NCUA LETTER TO CREDIT UNIONS

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

DATE: **June 2008** **LETTER NO.: 08-CU-16**

TO: **Federally Insured Credit Unions**

SUBJ: **Credit Union Financial Trends for the First Quarter of 2008**

ENCL: **Financial Trends in Federally Insured Credit Unions**
January 1 – March 31, 2008

Dear Board of Directors:

Enclosed is a report highlighting credit union financial trends for the first three months of 2008. 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 high net worth levels. Consistent with the last several years, the majority of the loan growth in the first three months continued to come from the real estate sector. Credit unions that originate real estate loans are encouraged to continue to offer good quality real estate products to members. Credit unions with a large or increasing real estate loan portfolio need to maintain vigilance in their strategic planning and risk management processes to mitigate the impact of the weakened mortgage and credit markets.

Overall delinquency declined; however, net charge-offs continued to increase during 2008. It is important to note the increase does not threaten the overall financial stability of the credit union industry. All credit unions need to ensure the loans they make reflect not only the needs of the members but are also consistent with the risk profile of the credit union in order to control future losses.

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

Sincerely,

JoAnn Johnson
Chairman