

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION

NATIONAL CREDIT UNION SHARE INSURANCE FUND

LETTER TO CREDIT UNIONS -- #153

Very small credit unions are under considerable pressures today from a variety of forces ranging from technology to legislation. To survive they need more attention from all of us. If we are going to live up to the philosophy, traditions and promise of the credit union movement, we must become more sensitive to this need and give them the attention they deserve.

Small credit unions are very important to the continuing growth of the movement. Like the tender shoots on a large tree, they represent the promise of continuing life and health. They serve people who badly need their services, and they know their members very well. Such a credit union is more likely to take a risk on the reputation and character of a member unable to find credit elsewhere.

Ten years ago, credit unions under \$2 million in size made up about two-thirds (10,564) of all federally insured credit unions. Today, such credit unions number only 4,132, about one-third of federally insured credit unions.

The assets of today's 4,132 smallest credit unions are 1.2 percent of total assets, while credit unions of \$2 million or less accounted for 7.7 percent of total assets ten years ago. The average-size credit union today has \$22.5 million in assets, compared to \$5 million ten years ago.

Small credit unions have declined in number for very good reasons. Some grew and some merged to provide more or better services. Some were liquidated, either voluntarily or involuntarily, when their leaders lost interest or failed to manage well. Most significantly, fewer groups formed too few new credit unions.

The credit union community can reverse this decline by working together in the cooperative spirit that so proudly distinguishes credit unions. In NCUA's Region V, a "big brother" program has shown that the smallest credit unions can be preserved if examiners, other credit unions, and trade associations operate as they are supposed to. Over 200 small credit unions are enrolled in the Region V program.

The NCUA Board is committed to this goal and urges its examiners and other staff, within the context of safe and sound operations, to further the survival of very small credit unions. For instance, merger or liquidation should be the last, not the first alternative when resolving small credit union problems. We recently established an Office of Community Development Credit Unions to help implement our commitment. In addition, the agency is liberalizing its rules governing receipt of nonmember deposits by low-income credit unions, extending the Truth-in-Savings compliance deadline for small credit unions and helping train their staffs. We also plan to provide computers to nonautomated credit unions at little or no cost. We will soon consider chartering policies that are intended to encourage the creation of new credit unions, and facilitate credit union services in financially depressed communities.

We hope that these initiatives will assure all credit unions that the NCUA Board values small credit unions and will work to preserve them. We urge larger credit unions and the trade groups to go out of their way to assist their colleagues in the smallest credit unions. That is what the cooperative philosophy and history of credit unions is all about. Healthy, small credit unions are an absolutely essential part of a bright future for

all credit unions.

For the National Credit Union Administration Board,

Norman E. D'Amours Chairman