

NCUA LETTER TO CREDIT UNIONS

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

DATE: March 2007 **LETTER NO.:** 07-CU-05
TO: Federally Insured Credit Unions
SUBJ: State of the Credit Union Industry as of December 31, 2006
ENCL: Financial Trends in Federally Insured Credit Unions
January 1 – December 31, 2006

Dear Board of Directors:

Enclosed is a report highlighting credit union financial trends for 2006. We based our analysis on data compiled from the year-end 2006 call reports submitted by all federally insured credit unions.

The financial condition of the credit union industry remains sound, as indicated by the increasing net worth levels, strong loan growth, and lower delinquency and charged-off loan ratios. However, if loan growth continues to exceed share growth, liquidity pressures could emerge in individual institutions. I continue to encourage you to verify the adequacy of your credit union's liquidity management and planning processes. The majority of the loan growth has been in the real estate portfolio. Credit unions that originate real estate loans are encouraged to offer safe and sound real estate products to members while providing alternatives to predatory lending practices currently found in the marketplace.

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

Sincerely,

/s/

JoAnn Johnson
Chairman

Enclosure

