NCUA LETTER TO CREDIT UNIONS

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

DATE: **December 2007** **LETTER NO.: 07-CU-11**

TO: **Federally Insured Credit Unions**

SUBJ: **Credit Union Financial Trends for the Third Quarter of 2007**

ENCL: **Financial Trends in Federally Insured Credit Unions**
January 1 – September 30, 2007

Dear Board of Directors:

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

The financial condition of the credit union industry remains sound, as indicated by strong share growth, and high net worth levels. However, delinquency, especially in the real estate portfolio, is starting to increase. Consistent with the last several years, the majority of the loan growth in 2007 continues to come from the real estate area.

Credit unions with a large or increasing real estate loan portfolio need to maintain vigilance in their asset-liability management and liquidity management planning processes, as well as address the credit risk implications in light of ongoing developments in the real estate sector of the market. Credit unions must continue to balance member service with safety and soundness considerations when structuring their products and services.

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

Sincerely,

/s/

JoAnn Johnson
Chairman