

# **NCUA LETTER TO CREDIT UNIONS**

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

**DATE: March 2006 LETTER NO.: 06-CU-04**  
**TO: Federally Insured Credit Unions**  
**SUBJ: State of the Credit Union Industry as of December 31, 2005**  
**ENCL: Financial Trends in Federally Insured Credit Unions  
January 1 - December 31, 2005**

**Dear Board of Directors:**

Enclosed is a report highlighting credit union financial trends for 2005. We based our analysis on data compiled from the year-end 2005 Call Reports submitted by all federally insured credit unions.

The financial strength of the credit union industry remains strong. The 2005 performance in lending, delinquency and overall net worth growth reflects this strength. However, a decline in the net interest margin represents future challenges for the industry.

Success in 2006 depends on how well individual credit unions manage their balance sheets. Credit unions are encouraged to monitor net worth levels as it relates to business needs, recognizing lower levels of profitability may occur for those credit unions taking action to reduce interest rate and other risks.

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

Sincerely,

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JoAnn Johnson  
Chairman