National Credit Union Administration
Office of Public & Alexandria, VA 22314 www.ncua.gov

1775 Duke Street Congressional Affairs (703) 518-6336 ifairbanks@ncua.gov

Credit Unions Record Largest Quarterly Increase in Lending Since 2008

Membership Surpasses 93 Million as Number of Credit Unions Drops below 7,000

ALEXANDRIA, Va. (Aug. 31, 2012) – The ongoing strengthening in the performance of federally insured credit unions continued in the second quarter of 2012, according to Call Report data submitted to and compiled by the National Credit Union Administration (NCUA) for the period ending June 30.

"Lending is the investment needed to support a recovering economy. So, the largest quarterly increase since the fall of 2008 demonstrates that credit unions are playing an important role in efforts to create jobs, stimulate small businesses, and revitalize communities," said NCUA Board Chairman Debbie Matz. "The credit union industry's performance further strengthened in almost every category. Assets, earnings, and net worth rose, as charge-offs, bankruptcy filings, and loan loss reserves declined. Credit unions continued to add a significant number of members and now serve more than 93 million Americans."

Membership Gains and Industry Consolidation Continuing

In April, May, and June, ongoing gains in membership at credit unions continued. In all, membership increased by 643,322 individuals to reach a new record high for the industry. The industry's 93.1 million members deposited an additional \$2.7 billion in savings at credit unions. While membership and total savings increased, the overall number of federally insured credit unions inched downward from 7,019 to 6,960 during the second quarter.

Lending Growing, Led by First Mortgages and Auto Loans

Credit unions booked \$581.7 billion in outstanding total loans in the second quarter—a robust increase of 1.7 percent. Total loans by credit unions have increased for five consecutive quarters. The industry generated increases in all but one lending category. Loans for first mortgages increased by 1.7 percent, while new and used auto loans each rose by 2.8 percent.

During the second quarter, member business lending increased by 1.2 percent to \$40.2 billion from \$39.7 billion. Additionally, short-term small loans grew by 23.9 percent to \$16.7 million. The product is a low-cost, consumer-friendly alternative to payday loans.

Total Assets, Net Worth, and Earnings Rising

Credit unions' total assets—which surpassed \$1 trillion for the first time in the preceding quarter—grew by \$5.9 billion in the second quarter. The net worth ratio, a measure of the industry's capital strength, was 10.16 points, an increase of 15 basis points over the first quarter.

- MORE -

Page 2 NCUA Media Release – Continued Credit Unions Record Largest Quarterly Increase in Lending Since 2008



Increases in fee income and other operating income, accompanied by declines in expenses for interest and loan losses, produced a higher quarterly net income. During the second quarter, credit unions earned \$59.7 million more than in the prior quarter. The industry's return on average assets (ROAA) ratio, an important measure of industry earnings, was 86 basis points for the quarter. ROAA rose by one basis point over the prior quarter.

Delinguencies, Charge-Offs, and Bankruptcies Declining

Improvements in the industry's delinquency ratio continued in the second quarter, falling 24 basis points to 1.20 percent. A majority of the drop likely resulted from the implementation of a new NCUA rule. The rule allows credit unions to modify loans without having to classify troubled debt restructurings as delinquent until the credit union receives payments over a sixmonth period. The new rule brings NCUA's policies more closely in line with other regulators and works to help keep families in their homes.

The industry's net charge-off ratio fell by three basis points during the quarter to 0.75 percent. New bankruptcy filings by members also declined. For the second quarter, credit unions reported 58,386 members filing for bankruptcy, a 17.3 percent decrease from the prior quarter. The percentage of loans charged off due to bankruptcy, however, rose slightly to 21.4 percent of charge-offs from 20.8 percent in the prior quarter.

Key Credit Union Indicators Continue Improving

Primary balance sheet and income statement indicators from federally insured credit unions generally improved in the second quarter over the first quarter of 2012:

- Credit union net worth grew 2.1 percent to \$102.4 billion from \$100.3 billion.
- Industry total assets increased 0.6 percent to \$1,007.6 billion from \$1,001.8 billion.
- Total savings rose 0.3 percent to \$868.8 billion from \$866.0 billion.
- Credit union investments, cash on deposit, and cash equivalents declined slightly by 1.3 percent to \$386.5 billion from \$391.8 billion.
- Total loans expanded by 1.7 percent to \$581.7 billion from \$572.0 billion.
- Credit union net income climbed by 2.9 percent to \$2,138.1 million from \$2,078.4 million.

For more information about the performance of the credit union industry, NCUA makes the complete details of the June 2012 Call Report available online at http://go.usa.gov/URs.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 93 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

- NCUA -