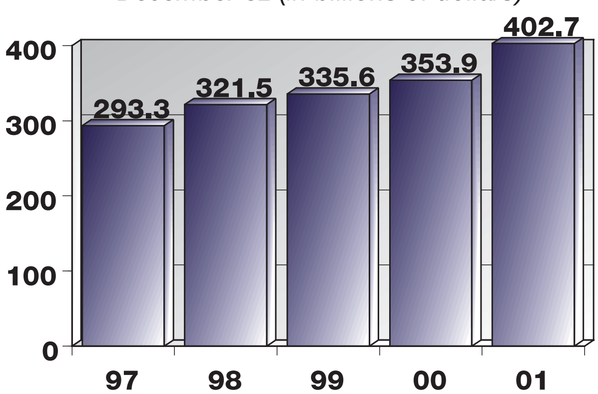
Net conversions to federal insurance

Fiscal year



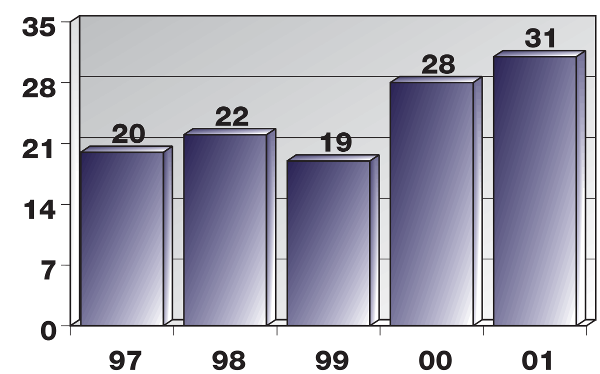
Total insured shares

December 31 (in billions of dollars)



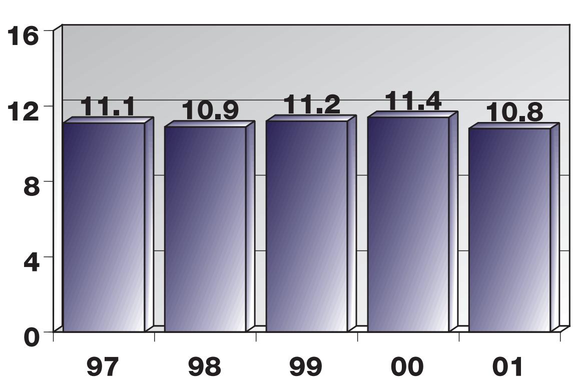
Total liquidations

Fiscal year



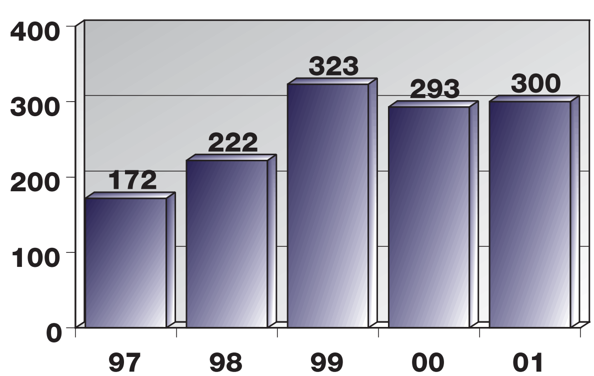
Credit union net worth ratio

December 31 (by percent)



Total mergers

Fiscal year



insured credit union activity

Changes in federally insured credit unions
Fiscal year 2001

		Federal credit unions		Federally insured state credit unions	Total
Number January 1, 2001		6,336		3,980	10,316
Additions:					
New charters		7		3	10
Conversions		7		29	36
			FCU to FISCU	29	29
			NFICU to FISCU	0	0
Total Additions		14		32	46
Mergers:		(181)		(119)	(300)
Assisted		(3)		(2)	(5)
Voluntary		(167)		(115)	(282)
Mergers in process		(11)		(2)	(13)
Liquidations:		(18)		(13)	(31)
Voluntary		(6)		(5)	(11)
Involuntary		(11)		(6)	(17)
Liquidations in process		(1)		(2)	(3)
Conversions		(33)		(14)	(47)
	FCU to FISCU	(29)	FISCU to FCU	(7)	(36)
	FCU to NFICU	(2)	FISCU to NFICU	(5)	(7)
	FCU to Non-CU	(2)	FISCU to Non-CU	(2)	(4)
charter cancelled		(0)		(0)	(0)
Total subtractions		(232)		(146)	(378)
Number, December 31, 2001		6,118		3,866	9,984
Net change		(218)		(114)	(332)

FCU = Federal credit union
FISCU = Federally insured state-chartered credit union
NFICU = Privately insured state-charteredcredit union
Non-CU = Non-credit union charter

Multiple common bond credit union expansions
January 1 - December 31, 2001

Region	I	II	III	IV	V	VI	TOTAL
Number of credit unions	186	327	291	193	192	174	1,363
Number of groups added	1,633	3,249	4,053	1,546	1,538	1,576	13,595
1-200	1,431	2,879	3,595	1,355	1,318	1,303	11,881
201-500	129	251	309	119	154	166	1,128
501-1,000	39	57	89	38	35	68	326
1,001-1,500	12	19	19	16	11	10	87
1,501-2,000	8	11	12	5	4	11	51
2,001-3,000	7	10	13	3	8	11	52
over 3,000	7	22	16	10	8	7	70
Potential new members	201,636	689,519	521,129	201,284	273,843	424,811	2,312,222
Average size of groups added	123	212	129	130	178	270	170
Applications denied	11	18	0	3	18	7	57
Deferrals*	97	314	345	12	92	40	900
Groups denied of more than 3,000	1	5	0	1	2	2	11
Groups deferred of more than 3,000	13	31	30	1	11	10	96
Largest approved[1]	6,500	160,000	29,049	6,000	65,307	150,000	416,856

* This number represents the total number of deferrals processed upon initial receipt of an expansion request. Some initial deferrals were subsequently approved or denied.

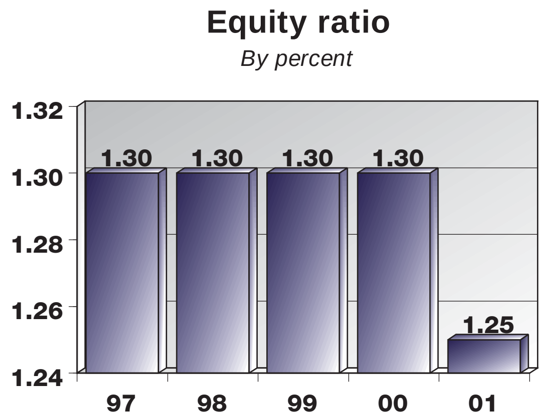
share insurance fund

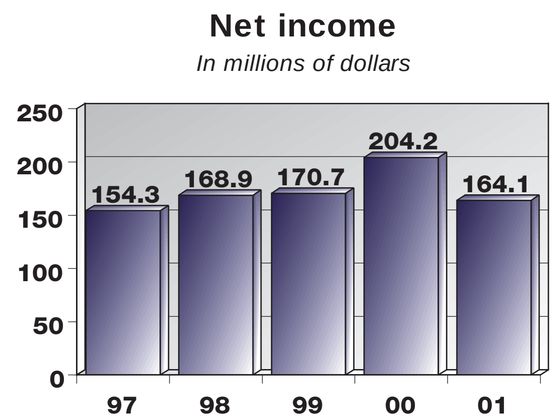
NCUSIF is strong and healthy

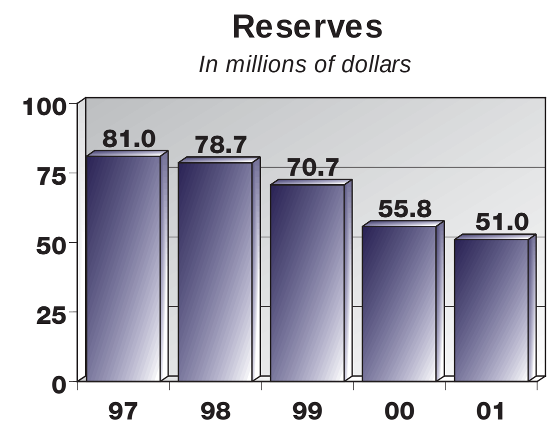
The year ended with a Fund equity ratio of 1.25 percent. Due to requirements of the *Credit Union Membership Access Act* (CUMAA), the calculation of the ratio is now based on insured share deposits from credit union call report data for the final reporting period of the year. In 2001, credit unions had record 13.8 percent insured share growth; however, in accordance with accounting principles generally accepted in the Unted States of America, the deposit adjustment credit unions submit to the Share Insurance Fund to maintain their required deposit level of 1 percent of insured shares is not recorded until March 2002. In March, the equity ratio moved above the normal 1.3 percent operating level established by the Board. During 2002, the equity ratio will change based on fluctuations in insured share deposits.

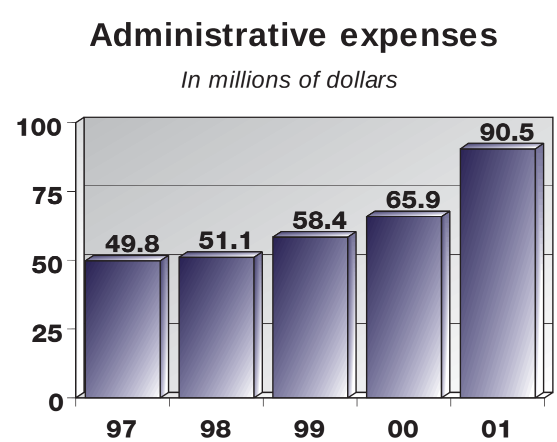
Rapid share growth quelled dividend possibilities

After six consecutive years of dividend payments, the NCUSIF was unable to issue a dividend for 2001 because the large influx of insured shares diluted the 1 percent deposit level. Total insured shares at credit unions grew to $402.7 billion during 2001. The Board approved a 1.3 percent operating level for 2001, and the Fund must rise above that level to issue a dividend.









The Share Insurance Fund's earnings in 2001 were $254.6 million before expenses. Most NCUSIF earnings were derived from its $5 billion investment portfolio, entirely comprised of U.S. Treasury securities having maturities of three years or less. Operating costs of $90.5 million were $24.6 million greater than 2000. This is primarily attributed to the change in the overhead transfer rate from 50% in 2000, to 66.72% in 2001. Net income for the year was $164.1 million.

Reserve level remains strong

During the year, Fund reserves for insurance losses remained adequate and did not require additional funding. The Insurance Fund ended the year with $51 million in reserves.

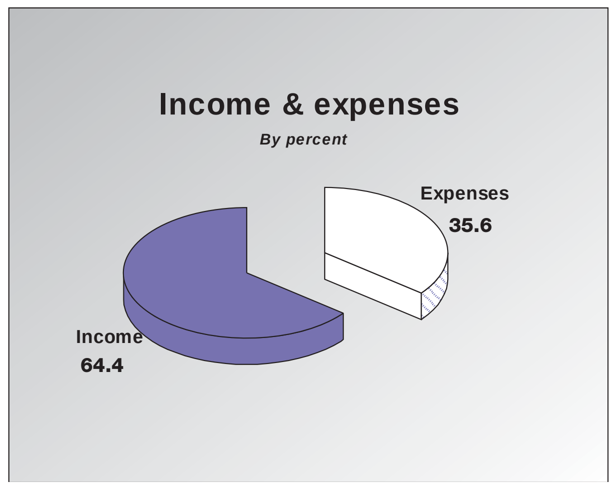
In accordance with GAAP, insurance losses are incurred when loss reserves are established for those institutions management considers of greatest risk to the NCUSIF. Most of these credit unions are classified CAMEL code 4 or 5 institutions. Monies spent on failed institutions are not considered insurance losses and are recorded as charges to reserves. Only 22 credit unions failed during the year, resulting in reserve charges of $6.2 million. This compares to 29 failures in 2000. The number of year-end problem code credit unions increased slightly from 202 in 2000 to 205 in 2001. Insured shares in these credit unions totaled

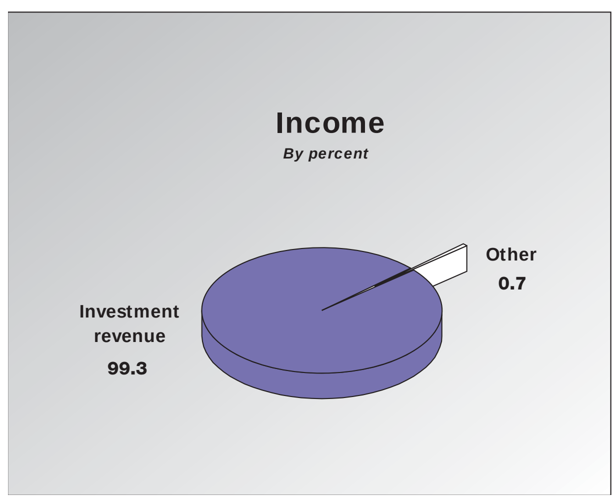
Administrative costs
(in thousands)

Fiscal year	1999	2000	2001
Direct expenses	$1,074	$2,118	$1,997
Allocated expenses	57,318	63,780	88,508
Total administrative expenses	$58,392	$65,898	90,505
Percent of NCUA total administrative expenses	50.5%	50.8%	67.2

Reserves for estimated losses
(in thousands)

Fiscal year	1999	2000	2001
Reserves—beginning of fiscal year	$78,668	$70,720	$55,759
Net charges for fiscal year	(7,948)	(14,961)	(4,736)
Provision for insurance losses	0	0	0
Reserves—end of fiscal year	$70,720	$55,759	$51,023





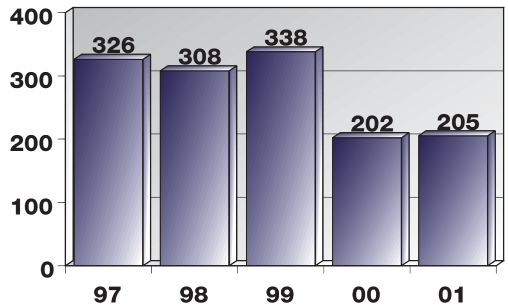
$1.7 billion, less than one-half of one percent of total insured shares.

Auditors issue clean audit opinion

The NCUSIF received its 17th consecutive unqualified audit opinion on its December 31, 2001, financial statements from independent auditors, Deloitte & Touche LLP. The audited financial statements, accompanying footnotes and independent auditors' report appear later in the report. The NCUSIF continues to be the only federal deposit insurance fund that has its financial statements audited annually by an independent accounting firm in addition to the General Accounting Office.

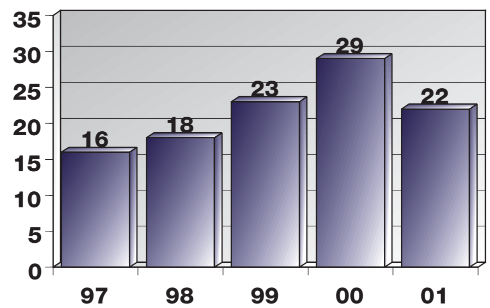
Number of Problem Credit Unions

Camel codes 4 & 5



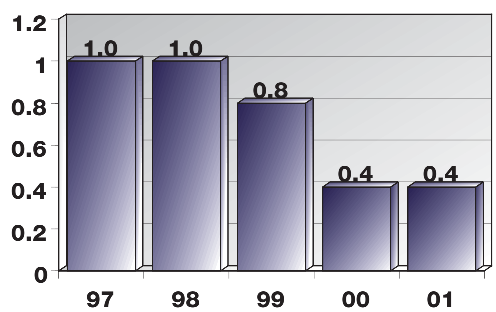
Involuntary liquidations & assisted mergers

Number of cases



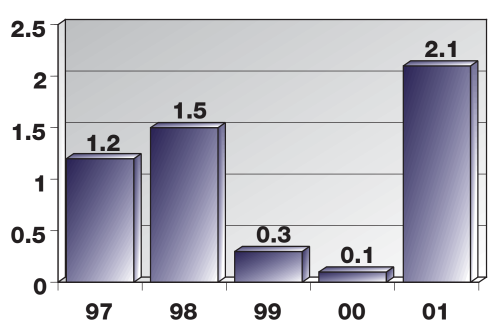
Percentage of problem shares to total insured shares

Number of cases



Cash assistance outstanding

In millions of dollars



Percentage of shares by CAMEL category

Category	1998	1999	2000	2001
Code 1 & 2	90.2%	90.1%	92.9%	94.1%
Code 3	8.9	9.3	6.7	5.5
Code 4	1.0	.9	0.6	0.4
Code 5	0.0	0.0	0.0	0.0
Totals	**100%**	**100%**	**100%**	**100%**

Summary of CAMEL code 4 & 5 credit unions

Fiscal year	1998	1999	2000	2001
Number of Code 4 & 5 credit unions	308	338	202	205
Percentage of insured credit unions	2.8%	3.2%	2.0%	2.0%
Shares in Code 4 & 5 credit unions	$3.2b	$2.7b	$1.5b	$1.7b
Percentage of NCUSIF natural person insured shares	.99%	.80%	.42%	.43%

Insured share growth in federally insured credit unions (in millions)

	Shares outstanding			
December 31	Federal credit unions	State credit unions	Total	Percentage change from prior year total shares
1990	117,881	62,082	179,963	7.7%
1991	127,316	72,467	199,783	11.0%
1992	142,139	87,386	229,525	14.9%
1993	149,229	91,101	240,330	4.7%
1994	155,480	92,173	247,653	3.0%
1995	164,582	96,856	261,438	5.6%
1996	173,544	101,914	275,458	5.3%
1997	178,948	114,327	293,275	6.5%
1998	191,328	130,129	321,457	9.6%
1999	194,766	140,857	335,623	4.4%
2000	195,871	157,871	353,867	5.4%
2001	217,112	185,574	402,686	13.8%

corporate credit unions

Funds surge and electronic services become integral

2001 was a year of unique challenges for corporate credit unions (corporates) as they positioned themselves to meet the traditional and the evolving needs of their members. Corporates experienced unprecedented liquidity growth in 2001 following a period of equally unprecedented liquidity tightening in 2000. The recent inflow of funds was fueled by a decline in consumer confidence and deterioration in the U.S. and global economies. As a result, credit union members invested more of their savings in credit unions, leading to increased deposits in corporates.

Electronic service adds efficiency

Credit unions continued to look to their corporates to deliver financial products and services through more efficient, effective means. As consumers become more comfortable with electronic services, many expect credit unions to offer “e-commerce” services. Corporates use numerous approaches to address member needs for “e-commerce,” including: developing internal systems, developing a corporate network system, and forming consortiums of e-commerce systems to share costs and benefits. Corporates are taking proactive steps to ensure credit unions remain competitive as the financial service evolution continues.

Safety and soundness must balance operating reality

OCCU remains ready to confront the demands of the changing financial and service environment in corporates. A top priority for the coming year is to finalize refinements to corporate rule, Part 704, to balance the needs of safety and soundness with the realities of financial institution operation in the 21st century.

Balancing resource needs with corporate credit union issues

To meet our goals, we must attain the resources necessary to carry out our responsibilities and use those resources efficiently. Our most valuable resource is our people. This office is committed to maintaining a staff of highly trained, motivated individuals. To that end, OCCU has recruited qualified candidates from internal NCUA and external talent pools (i.e., other government agencies, the private sector). We have developed internal training courses and utilize external training programs to ensure staff is prepared to address both short- and long-term issues facing the corporate credit union industry.

Federal corporate credit unions
December 31, 2001

Name	Location	Assets
Corporate One	Columbus, Ohio	$2,157,592,645
CorpStar	Sioux Falls, South Dakota	108,683,674
Eastern Corporate	Woburn, Massachusetts	1,235,532,106
Empire Corporate	Albany, New York	3,799,198,162
Kentucky Corporate	Louisville, Kentucky	422,078,312
LICU Corporate	Endicott, New York	5,763,144
Mid-Atlantic Corporate	Middletown, Pennsylvania	2,766,753,254
Mid-States Corporate	Warrenville, Illinois	3,399,588,990
Midwest Corporate	Bismarck, North Dakota	193,144,549
Minnesota Corporate	Eagan, Minnesota	827,261,273
Nebraska Corporate	Omaha, Nebraska	142,577,356
Pacific Corporate	Honolulu, Hawaii	407,952,983
Southeast Corporate	Tallahassee, Florida	2,506,050,270
Southwest Corporate	Dallas, Texas	5,990,888,450
Tricorp Corporate	Westbrook, Maine	447,923,028
Virginia League Corporate	Lynchburg, Virginia	870,976,212
Western Corporate	San Dimas, California	17,511,632,798
Total		**$42,793,597,206**

Federally insured state corporate credit unions
December 31, 2001

Name	Location	Assets
Alabama Corporate	Birmingham, Alabama	$ 1,089,522,171
Central Credit Union Fund	Auburn, Massachusetts	290,428,697
Central Corporate	Southfield, Michigan	2,726,922,668
Constitution State	Wallingford, Connecticut	1,014,513,970
First Corporate	Phoenix, Arizona	852,397,207
First Carolina Corporate	Greensboro, North Carolina	1,852,722,568
Georgia Central	Duluth, Georgia	1,140,504,597
Iowa League Corporate	Des Moines, Iowa	384,900,613
Kansas Corporate	Wichita, Kansas	321,162,335
Louisiana Corporate	Metairie, Louisiana	151,133,860
Northwest Corporate	Portland, Oregon	1,072,296,607
SunCorp	Arvada, Colorado	1,954,305,854
Volunteer Corporate	Brentwood, Tennessee	977,454,315
West Virginia Corporate	Parkersburg, West Virginia	224,177,455
Total		**$ 14,052,442,917**

Nonfederally insured corporate credit unions
December 31, 2001

Name	Location	Assets
Missouri Corporate	St. Louis, Missouri	$ 774,357,697
Treasure State Corporate	Helena, Montana	236,512,151
Wisconsin Corporate	Hales Corners, Wisconsin	1,277,167,836
Total		**$ 2,288,037,684**

** Effective January 2, 2001, North Dakota Corporate converted to a federal charter and changed its name to Midwest Corporate Federal Credit Union.*

Total for All Corporates	**$59,134,077,807**
(Excluding U.S. Central)	
U.S. Central Credit Union	$ 32,220,710,346

Key statistics on federally insured corporate credit unions
December 31, 2001 (in millions)

December 31	1999	2000	2001
Number:	33	32	32
Assets:	$37,417.2	$37,872.7	$56,846.5
Loans:	1,165.9	892.9	323.0
Shares:	31,397.2	30,953.3	50,143.6
Reserves:	2,688.5	2,828.8	3,140.2
Undivided earnings:	482.0	543.1	597.8
Gross income:	2,225.4	2,324.2	2,352.2
Operating expenses:	179.9	199.5	234.5
Interest on borrowed funds:	101.4	145.3	52.9
Dividends and interest:	1,825.7	1,883.2	1,915.3
Reserve transfers:	34.6	13.8	14.5
Net income:	83.8	82.4	135.0

Dollar amounts do not include U.S. Central

Significant ratios

Reserves to assets:	7.2*	7.5	5.5
Reserves and undivided earnings to assets:	8.4*	8.9	6.6
Operating expenses to gross income:	8.0	8.6	9.9
Yield on assets:	5.8	6.1	4.1
Cost of funds to assets:	5.1	5.4	3.5
Gross spread:	.7	.7	.6

Ratio dollar amounts do not include U.S. Central Reserves
**Reserves include membership capital accounts and paid-in capital*

asset management and assistance center

Responsibilities and accomplishments

The Asset Management and Assistance Center (AMAC) in Austin, Texas, performs the following roles as part of the NCUA:

- Administers all involuntary liquidations;
- Manages and disposes of assets acquired by the Share Insurance Fund;
- Prepares and negotiates bond claims on assigned cases; and
- Provides consulting services to the regional offices and credit unions.

2001 accomplishments

The AMAC processed nine involuntary liquidations, seven purchase and assumptions and seven share payouts in 2001. During this process, 5,297 share accounts were paid totaling $7.4 million. AMAC staff is working to close 96 cases placed into liquidation that represent $10,436,826 in assets (net of reserves). The AMAC is currently handling three active cases involving fraud.

Collections on loan and bond claim recoveries exceeded $8.8 million in 2001, and a sale was finalized for 1,044 non-performing consumer loans with a book value of $4,244,073. The legal department within AMAC filed three bond claims totaling $1,202,630.

The AMAC assisted all six NCUA regions with a record number 23 consulting assignments booking a total 2,307 hours. The assignments included accounting services, loan portfolio analysis and valuations, loan sales, real estate valuations, analysis of policies and procedures and bond claims. Three consulting assignments were office lease analyses for three regional offices.

The AMAC staff presented seven seminars to credit unions on lending and collections and the AMAC staff attorney made several presentations on new CUMIS bond coverage. Two AMAC analysts were selected to participate in NCUA's ongoing Management Development Program.

A new liquidation budget model was developed and implemented in 2001 to assist staff in monitoring and controlling liquidation costs. Additionally, AMAC staff revised the *Involuntary Liquidation Manual* in 2001.

Future plans

The AMAC will continue to respond to the needs of the regional offices and maintain its readiness to rapidly deal with liquidations. Consulting with the regions and credit unions on unique problems and liquidation work will continue to be major workload factors. The AMAC will also work to ensure staff remains trained and ready to deal with potential difficulties due to the current economic recession.

central liquidity facility

Sustaining confidence in the credit union system

Congress created the Central Liquidity Facility (CLF) with enactment of the *National Credit Union Liquidity Facility Act* in 1978. The CLF is a "mixed ownership government corporation" managed by the National Credit Union Administration Board. The CLF is owned by its member credit unions.

The CLF serves as a back-up lender to meet the unexpected liquidity needs of members when funds are unavailable from standard credit sources. As such, the CLF contributes to the general financial stability of the credit union industry during periods of economic volatility.

CLF borrowing cap is $1.5 billion

By statute, the CLF is authorized to borrow from any source up to 12 times its subscribed capital stock and surplus. Prior to fiscal year 2001, with the exception of the Y2K-transition period, Congress restricted the CLF's borrowing limit to $600 million through the annual appropriation process. The borrowing cap was increased to $1.5 billion for 2001 and remains $1.5 billion through fiscal year 2002 when President Bush signed the VA-HUD and Independent Agencies' appropriation bill November 26, 2001. Continuing the $1.5 billion cap assures the CLF remains a reliable, effective and low cost liquidity source in times of need.

CLF operations

The CLF returned 100 percent of net investment income to members, after funding operating expenses, for the 7th consecutive year in 2001.
This resulted in an average 3.67 percent dividend paid on members stock and liquidity reserve deposit accounts.

During the year, credit union member loan demand did not keep pace with share growth. As a result, credit union liquidity during 2001 increased above year 2000 levels. During 2001, the CLF only granted one $4 million loan to a CLF agent on behalf of a member credit union. This loan proved to be a stabilizing factor for the credit union's operations. The credit union's sponsor experienced intermittent plant closures that unexpectedly affected the credit union's cash flows. The CLF advance helped the agent address the credit union's liquidity needs while meeting its fiduciary obligation to adhere to both regulatory and board-established credit limits. While small, this loan exemplifies the CLF role of helping sustain confidence in the credit union system, whether the liquidity need is systemic or unique to one credit union.

In May 2001, the NCUA Board approved *Interpretive Ruling and Policy Statement 01-2, Central Liquidity Advance Policy*. The policy statement clarifies the role of the CLF and the circumstances when the CLF will approve a regular or agent member's request for a CLF advance.

Clean audit opinion

The CLF received an unqualified audit opinion on its 2001 financial statements from independent auditors, Deloitte & Touche LLP.

operating fund

How NCUA is funded

Credit unions fund NCUA. The cost is shared by an annual operating fee assessed federal credit unions and by a monthly overhead transfer of funds from the National Credit Union Share Insurance Fund (NCUSIF).

Share Insurance Fund supports operations

The amount or rate of the Share Insurance Fund overhead transfer is determined by a study of staff time spent on insurance-related versus supervision-related duties. The time study completed in 2000, indicated a transfer rate of 66.72 percent was appropriate for calendar year 2001.

A new overhead transfer study for 2002 was completed during the last quarter of 2001. Results of the study were brought to the NCUA Board in October, and a transfer rate of 62 percent was approved for 2002 and 2003.

Operating fees are assessed

The operating fee assessment is calculated by applying the assessment rate scale to the previous December 31 assets of individual federal credit unions. The 2001 assessment rate decreased 20.38 percent after increasing 5.4 percent in 2000. In 1998 the assessment fee increased by 9.25 percent, the first increase since 1991. There was no change in 1999. From 1994 through 1997 the operating fee assessed to federal credit unions was lowered 22.7 percent.

Operating Fund earnings, expenses and projections

The Operating Fund revenue totaled $48 million in fiscal year 2001 — $46.9 million from operating fees and the balance from interest and other income. Excess cash from the operating fee is invested in U.S. Treasury income producing securities. Miscellaneous income is provided primarily from the sale of publications. Total operating expenses for 2001 were $44.1 million, $2.78 million under the budgeted amount of $46.8 million. Most budget savings can be attributed to staff vacancies. NCUA staff remained 4.6 percent under the authorized budget level during 2001.

The 2001 budget projected over a $1.4 million net gain in the Operating Fund; however, because of budget savings incurred from vacant staff positions, the net gain for 2001 reached approximately $3.9 million.

17th clean audit opinion issued to NCUA

For 17 consecutive years, independent auditors have rendered unqualified opinions on NCUA financial statements. The auditors' report and the comparative financial statements for the Share Insurance Fund, the Operating Fund, and the Central Liquidity Facility for fiscal years 2000 and 2001 follow.

Deloitte & Touche LLP
1750 Tysons Boulevard
McLean, VA 22102-4219

Tel: 703-251-1000
Fax: 703-251-3400
www.us.deloitte.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Inspector General of the
National Credit Union Administration:

We have audited the financial statements appearing on pages 35-53 of this Annual Report of, respectively, the National Credit Union Share Insurance Fund, the National Credit Union Administration Operating Fund, and the National Credit Union Administration Central Liquidity Facility (collectively, the "funds") as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the National Credit Union Administration's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating all overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund, of the National Credit Union Administration Operating Fund, and of the National Credit Union Administration Central Liquidity Facility as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated February 22, 2002, not presented herein, on our tests of the funds' compliance with certain provisions of laws, regulations, contracts, and grants, and our consideration of their internal control over financial reporting. Those reports are an integral part of audits performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Deloitte & Touche LLP

February 22, 2002

Deloitte
Touche
Tohmatsu

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

ASSETS	2001	2000
Investments (Note 6)	$ 3,648,578	$ 3,482,730
Cash and cash equivalents	1,335,753	1,098,005
Accrued interest receivable	67,178	69,261
Assets acquired in assistance to insured credit unions	10,437	9,074
Capital notes advanced to insured credit unions	2,000	146
Notes receivable - National Credit Union Administration Operating Fund (Note 8)	30,335	31,748
Other notes receivable and advances	173	112
Fixed assets - net of accumulated depreciation and amortization (Note 3)	1,029	1,796
TOTAL ASSETS	$ 5,095,483	$ 4,692,872

LIABILITIES AND FUND BALANCE

	2001	2000
LIABILITIES:		
Estimated losses from supervised credit unions (Note 4)	$ 51,023	$ 55,759
Amounts due to insured shareholders of liquidated credit unions	6,092	7,094
Due to National Credit Union Administration Operating Fund (Note 8)	1,723	938
Accounts payable	64	7
Obligations under capital leases (Note 9)	793	1,374
Total liabilities	59,695	65,172
FUND BALANCE:		
Insured credit unions' accumulated contributions	3,812,459	3,468,932
Insurance fund balance	1,223,329	1,158,768
Total fund balance	5,035,788	4,627,700
TOTAL LIABILITIES AND FUND BALANCE	$ 5,095,483	$ 4,692,872

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	2001	2000
REVENUES:		
Interest	$ 252,853	$ 268,169
Other	1,703	1,952
Total revenues	254,556	270,121
EXPENSES (Note 8):		
Administrative expenses:		
Employee wages and benefits	66,692	47,054
Travel	8,111	6,950
Rent, communications, and utilities	2,457	1,671
Contracted services	3,910	2,744
Other	9,335	7,478
Total expenses	90,505	65,897
EXCESS OF REVENUES OVER EXPENSES	$ 164,051	$ 204,224

STATEMENTS OF FUND BALANCE
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	Insured Credit Unions' Accumulated Contributions	Insurance Fund Balance
BALANCE AT JANUARY 1, 2000	$ 3,215,634	$ 954,544
Contributions from insured credit unions	253,298	-
Excess of revenues over expenses	-	204,224
BALANCE AT DECEMBER 31, 2000	3,468,932	1,158,768
Contributions from insured credit unions	343,527	-
Excess of revenues over expenses	-	164,051
Dividends to insured credit unions	-	(99,490)
BALANCE AT DECEMBER 31, 2001	$ 3,812,459	$ 1,223,329

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 164,051	$ 204,224
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	767	507
Reserves (recoveries) relating to losses from supervised credit unions - net	(4,736)	(14,961)
(Increase) decrease in assets:		
Accrued interest receivable	2,083	(30,447)
Assets acquired in assistance to insured credit unions, net	(1,363)	869
Capital notes advanced to insured credit unions, net	(1,854)	179
Other notes receivable and advances	(61)	1,808
(Decrease) increase in liabilities:		
Amounts due to National Credit Union Administration Operating Fund	785	(680)
Amounts due to insured shareholders of liquidated credit unions	(1,002)	(1,840)
Accounts payable	57	(42)
Net cash provided by operating activities	158,727	159,617
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(165,848)	(995,369)
Collections on note receivable - National Credit Union Administration Operating Fund	1,413	1,413
Purchase of fixed assets	-	(522)
Net cash used in investing activities	(164,435)	(994,478)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from insured credit unions	343,527	253,298
Dividends to insured credit unions	(99,490)	-
Principal payments under capital lease obligation	(581)	(407)
Net cash provided by financing activities	243,456	252,891
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	237,748	(581,970)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,098,005	1,679,975
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,335,753	$ 1,098,005

SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES:

Capital lease obligations of $1,781 (thousands) were incurred when the Fund entered into leases for new equipment during the year ended December 31, 2000.

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

The National Credit Union Share Insurance Fund (the Fund) was created by the Public Law 91-468 (Title II of the Federal Credit Union Act), which was amended in 1984 by Public Law 98-369. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder account.

NCUA exercises direct supervisory authority over federal credit unions and coordinates required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual or quarterly basis depending on the size of the credit union and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if these difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is not feasible, a merger partner may be sought. If the assistance or merger alternatives are not practical, the credit union is liquidated.

The first form of special assistance is waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes, or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are sometimes guaranteed to third-party purchasers by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents and Investments - Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less. All investments are classified as held-to-maturity under Statement of Financial Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the Fund records investments at amortized cost.

Depreciation and Amortization - Furniture and equipment and capital leases are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the furniture and equipment and the shorter of the estimated useful life or lease term for capital leases. Estimated useful lives are three years for the furniture and equipment and capital leases.

Advances to Insured Credit Unions - The Fund provides cash assistance in the form of interest and non-interest-bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing their operations.

Assets Acquired from Credit Unions - The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring non-performing assets of a credit union experiencing financial difficulty. These acquired assets are maintained by the Asset

Management and Assistance Center in Austin, Texas, and are recorded by the Fund at their estimated net realizable value.

Premium Revenue - The Fund may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares outstanding as of December 31 of the preceding insurance year if the Fund's equity ratio is less than 1.3%. The NCUA Board waived the 2001 and 2000 share insurance premiums (see Note 5).

Income Taxes - The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Fair Value of Financial Instruments - The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

a. *Cash and Cash Equivalents* - The carrying amounts for cash and cash equivalents approximate fair values.

b. *Investments* - The fair value for investments is the quoted market value.

c. *Capital Notes and Other Notes Receivable* - It is not practicable to estimate the fair value of these assets as there is no secondary market, and the Fund has the ability and the intention to hold these notes to maturity.

d. *Other* - Accrued interest receivable, notes receivable from NCUA Operating Fund, payable to NCUA Operating Fund, lease obligations, due to insured shareholders of liquidated credit unions and other accounts payable are recorded at book values, which approximate the respective fair values.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, particularly the estimated losses from supervised credit unions, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Reclassifications - Certain reclassifications have been made to the prior year's financial statements in order to conform to the current presentation.

3. FIXED ASSETS

Fixed assets are comprised of the following (in thousands):

	December 31, 2001	December 31, 2000
Furniture and equipment	$ 522	$ 522
Equipment under capital leases	1,781	1,781
Total	2,303	2,303
Less: Accumulated depreciation and amortization	(1,274)	(507)
Total fixed assets - net	$ 1,029	$ 1,796

Accumulated amortization balances for equipment under capital leases as of December 31, 2001 and 2000 were $1,038,000 and $445,000, respectively.

4. PROVISION FOR INSURANCE LOSSES

Management identifies credit unions experiencing financial difficulty through the Fund's supervisory and examination process. The estimated losses from these supervised credit unions are determined by management on a specified case basis. Management also evaluates overall economic trends and monitors potential system-wide risk factors such as increasing levels of consumer debt, bankruptcies, and delinquencies. Non-specified case reserve requirements are determined based upon an assessment of insured risk and historic loss experience. The anticipated losses are net of estimated recoveries from the disposition of the assets of failed credit unions.

Total insurance in force as of December 31, 2001 and 2000, is $404 billion and $355 billion, respectively, which includes natural person and corporate credit unions. The total net reserves for identified and anticipated losses from supervised credit unions' failures is $51 million and $56 million at December 31, 2001 and 2000, respectively. Should there be no recoveries provided during the resolution process, possible additional reserves for $27 and $27.3 million would be required as of December 31, 2001 and 2000, respectively.

In exercising its supervisory function, the Fund will, at times, extend guarantees of assets (primarily loans) to third-party purchasers or to credit unions to facilitate mergers. Such guarantees totaled approximately $2,217,000 and $2,362,000 at December 31, 2001 and 2000, respectively. The estimated losses from asset and merger guarantees are determined by management on a case-by-case evaluation.

In addition, the Fund may grant a guaranteed line-of-credit to a third party credit provider, such as a corporate credit union or bank, if a credit union has a current or immediate liquidity concern and the credit provider has refused to extend credit without a guarantee. Total line-of-credit guarantees of credit unions at December 31, 2001 and 2000, are approximately $200,000 and $5,945,000, respectively. The total balances outstanding under these line-of-credit guarantees at December 31, 2001 and 2000, are approximately $77,000 and $1,674,000, respectively.

The activity in the reserves for estimated losses from supervised credit unions was as follows (in thousands):

	December 31, 2001	December 31, 2000
BEGINNING BALANCE	$ 55,759	$ 70,720
Insurance losses	(9,204)	(19,774)
Recoveries	4,468	4,813
ENDING BALANCE	$ 51,023	$ 55,759

5. FUND CAPITALIZATION

The Credit Union Membership Access Act of 1998 (CUMAA) mandated changes to the Fund's capitalization provisions effective January 1, 2000. Each insured credit union shall pay to and maintain with the Fund a deposit in an amount equaling 1% of the credit union's insured shares. The amount of each insured credit union's deposit shall be adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of not more than $50,000,000; and (ii) semiannually, in the case of an insured credit union with total assets of $50,000,000 or more. The annual and semiannual adjustments are based on member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The CUMAA mandates certain premium charges from insured credit unions and distributions from the Fund under certain circumstances. A premium charge to insured credit unions is required if the Fund's equity ratio (as defined in the CUMAA) falls below 1.2% of insured shares. Also, pro rata distributions to insured credit unions after each calendar year are required if, as of year-end:

(i) Any loans to the Fund from the Federal Government, and any interest on those loans, have been repaid;

(ii) The Fund's equity ratio exceeds the normal operating level (as defined in the CUMAA, an equity ratio specified by the NCUA Board, which shall be not less than 1.2% and not more than 1.5%); and

(iii) The Fund's available assets ratio, as defined in the CUMAA, exceeds 1.0%.

The NCUA Board has determined that the normal operating level is 1.30% at December 31, 2001 and 2000. The calculated equity ratio at December 31, 2001 was 1.25%. The equity ratio at December 31, 2000, was 1.33%, which considered an estimated $31.9 million in deposit adjustments billed to insured credit unions in 2001 based upon total insured shares as of December 31, 2000. Subsequently, such deposit adjustments were excluded and the calculated equity ratio at December 31, 2000 was revised to 1.30%.

Beginning in 2000, the CUMAA mandates that dividends are determined from specific ratios, which are based upon year-end reports of insured shares. Accordingly, dividends associated with insured shares at year-end are declared and paid in the subsequent year.

The NCUA Board declared that no dividends were payable on insured shares as of December 31, 2001, because the equity ratio, 1.25%, was below the normal operating level, 1.30%. Dividends of $99,490,000, which were associated with insured shares as of December 31, 2000, were declared and paid in 2001. Total insured shares as of December 31, 2001 and 2000, were $404 billion and $355 billion, respectively.

6. INVESTMENTS

All cash received by the Fund that is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Investments consist of the following (in thousands):

	December 31, 2001				
	Yield to Maturity at Market	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. TREASURY SECURITIES:					
Maturities up to one year	5.56 %	$ 1,515,063	$ 30,843	$ -	$ 1,545,906
Maturities after one year through five years	5.10 %	2,133,515	73,017	-	2,206,532
Total		$ 3,648,578	$ 103,860	$ -	$ 3,752,438

	December 31, 2000				
	Yield to Maturity at Market	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. TREASURY SECURITIES:					
Maturities up to one year	6.28 %	$ 1,098,748	$ 3,565	$ -	$ 1,102,313
Maturities after one year through five years	6.07 %	2,383,982	36,393	-	2,420,375
Total		$ 3,482,730	$ 39,958	$ -	$ 3,522,688

Total investment purchases during 2001 and 2000 were approximately $1.2 billion and $1.9 billion, respectively. Investment maturities during 2001 and 2000 were approximately $1.1 billion and $0.9 billion, respectively. The Fund has the capability and management has the intention to hold all investments held at December 31, 2001 and 2000, to maturity. There were no investment sales during 2001 and 2000.

7. AVAILABLE BORROWINGS

The Fund is authorized by the Federal Credit Union Act to borrow from the Treasury of the United States, upon authorization by the NCUA Board, up to a maximum of $100,000,000. The CLF is authorized to make advances to the Fund under terms and conditions established by the NCUA Board. No borrowings were obtained from these sources during 2001 and 2000.

8. TRANSACTIONS WITH NCUA OPERATING FUND

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. The NCUA Operating Fund charges the Fund for these services based on an annual allocation factor approved by the NCUA Board derived from a study of actual usage conducted by the management of these Funds. The allocation factors were 66.72% and 50% to the Fund for 2001 and 2000, respectively. The cost of services provided by the NCUA Operating Fund was approximately $88,508,000 and $63,780,000 for 2001 and 2000, respectively, and includes pension contributions of approximately $6,879,000 and $4,730,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 2001 and 2000, respectively.

In 1988, the Fund entered into a $2,161,000 thirty-year unsecured term note with the NCUA Operating Fund. Interest received was approximately $66,000 for 2001 and $76,000 for 2000. The note receivable balance at December 31, 2001 and 2000, was approximately $1,170,000 and $1,242,000, respectively.

In 1992, the Fund entered into a commitment to fund up to $41,975,000 through a thirty-year secured term note with the NCUA Operating Fund. The monies were advanced to the NCUA Operating Fund as needed to fund the costs of constructing a new building. Interest income was approximately $1,629,000 and $1,857,000 for 2001 and 2000, respectively. The note receivable balance at December 31, 2001 and 2000, was approximately $29,165,000 and $30,506,000, respectively.

The above notes mature as follows (in thousands):

	Term Note	Term Note	Total
2002	$ 72	$ 1,341	$ 1,413
2003	72	1,341	1,413
2004	72	1,341	1,413
2005	72	1,341	1,413
2006	72	1,341	1,413
Thereafter	810	22,460	23,270
Total	$ 1,170	$ 29,165	$ 30,335

The variable rate on both term notes is equal to the Fund's prior-month yield on investments. The average interest rates during 2001 and 2000 were approximately 5.47% and 5.95%, respectively. At December 31, 2001 and 2000, the rates were 4.56% and 6.05%, respectively.

The NCUA Operating Fund leases certain office space and equipment under operating lease agreements that expire through 2004. Based on the allocation factor as determined by the NCUA's Board, the Fund reimburses the NCUA Operating Fund approximately 66.72% of the total lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $654,500 and $406,500 for 2001 and 2000, respectively.

The NCUA Operating Fund's total future minimum lease payments on operating leases as of December 31, 2001, are as follows (in thousands):

2002	$ 972
2003	439
2004	326
Total	$ 1,737

9. LEASE COMMITMENTS

Description of Leasing Agreements - The Fund has entered into lease agreements with vendors for the lease of equipment that includes computers, laptops, and printers.

Capital Leases - The Fund leases computer equipment under lease agreements that expire through 2003.

The following is a schedule of future minimum lease payments as of December 31, 2001, are as follows (in thousands):

2002	$ 659
2003	164
Total	823
Less: Imputed interest	(30)
Present value of net minimum lease payments	$ 793

10. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Fund's financial instruments are as follows:

	December 31, 2001		December 31, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$ 3,648,578	$ 3,752,438	$ 3,482,730	$ 3,522,688
Cash and cash equivalents	1,335,753	1,335,753	1,098,005	1,098,005
Accrued interest receivable	67,178	67,178	69,261	69,261
Notes receivable - NCUA Operating Fund	30,335	30,335	31,748	31,748
Amounts due to insured shareholders of liquidated credit unions	6,092	6,092	7,094	7,094
Due to NCUA Operating Fund	1,723	1,723	938	938
Accounts payable	64	64	7	7
Lease obligation	793	793	1,374	1,374

11. CONCENTRATIONS

There are no significant concentrations of member share deposits within any region of the United States. Concentrations of member shares do exist within the manufacturing, governmental, and educational industries.

12. CONTINGENCIES

NCUA is currently party to a number of other disputes that involve or may involve litigation. In the opinion of management, the ultimate liability with respect to these disputes, if any, will not be material to NCUA's financial position.

* * * * * *

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

ASSETS	2001	2000
Cash and cash equivalents	$ 15,880	$ 9,923
Due from National Credit Union Share Insurance Fund (Note 4)	1,723	938
Employee advances	529	663
Other accounts receivable	93	153
Prepaid expenses	265	429
Fixed assets - net of accumulated depreciation and amortization (Note 3)	38,455	41,197
Employee residences held for resale	269	87
TOTAL ASSETS	$ 57,214	$ 53,390

LIABILITIES AND FUND BALANCE

	2001	2000
LIABILITIES:		
Accounts payable	$ 5,395	$ 3,621
Obligations under capital leases (Note 5)	2,285	3,860
Accrued wages and benefits	4,798	4,492
Accrued annual leave	7,531	6,668
Accrued employee travel	776	767
Notes payable to National Credit Union Share Insurance Fund (Note 4)	30,335	31,748
Total liabilities	51,120	51,156
FUND BALANCE	6,094	2,234
TOTAL LIABILITIES AND FUND BALANCE	$ 57,214	$ 53,390

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	2001	2000
REVENUES:		
Operating fees	$ 46,858	$ 57,752
Interest	989	1,719
Other	161	243
Total revenues	48,008	59,714
EXPENSES (Note 4):		
Employee wages and benefits	33,266	47,054
Travel	4,046	6,951
Rent, communications, and utilities	1,226	1,671
Contracted services	1,950	2,744
Other	3,660	5,360
Total expenses	44,148	63,780
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	3,860	(4,066)
FUND BALANCE, BEGINNING OF YEAR	2,234	6,300
FUND BALANCE, END OF YEAR	$ 6,094	$ 2,234

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	$ 3,860	$ (4,066)
Adjustments to reconcile excess (deficiency) of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	3,574	3,637
Loss on disposal of employee residences held for resale	28	64
Loss on disposal of fixed assets	9	-
Miscellaneous allowances	1	(8)
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	(785)	680
Employee advances	134	153
Other accounts receivable	60	105
Prepaid expenses	164	(324)
(Decrease) increase in liabilities:		
Accounts payable	1,774	(472)
Accrued wages and benefits	306	102
Accrued annual leave	863	808
Accrued employee travel	9	(61)
Net cash provided by operating activities	9,997	618
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets and employee residences held for resale	(1,272)	(1,651)
Proceeds from sale of employee residences held for resale	265	810
Net cash used in investing activities	(1,007)	(841)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(1,413)	(1,413)
Principal payments under capital lease obligations	(1,620)	(1,136)
Net cash used in financing activities	(3,033)	(2,549)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,957	(2,772)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,923	12,695
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 15,880	$ 9,923

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Interest paid during the years ended December 31, 2001 and 2000 was $1,695 and $1,933 (thousands), respectively.

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:
Capital lease obligations of $45 and $4,987 (thousands) were incurred when the Fund entered into leases for new equipment during the years ended December 31, 2001 and 2000, respectively.

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of providing administration and service to the Federal Credit Union System.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents - The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less. All investments in 2001 and 2000 were cash equivalents and are stated at cost, which approximates fair value.

Depreciation and Amortization - Building, furniture and equipment, equipment under capital leases, and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building, furniture and equipment, and the shorter of the estimated useful life or lease term for leasehold improvements. Estimated useful lives are forty years for the building and three to ten years for the furniture, equipment, and leasehold improvements.

Operating Fees - The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding December 31. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes this operating fee revenue ratably over the year.

Income Taxes - The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Fair Value of Financial Instruments - The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

> Cash and cash equivalents, receivable from National Credit Union Share Insurance Fund (NCUSIF), employee advances, other accounts receivable, accounts and notes payable to NCUSIF, and other accounts payable are recorded at book values, which approximate the respective fair values.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

3. FIXED ASSETS

Fixed assets are comprised of the following (in thousands):

	December 31,	
	2001	2000
Office building and land	$ 42,419	$ 42,383
Furniture and equipment	9,592	16,588
Equipment under capital leases	5,035	4,987
Total	57,046	63,958
Less: Accumulated depreciation and amortization	(18,591)	(22,761)
Fixed assets - net	$ 38,455	$ 41,197

Accumulated amortization balances for equipment under capital leases as of December 31, 2001 and 2000 were $2,881,000 and $1,233,000, respectively.

4. TRANSACTIONS WITH NCUSIF

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board derived from a study of actual usage. The allocation factors were 66.72% and 50.00% to NCUSIF for 2001 and 2000, respectively. The cost of the services allocated to NCUSIF, which totaled approximately $88,508,000 and $63,780,000 for 2001 and 2000, respectively, is reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In 1988, the Fund entered into a $2,161,000 thirty-year unsecured term note with NCUSIF for the purchase of a building. Interest costs incurred were approximately $66,000 for 2001 and $76,000 for 2000. The outstanding principal balance at December 31, 2001 and 2000, was $1,170,000 and $1,242,000, respectively.

In 1992, the Fund entered into a commitment to borrow up to $41,975,000 in a thirty-year secured term note with NCUSIF. The monies were drawn as needed to fund the costs of constructing a new building. Interest costs incurred were approximately $1,629,000 and $1,857,000 for 2001 and 2000, respectively. The note payable balance at December 31, 2001 and 2000, was approximately $29,165,000 and $30,506,000, respectively.

The above notes require principal repayments as follows (in thousands):

	Unsecured Term Note	Secured Term Note	Total
2002	$ 72	$ 1,341	$ 1,413
2003	72	1,341	1,413
2004	72	1,341	1,413
2005	72	1,341	1,413
2006	72	1,341	1,413
Thereafter	810	22,460	23,270
	$ 1,170	$ 29,165	$ 30,335

The variable rate on both notes is equal to NCUSIF's prior-month yield on investments. The average interest rates during 2001 and 2000 were 5.47% and 5.95%, respectively. The interest rates at December 31, 2001 and 2000, were 4.56% and 6.05%, respectively.

5. LEASE COMMITMENTS

Description of Leasing Agreements - The Fund has entered into a number of lease agreements with vendors for the rental of office space as well as the lease of office equipment that includes laptops, printers, monitors, and copiers.

Operating Leases - The Fund leases office space under lease agreements that expire through 2004. Office rental charges amounted to approximately $966,000 and $813,000 of which approximately $654,500 and $406,500 was reimbursed by NCUSIF for 2001 and 2000, respectively. In addition, the Fund leases office equipment under operating leases with lease terms of less than one year.

Capital Leases - The Fund leases computer equipment under lease agreements that expire through 2005.

The future minimum lease payments as of December 31, 2001, are as follows (in thousands):

	Operating Leases	Capital Leases
2002	$ 972	$ 1,856
2003	439	496
2004	326	38
2005	-	4
Total	$ 1,737	2,394
Less: Imputed interest		(109)
Present value of net minimum lease payments		$ 2,285

Based on the allocation factor approved by the NCUA Board for 2001, NCUSIF will reimburse the Fund for approximately 66.72% of the future operating lease payments.

6. RETIREMENT PLAN

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund, which include the Federal Employees' Retirement System (FERS). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan, employees can also elect additional contributions between 1% and 10% of their gross pay, and the Fund will match up to 5% of the employees' gross pay. In 2001 and 2000, the Fund's contributions to the plans were approximately $10,310,000 and $9,460,000, respectively, of which approximately $6,879,000 and $4,730,000 were reimbursed by NCUSIF, respectively.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers.

7. DISCLOSURES OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Fund's financial instruments are as follows (in thousands):

	December 31, 2001		December 31, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 15,880	$ 15,880	$ 9,923	$ 9,923
Due from NCUSIF	1,723	1,723	938	938
Employee advances	529	529	663	663
Other accounts receivable	93	93	153	153
Accounts payable	5,395	5,395	3,621	3,621
Obligation under capital leases	2,285	2,285	3,860	3,860
Notes payable to NCUSIF	30,335	30,335	31,748	31,748

8. CONTINGENCIES

NCUA is currently party to a number of other disputes that involve or may involve litigation. In the opinion of management, the ultimate liability with respect to these disputes, if any, will not be material to NCUA's financial position.

* * * * * *

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

ASSETS	2001	2000
Cash	$ 13	$ 14
Investments with U.S. Central Credit Union (Notes 5, 8, and 9)	979,922	919,509
Accrued interest receivable	5,095	12,968
TOTAL ASSETS	$ 985,030	$ 932,491

LIABILITIES AND MEMBERS' EQUITY	2001	2000
LIABILITIES:		
Member deposits (Note 7)	$ 16,817	$ 28,807
Accounts payable and other liabilities	102	107
Total liabilities	16,919	28,914
MEMBERS' EQUITY:		
Capital stock - required (Note 7)	956,709	892,175
Retained earnings	11,402	11,402
Total members' equity	968,111	903,577
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 985,030	$ 932,491

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	2001	2000
REVENUE - Investment income	$ 35,012	$ 58,460
EXPENSES (Note 10):		
Operating expenses:		
Group agent service fee	2	2
Personnel services	110	123
Other services	37	39
Rent, communications, and utilities	8	9
Personnel benefits	23	33
Supplies and materials	2	5
Printing and reproduction	3	4
Total operating expenses	185	215
Interest - Federal Financing Bank notes	46	1,743
Interest - member deposits	212	676
Total expenses	443	2,634
EXCESS OF REVENUE OVER EXPENSES	$ 34,569	$ 55,826

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	Capital Stock	Retained Earnings
BALANCE AT JANUARY 1, 2000	$ 880,953	$ 11,464
Issuance of required capital stock	16,657	-
Redemption of required capital stock	(5,435)	-
Dividends	-	(55,888)
Excess of revenue over expenses	-	55,826
BALANCE AT DECEMBER 31, 2000	892,175	11,402
Issuance of required capital stock	69,600	
Redemption of required capital stock	(5,066)	
Dividends	-	(34,569)
Excess of revenue over expenses	-	34,569
BALANCE AT DECEMBER 31, 2001	$ 956,709	$ 11,402

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	$ 34,569	$ 55,826
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Decrease in accrued interest receivable	7,873	3,468
Decrease in accounts payable and other liabilities	(5)	(624)
Net cash provided by operating activities	42,437	58,670
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, net	(60,413)	(9,625)
Loan principal repayment	-	58,600
Net cash (used in) provided by investing activities	(60,413)	48,975
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to member deposits	2,790	3,426
Issuance of required capital stock	69,600	16,657
Dividends	(34,569)	(55,888)
Withdrawal of member deposits	(14,780)	(2,639)
Redemption of required capital stock	(5,066)	(5,435)
Repayment of Federal Financing Bank notes	-	(1,041,000)
Net cash provided by (used in) financing activities	17,975	(1,084,879)
NET DECREASE IN CASH	(1)	(977,234)
CASH, BEGINNING OF YEAR	14	977,248
CASH, END OF YEAR	$ 13	$ 14

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Interest paid during the years ended December 31, 2001 and 2000 was $46 and $2,396 (thousands), respectively

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (the Act). The CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the National Credit Union Administration (NCUA) and is managed by the National Credit Union Administration Board. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax-exempt organization under Section 501(c)(1) of the Internal Revenue Code.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The CLF maintains its accounting records on the accrual basis of accounting.

Loans and Allowance for Loan Losses – Loans, when made to members, are on a short-term or long-term basis. For all loans, the CLF may obtain a security interest in the assets of the borrower. In determining the allowance for loan losses, when applicable, the CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

Investments - The CLF invests in redeposits and share accounts at U.S. Central Credit Union (see Notes 5 and 8). All other investments are short-term with no maturities in excess of one year. All investments are classified as held-to-maturity under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the CLF records investments at amortized cost.

Fair Value of Financial Instruments - The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

a. *Cash* - The carrying amounts for cash approximate fair value.

b. *Investments* - Securities held have maturities of one year or less and, as such, the carrying amounts approximate fair value.

c. *Loans* - For loans advanced to member credit unions, the carrying amounts approximate fair value.

d. *Member Deposits* - Funds maintained with the CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand and the carrying amounts approximate the fair value.

e. *FFB Notes Payable* - For notes issued to the Federal Financing Bank, when applicable, the carrying amounts approximate fair value.

f. *Other* - Accrued interest receivable and accounts payable and other liabilities are recorded at book values, which approximate the respective fair values.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

3. GOVERNMENT REGULATIONS

The CLF is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in Federally insured financial institutions, and shares and deposits in credit unions. Borrowing is limited by statute to twelve times the subscribed capital stock and surplus. However, there is a Congressional limitation of $1.5 billion on funds that are borrowed and then loaned out at any one point in time.

At December 31, 2001 and 2000, the CLF was in compliance with its borrowing authority.

4. LOANS TO MEMBERS

There were no loans or loan commitments outstanding at December 31, 2001 and 2000. The CLF can provide members with extended loan commitments.

5. FUNDS ON DEPOSIT WITH U.S. CENTRAL CREDIT UNION

Funds not currently required for operations are invested as follows (in thousands):

	December 31,	
	2001	2000
U.S. Central Credit Union (see Note 8):		
Redeposit Account	$ 915,246	$ 849,810
Share accounts	64,676	69,699
	$ 979,922	$ 919,509

6. BORROWING AUTHORITY

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, the President signed PL 97-101, which provided $100 million of permanent indefinite borrowing authority that may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions. On May 21, 1999, the President signed a mid-year spending bill (HR 1141) that authorized the CLF to fully utilize its borrowing authority under the Federal Credit Union Act. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity. See Note 12.

7. CAPITAL STOCK AND MEMBER DEPOSITS

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which amount is required to be remitted to the CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which is required to be remitted to the CLF. In both cases, the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

8. U.S. CENTRAL CREDIT UNION MEMBERSHIP

During fiscal year 1984, the CLF accepted a membership request from U.S. Central Credit Union (USC) on behalf of its corporate credit union members. At December 31, 2001 and 2000, $915,246,000 and $849,810,000, respectively, of the required portion of subscribed capital stock were purchased from the CLF by USC on behalf of its member credit unions. The CLF has 33 corporate credit union members as of December 31, 2001 and 2000.

In addition, by accepting the USC membership request, the CLF was initially committed to reinvest all but $50,000,000 of its total share capital in USC at market rates of interest. Beginning April 1, 1996, the CLF reinvests all of its agent member share capital in USC at market rates of interest. At December 31, 2001 and 2000, approximately $979,922,000 and $919,509,000, respectively, were invested in USC share accounts at 2.06% and 5.92%, respective yields.

9. CONCENTRATION OF CREDIT RISK

At December 31, 2001 and 2000, the CLF has a concentration of credit risk for its investments on deposit with USC of approximately $979,922,000 and $919,509,000 (see Notes 5 and 8).

10. SERVICES PROVIDED BY THE NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration provides the CLF with data processing and other miscellaneous services and supplies. In addition, the National Credit Union Administration pays CLF's employees' salaries and benefits as well as the CLF's portion of monthly building operating costs. The CLF reimburses the National Credit Union Administration on a monthly basis for these items. Total reimbursements for the years ended December 31, 2001 and 2000, amounted to approximately $183,000 and $213,000, respectively.

11. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the CLF's financial instruments are as follows (in thousands):

	December 31, 2001		December 31, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 13	$ 13	$ 14	$ 14
Investments	979,922	979,922	919,509	919,509
Accrued interest receivable	5,095	5,095	12,968	12,968
Member deposits	16,817	16,817	28,807	28,807
Accounts payable and other liabilities	102	102	107	107

12. SHORT–TERM REVOLVING CREDIT FACILITY

One April 23, 2001, the National Credit Union Administration signed a short-term revolving credit facility promissory note with the Federal Financing Bank (FFB) on behalf of the CLF. The note is entitled to the benefits and subject to the requirements of the note purchase agreement executed on July 15, 1999. The short-term revolving credit facility promissory note provides for a commitment amount of $5.0 billion and expires on March 31, 2002.

On July 15, 1999, the National Credit Union Administration signed a note purchase agreement with the Federal Financing Bank (FFB) on behalf of the CLF. The agreement provided for a commitment amount of $20.7 billion and expired on September 30, 2000. Under this agreement, the CLF could request advances from FFB on an anticipatory basis in order to meet possible extraordinary and unpredictable liquidity-need loan demands from member natural person credit unions resulting from the century date change conversion.

* * * * * *

insurance fund ten - year trends

Fiscal year	1992	1993	1994	1995[1]	1996	1997	1998	1999	2000	2001
Income (in thousands)										
Regular premium-federal	$78,889	—	—	—	—	—	—	—	—	—
Regular premium-state	44,985	—	—	—	—	—	—	—	—	—
Interest income	148,659	$142,027	$147,564	$172,926	$184,715	$201,938	$217,965	$227,281	$268,169	$252,853
Other income	5,512	4,223	2,258	2,147	2,148	2,151	2,033	1,850	1,952	1,703
Total income	**$278,045**	**$146,250**	**$149,822**	**$175,073**	**$186,863**	**$204,089**	**$219,998**	**$229,131**	**$270,121**	**$254,556**
Expenses (in thousands)										
Operating	$46,161	$43,574	$44,132	$48,384	$47,220	$49,767	$51,071	$58,392	$65,898	$90,505
Insurance losses	112,000	60,000	26,000	—	—	—	—	—	—	—
Losses on investment sales	—	—	—	—	—	—	—	—	—	—
Total expenses	**$158,161**	**$103,574**	**$ 70,132**	**$48,384**	**$47,220**	**$49,767**	**$51,071**	**$58,392**	**$65,898**	**$90,905**
Net Income (in thousands)	$119,884	$42,676	$ 79,690	$126,690	$139,643	$154,322	$168,927	$170,739	$204,223	$164,051
Data highlights										
Total equity (in thousands)	$2,555,449	$2,814,253	$3,054,308	$3,250,002	$3,412,164	$3,593,686	$3,810,677	$4,170,178	$4,627,700	$5,035,788
Equity as a percentage of shares in insured credit unions	1.26%	1.26%	1.27%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.25%
Contingent liabilities (in thousands)	$73,594	$1,334	$22	$375	$1,026	$933	$556	$1,281	$2,362	$2,217
Contingent liabilities as a percentage of equity	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCUSIF loss per $1,000 of insured shares	$0.51	$0.25	$0.10	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Operating ratios										
Premium income	44.5%	—	—	—	—	—	—	—	—	—
Interest income	53.5%	97.1%	98.5%	98.8%	98.8%	99.0%	99.1%	99.2%	99.3%	99.3
Other income	2.0%	2.9%	1.5%	1.2%	1.1%	1.0%	.9%	.8%	.7%	.7%
Operating expenses	16.6%	29.8%	29.5%	27.6%	25.3%	24.4%	23.2%	25.5%	24.4%	35.5%
Insurance losses	40.3%	41.0%	17.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total expenses	56.9%	70.8%	46.8%	27.6%	25.3%	24.4%	23.2%	25.5%	24.4%	35.6%
Net income	43.1%	29.2%	53.2%	72.4%	74.7%	75.6%	76.8%	74.5%	75.6%	64.4%
Involuntary liquidations commenced										
Number	81	54	29*	15	13	8	13	15	20	17
Share payouts (in thousands)	$124,857	$57,303	$27,279*	$11,737	$1,028	$17,888	$6,298	$5,403	$10,393	$16,290
Share payouts as a percentage of total insured shares	0.057%	0.024%	0.011%	0.004%	0.000%	0.006%	0.002%	0.002%	.003%	.004%

*Includes 2 liquidations occurring during transition quarter

[1]Effective January 1, 1995, the NCUSIF fiscal year and NCUSIF Insurance year changed from October 1 thru September 30 to a period of January 1 thru December 31

insurance fund ten - year trends

Fiscal year	1992	1993	1994	1995[2]	1996	1997	1998	1999	2000	2001
Mergers—fiscal year										
Assisted	33	17	8*	7	6	8	5	8	9	5
Unassisted	352	328	423*	297	305	164	217	315	275	295
*INCLUDES 2 ASSISTED MERGERS AND 81 UNASSISTED MERGERS OCCURRING DURING TRANSISTION QUARTER										
Assistance to avoid liquidation (in thousands)										
Capital notes and other cash advances outstanding	$101,228	$6,634	$2,673	$0	$265	$1,211	$1,466	$325	$146	$2,050
Non-cash guaranty accounts	$88,286	$16,587	$2,849	$1,134	$1,197	$1,343	$1,557	$4,516	$8,450	$2,559
Number of active cases	27	15	7	9	12	7	12	16	17	10
Number of problem case insured credit unions (CODE 4 & 5)										
Number	608	474	319	267	286	326	308	338	202	205
Shares (millions)	$7,400	$4,300	$2,430	$2,051	$1,759	$2,928	$3,181	$2,693	$1,483	$1,731
Problem case shares as a percentage of insured shares	3.4%	1.8%	.96%	.80%	.65%	.95%	.99%	.80%	.42%	.43%

December 31	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Shares in insured credit unions (in millions)[1]										
Federal credit unions	$142,139	$149,229	$155,483	$164,582	$173,544	$178,953	$191,328	$194.766	$195,871	$217,112
State credit unions	87,386	91,101	92,173	96,856	101,914	114,322	130,129	140.857	157,996	185,574
Total shares	**$229,525**	**$240,330**	**$247,653**	**$261,438**	**$275,458**	**$293,275**	**$321,457**	**$335.623**	**$353,867**	**$402,686**
Number of member accounts in insured credit unions (in thousands)										
Federal credit unions	58,366	60,746	78,835	78,245	77,243	73,566	72,848	73,466	74,125	74,886
State credit unions	34,749	36,459	44,203	55,740	41,841	45,690	49,130	52,787	57,397	61,290
Total	**93,115**	**97,205**	**123,038**	**133,985**	**119,084**	**119,256**	**121,978**	**126,253**	**131,522**	**136,176**
Number of insured credit unions										
Federal credit unions	7,916	7,696	7,498	7,329	7,152	6,981	6,815	6,566	6,336	6,118
State credit unions	4,737	4,621	4,493	4,358	4,240	4,257	4,180	4,062	3,980	3,866
Total	**12,653**	**12,317**	**11,991**	**11,687**	**11,392**	**11,238**	**10,995**	**10,628**	**10,316**	**9,984**
Insured shares as a percentage of all credit union shares	96.4%	98.0%	98.0%	99.0%	99.0%	99.0%	99.0%	94.0%	93.3%	92.1%
State credit union portion of insured shares	38.1%	37.9%	37.2%	37.1%	37.0%	40.0%	40.5%	42.0%	44.7%	46.1%

[1]Insured shares in natural person credit unions.
[2]Effective January 1, 1995, the NCUSIF fiscal year and NCUSIF Insurance year changed from October 1 thru September 30 to a period of January 1 thru December 31

federal credit union ten-year summary

Federal credit unions
December 31 (dollar amounts in millions)

December	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Number of credit unions	7,916	7,696	7,498	7,329	7,152	6,981	6,815	6,566	6,336	6,118
Number of members	38,205,128	39,755,596	40,837,392	42,162,627	43,545,541	43,500,553	43,864,851	44,076,428	43,883,106	43,816,877
Assets	$162,544	$172,854	$182,529	$193,781	$206,692	$215,097	$231,904	$239,316	$242,881	$270,125
Loans outstanding	87,633	94,640	110,090	120,514	134,120	140,100	144,849	155,172	163,851	170,326
Shares	146,078	153,506	160,226	170,300	180,964	187,817	202,651	207,614	210,188	235,202
Reserves[1]	6,176	6,976	7,616	8,351	9,092	9,371	9,837	10,314	10,837	11,339
Undivided earnings	6,793	8,338	9,584	11,445	13,087	14,365	15,468	16,546	17,279	18,596
Gross income	13,301	12,946	13,496	15,276	16,645	17,404	18,137	18,530	19,456	20,042
Operating expenses	5,329	5,578	5,964	6,468	7,246	7,793	8,241	8,551	8,721	9,287
Dividends	5,876	5,038	5,208	6,506	7,087	7,425	7,760	7,698	8,120	8,277
Reserve transfers	191	186	245	262	240	201	211	323		
Net income[2]	2,026	2,282	2,149	2,136	2,232	2,113	2,081	2,184	2,470	2,436
Percent change										
Total assets	12.9%	6.3%	5.6%	6.2%	6.7%	4.1%	7.8%	3.2%	1.5%	11.2%
Loans outstanding	4.1	8.0	16.3	9.5	11.3	4.5	3.4	7.1	5.6	4.0
Shares	12.2	5.1	4.4	6.3	6.3	3.8	7.9	2.4	1.2	11.9
Reserves[1]	11.5	13.0	9.2	9.7	9.3	3.1	5.0	4.8	5.1	4.6
Undivided earnings	27.3	22.7	14.9	19.4	14.2	9.8	7.7	7.0	4.4	7.6
Gross income	- 1.9	-2.7	4.2	13.2	9.0	4.6	4.2	2.2	5.0	3.0
Operating expenses	5.1	4.7	6.9	8.5	11.9	7.5	5.7	3.8	2.0	6.5
Dividends	-18.2	-14.3	3.4	24.9	8.7	4.8	4.5	-0.8	5.5	1.9
Net income[3]	63.9	12.6	-5.8	-0.6	4.5	-5.3	-1.5	5.0	13.1	-1.4
Significant ratios										
Reserves to assets	3.8%	4.0%	4.2%	4.3%	4.4%	4.4%	4.2%	4.3%	4.5%	4.2%
Reserves and undivided earnings to assets	7.6	8.0	8.9	10.2	10.7	11.0	10.9	11.2	11.6	11.1
Reserves to loans	7.0	7.4	6.9	6.9	6.8	6.7	6.8	6.6	6.6	6.7
Loans to shares	60.0	61.7	68.7	70.8	74.1	74.6	71.5	74.7	78.0	72.4
Operating expenses to gross income	40.1	43.1	44.2	42.3	39.4	39.4	45.4	46.1	44.8	46.3
Salaries and benefits to gross income	17.4	19.4	20.2	19.2	19.2	19.3	19.7	20.5	20.2	21.0
Dividends to gross income	44.2	38.9	38.6	42.6	42.6	42.7	42.8	41.5	41.7	41.3
Yield on average assets	8.7	7.7	7.6	8.1	8.3	8.3	8.1	7.9	8.3	7.8
Cost of funds to average assets	3.9	3.1	3.0	3.5	3.6	3.6	3.5	3.3	3.5	3.3
Gross spread	4.8	4.6	4.6	4.6	4.7	4.7	4.6	4.6	4.8	4.5
Net income divided by gross income[2]	15.2	17.6	15.9	14.0	13.4	12.1	11.5	11.8	12.7	12.2
Yield on average loans	10.4	9.4	8.7	8.9	8.5	8.7	8.6	8.3	8.5	8.2
Yield on average investments[3]	5.5	4.6	5.1	5.6	6.0	5.9	5.7	5.3	6.4%	4.9

[1] Does not include the allowance for loan losses
[2] Net income prior to reserve transfers
[3] Starting in 2000 investments includes cash on deposit and cash equivalents

federally insured credit union ten-year summary

Federally insured state-chartered credit unions
December 31 (dollar amounts in millions)

December	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Number of credit unions	4,737	4,621	4,493	4,358	4,240	4,257	4,180	4,062	3,980	3,866
Number of members	23,859,447	23,996,751	24,294,761	24,926,666	25,665,783	27,921,882	29,673,998	31,307,907	33,704,772	35,532,391
Assets	$ 98,767	$104,316	$106,937	$112,861	$120,176	$136,107	$156,787	$172,086	$195,363	$231,280
Loans outstanding	53,727	57,695	65,769	71,606	79,651	92,117	100,890	116,366	137,485	152,014
Shares	89,648	93,482	94,797	99,838	105,728	119,359	137,347	149,305	169,053	201,807
Reserves[1]	4,238	4,754	4,908	5,246	5,689	6,421	7,125	7,946	9,120	10,266
Undivided earnings	3,910	4,862	5,563	6,645	7,490	8,779	9,876	11,060	12,830	14,563
Gross income	8,182	7,878	7,955	8,932	9,736	11,124	12,309	13,413	15,714	17,385
Operating expenses	3,203	3,302	3,473	3,770	4,198	4,939	5,548	6,165	7,024	8,053
Dividends	3,664	3,109	3,145	3,889	3,367	3,790	4,229	4,315	5,256	5,547
Reserve transfers	121	114	144	147	143	138	161	190		
Net income[2]	1,300	1,462	1,289	1,241	1,298	1,381	1,424	1,566	1,859	2,060

Percent change

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total assets	18.8%	5.6%	2.5%	5.5%	6.5%	13.2%	15.2%	9.7%	13.5%	18.4%
Loans outstanding	9.1	7.4	14.0	8.9	11.2	15.6	9.5	15.3	18.1	10.6
Shares	18.5	4.3	1.4	5.3	5.9	12.9	15.1	8.7	13.2	19.4
Reserves[1]	17.1	12.2	3.2	6.9	8.5	12.9	10.9	11.5	14.8	12.6
Undivided earnings	32.5	24.3	14.4	19.4	12.4	17.2	12.5	12.0	16.0	13.5
Gross income	3.9	-3.7	1.0	12.3	9.0	14.3	10.6	9.0	17.2	10.6
Operating expenses	12.0	3.1	5.2	8.6	11.4	17.7	12.3	11.1	13.9	14.6
Dividends	-12.8	-15.1	1.2	23.7	-13.4	12.6	11.6	2.0	21.8	5.5
Net income[2]	63.7	12.5	-11.8	-3.7	4.6	6.4	3.1	10.0	18.7	10.8

Significant ratios

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Reserves to assets	4.3%	4.6%	4.6%	4.6%	4.7%	4.7%	4.5%	4.6%	4.7%	4.4%
Reserves and undivided earnings to assets	8.2	9.2	9.8	10.5	11.0	11.2	10.8	11.0	11.2	10.7
Reserves to loans	7.9	8.2	7.5	7.3	7.1	7.0	7.1	6.8	6.6	6.8
Loans to shares	59.9	61.7	69.4	71.7	75.3	77.2	73.5	77.9	81.3	75.3
Operating expenses to gross income	39.1	41.9	43.7	42.2	39.1	39.5	45.1	46.0	44.7	46.3
Salaries and benefits to gross income	16.9	19.0	20.0	19.1	18.8	19.0	19.4	20.2	19.9	20.6
Dividends to gross income	44.8	39.5	39.5	43.5	35.0	34.1	34.3	32.2	33.4	31.9
Yield on average assets	9.0	7.8	7.5	8.1	8.4	8.7	8.4	8.2	8.3	8.2
Cost of funds to average assets	4.1	3.1	3.0	3.5	3.6	3.8	3.7	3.5	3.6	3.5
Gross spread	4.6	4.7	4.5	4.6	4.7	4.9	4.7	4.7	4.7	4.7
Net income divided by gross income[2]	15.9	18.6	16.2	13.9	13.3	12.4	11.6	11.7	11.8	11.8
Yield on average loans	10.8	9.5	8.6	8.9	8.4	9.1	8.8	8.4	8.5	8.4
Yield on average investments[3]	5.7	4.7	4.9	5.6	6.0	6.1	5.8	5.4	6.3	5.1

[1]Does not include the allowance for loan losses
[2] Net income prior to reserve transfers
[3] Starting in 2000 investments includes cash on deposit and cash equivalents

historical data, federal credit unions

Historical data for federal credit unions
December 31, 1935 to 1969

Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	(Amounts in thousands of dollars)		
								Assets	Shares	Loans outstanding
1935	828		828	906	134	772	119,420	$ 2,372	$ 2,228	$ 1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	2,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	- 213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	- 216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	- 89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,633	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720

[1] DATA FOR 1935-44 ARE PARTLY ESTIMATED

historical data, federal credit unions

Historical data for federal credit unions
December 31, 1970 to 2001

Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	(Amounts in thousands of dollars) Assets	Shares	Loans outstanding
1970	563	412	151	13,555	578	12,977	11,966,181	$ 8,860,612	$ 7,628,805	$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	45,482,943	41,340,911	28,184,280
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,828	87,953,642	55,304,682
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	118	8,511	36,241,607	130,072,955	117,891,940	83,029,348
1991	14	291	-277	8,352	123	8,229	37,080,854	143,939,504	130,163,749	84,150,334
1992	33	341	-308	8,044	128	7,916	38,205,128	162,543,659	146,078,403	87,632,808
1993	42	258	-216	7,828	132	7,696	39,755,596	172,854,187	153,505,799	94,640,348
1994	39	224	-185	7,643	145	7,498	40,837,392	182,528,895	160,225,678	110,089,530
1995	28	194	-166	7,477	148	7,329	42,162,627	193,781,391	170,300,445	120,514,044
1996	14	189	-175	7,302	150	7,152	43,545,541	206,692,540	180,964,338	134,120,610
1997	17	179	-162	6,994	13	6,981	43,500,553	215,097,395	187,816,918	140,099,926
1998	8	174	-166	6,815	1	6,814	43,864,851	231,904,308	202,650,793	144,849,109
1999	17	265	-248	6,566	0	6,566	44,076,428	239,315,693	207,613,549	155,171,735
2000	12	235	-223	6,343	7	6,336	43,883,106	242,881,164	210,187,670	163,850,918
2001	14	228	-214	6,129	11	6,118	43,816,877	270,125,345	235,202,500	170,325,562

board and officers

Dennis Dollar
Chairman

JoAnn M. Johnson
Board Member

Deborah Matz
Board Member

J. Leonard Skiles
Executive Director

Rebecca J. Baker
Secretary of the Board

Kirk Cuevas
Chief of Staff and Counsel to the Chairman

Julie Starnes
Executive Assistant to Board Member Johnson

Robert M. Fenner
General Counsel

Clifford R. Northup
Director, Office of Public and Congressional Affairs

H. Frank Thomas
Inspector General

David M. Marquis
Director, Office of Examination and Insurance

Dennis Winans
Chief Financial Officer

Sherry Turpenoff
Director, Office of Human Resources

Anthony LaCreta
Director, Office of Credit Union Development

Kent Buckham
Acting Director, Office of Corporate Credit Unions

Edward Dupcak
Director, Office of Strategic Program Support and Planning

Doug Verner
Chief Information Officer

Herbert S. Yolles
President, Central Liquidity Facility

The NCUA has a full-time, three-member board that is appointed by the President of the United States and confirmed by the Senate. No more than two board members are from the same political party, and members serve staggered six-year terms. The NCUA board normally meets monthly, except August, in open session in Alexandria, Virginia.

Chairman Dennis Dollar was named chairman of the NCUA by President George W. Bush February 8, 2001. He is a former Mississippi state representative and educator who was president of Gulfport VA Federal Credit Union in Mississippi when nominated by President Clinton to the Republican seat on the NCUA Board in October 1997. His term expires April 10, 2003

Board Member JoAnn Johnson was named a recess appointee to the NCUA Board by President George W. Bush January 22, 2002, and confirmed by the Senate March 22, 2002. Iowa State Senator Johnson is a former educator, athletic coach and community activist. She was elected to office in 1994 and chaired both the Iowa Senate Commerce Committee and Ways and Means Committee before resigning to join NCUA. Her term expires August 2, 2007.

Board Member Deborah Matz was named a recess appointee to the NCUA Board by President George W. Bush January 22, 2002, and confirmed by the Senate March 22, 2002. An expert in finance, she has over 20 years of public service experience and extensive knowledge of both the executive and legislative branches of the federal government. She held a political appointment during the Clinton Administration and spent over nine years on Capitol Hill as an economist with the Joint Economic Committee. Her term expires August 2, 2005.

field officers

NCUA regional directors are from the left Jane Walters, Region V; Robert Blatner, Region VI; Alonzo A Swann III, Region III; Layne Bumgardner, Region I; Melinda Love, Region IV; and Tawana Y. James, Region II.

Region I — Albany

9 Washington Square
Washington Avenue Extension
Albany, New York 12205
Telephone: 518-862-7400
Fax: 518-862-7420
region1@ncua.gov

Region II — Capital

1775 Duke Street, Suite 4206
Alexandria, VA 22314-3437
Telephone: 703-519-4600
Fax: 703-519-4620
region2@ncua.gov

Region III — Atlanta

7000 Central Parkway, Suite 1600
Atlanta, GA 30328
Telephone: 678-443-3000
Fax: 678-443-3020
region3@ncua.gov

Region IV — Chicago

4225 Naperville Road, Suite 125
Lisle, IL 60532-3658
Telephone: 630-955-4100
Fax: 630-955-4120
region4@ncua.gov

Region V – Austin

4807 Spicewood Springs Road,
Suite 5200
Austin, TX 78759-8490
Telephone: 512-342-5600
Fax: 512-342-5620
region5@ncua.gov

Region VI – Pacific

2300 Clayton Road, Suite 1350
Concord, CA 94520
Telephone: 925-363-6200
Fax: 925-363-6220
region6@ncua.gov

Asset Management and Assistance Center

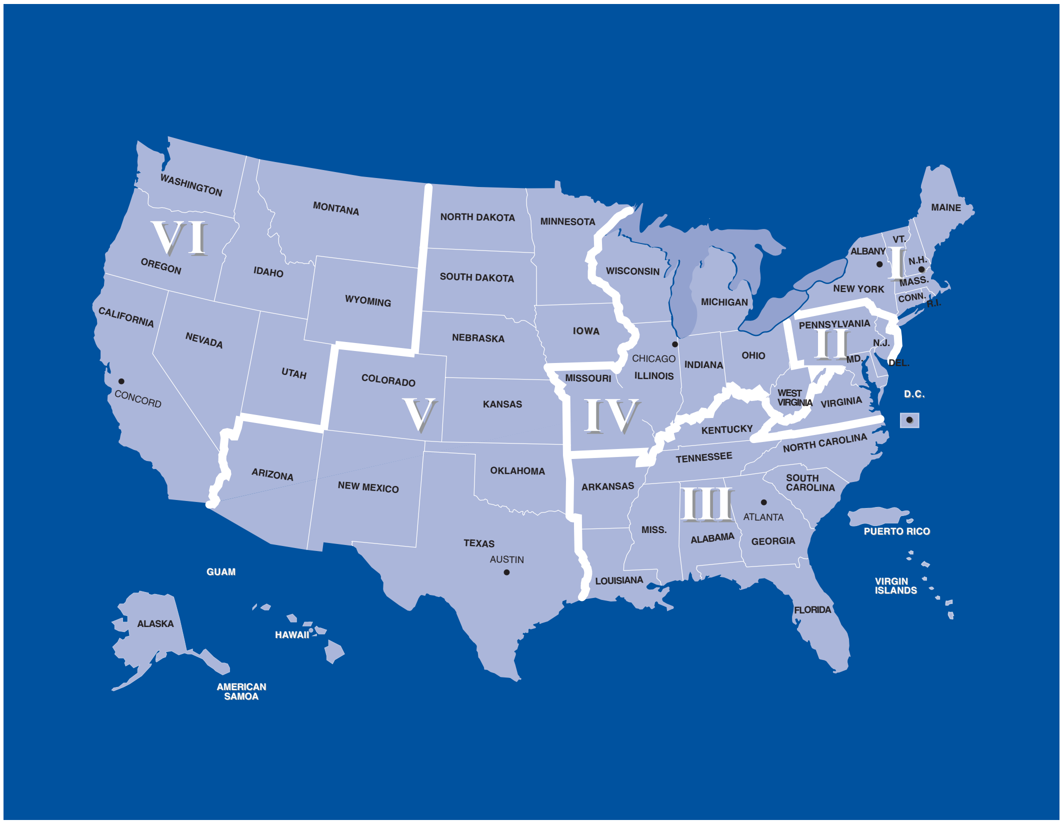
4807 Spicewood Springs Road,
Suite 5100
Austin, TX 78759-8490
Telephone: 512-231-7900
Fax: 512-231-7920
amacmail@ncua.gov

Information

General information	703-518-6330
TDD:	703-518-6332
Office of the Board	703-518-6300
News about NCUA	1-800-755-1030
	703-518-6339
Publications	703-518-6340
Credit union investments	1-800-755-5999
	703-518-6370
Technology assistance	1-800-827-3255
	703-518-6450
Report improper or	1-800-827-9650
illegal activities	703-518-6550

Refer member complaints
to the appropriate regional office

World-Wide-Web site	www.ncua.gov


VI
WASHINGTON
OREGON
CALIFORNIA
CONCORD
NEVADA
IDAHO
MONTANA
WYOMING
UTAH
ARIZONA
COLORADO
V
NEW MEXICO
NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
AUSTIN
MINNESOTA
IOWA
MISSOURI
IV
ARKANSAS
LOUISIANA
WISCONSIN
CHICAGO
ILLINOIS
MICHIGAN
INDIANA
OHIO
KENTUCKY
TENNESSEE
MISS.
ALABAMA
III
ATLANTA
GEORGIA
FLORIDA
SOUTH CAROLINA
NORTH CAROLINA
WEST VIRGINIA
VIRGINIA
PENNSYLVANIA
II
MD.
N.J.
DEL.
D.C.
NEW YORK
ALBANY
I
VT.
N.H.
MASS.
CONN.
R.I.
MAINE
PUERTO RICO
VIRGIN ISLANDS
GUAM
ALASKA
HAWAII
AMERICAN SAMOA

National Credit Union
Administration
Alexandria, VA 22314-3428

OFFICIAL BUSINESS
Penalty For Private Use, $300

FIRST CLASS MAIL
POSTAGE AND FEES PAID
NCUA
PERMIT NO. G-88