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NCUA Media Advisory

Credit Unions Expand Earnings, Control Delinquencies and Charge-offs

Year-End 2010 Data Indicate Higher Net Income, Declining Loan Demand, and Stable Loan Delinquencies and Charge-offs

March 3, Alexandria, Va. – Credit union earnings, shares, assets, and investments grew despite slowing loan demand and the continuing economic challenges, according to fourth-quarter Call Reports submitted by the nation’s 7,339 federally insured credit unions.

Exhibiting solid earnings, credit unions’ 2010 return on average assets (ROA) grew to 0.51 percent, up from 0.45 percent in the third quarter and 0.18 percent at year-end 2009. Operating expenses -- including stabilization expenses, cost of funds, and provision for loan loss expenses -- declined.

Although credit union membership declined 0.3 percent during the fourth quarter of 2010, total membership grew 0.68 percent to 90.5 million members over the full year.

Shares and deposits expanded in each quarter of 2010, whereas loans contracted 0.4 percent in the fourth quarter and 1.34 percent for the year. However, used automobile, credit card, and first mortgage loans remain popular.

Used vehicle loans expanded 3.43 percent during the year, and 0.2 percent during the fourth quarter. First mortgage real estate loans grew 2.69 percent during the year and 0.7 percent in the fourth quarter. Meanwhile, new vehicle loans declined 16.4 percent for the year and 4.1 percent in the fourth quarter. Unsecured credit card lending increased 3.1 percent for the year after declining 2.9 percent in the first quarter of 2010.

“Credit unions, as a whole, are exhibiting positive trends in their operations,” NCUA Chairman Debbie Matz noted. “As the nation emerges from a prolonged economic contraction, the stabilization of many strategic indicators and evidence of improving economic trends demonstrate positive developments for credit unions. Virtually every key ratio improved by year-end -- net worth climbed to 10.06 percent; return on average assets grew 33 basis points after recovering from a decline in 2008 and showing slight improvement in 2009; and delinquencies, charge-offs, and cost of funds declined. To the maximum extent possible, NCUA will continue to ensure that this progress persists and credit unions remain well-positioned to serve American consumers.”

Delinquencies remained at historically high levels, ending 2010 at 1.74 percent. This statistic, however, represents a 10 basis point improvement over the final 2009 number of 1.84 percent. Similarly, the dollar amount of net charge-offs declined 7.1 percent during 2010, lowering the net charge-off ratio to 1.13 percent in the third and fourth quarters, 8 basis points below the year-end 2009 level of 1.21 percent.

Credit union member bankruptcies continue to increase. Although the 334,041 member bankruptcies reported during 2010 exceed the 2009 level 323,733 by 3.3 percent, this figure represents a significantly slower pace than the 35, 44, and 42 percent increases reported in 2007, 2008 and 2009, respectively. Additionally, although loans charged-off due to bankruptcy increased 8.1 percent during 2010, the rate of increase slowed significantly compared to the 60.7 percent growth rate in 2009.

“I am pleased to see that credit unions are working diligently to assist their members as distressed real estate markets and high unemployment persist,” Chairman Matz said. “Loan modifications comprise 2.08 percent of total loans, as credit unions reported more than \$11.7 billion modified consumer, real estate, and member business loans at year-end 2010.”

With rounding, key balance sheet and income statement data from federally insured credit unions representing January through December 2010 activity follow:

- Assets increased 3.4 percent to \$914.5 billion from \$884.6 billion;
- Loans declined 1.3 percent to \$564.8 billion from \$572.5 billion;
- Shares increased 4.5 percent to \$786.5 billion from \$752.7 billion;
- Investments increased 13.4 percent to \$238.9 billion from \$210.7 billion;
- Net income increased 208.3 percent to \$4.6 billion from \$1.5 billion; and
- Net worth increased 5.2 percent to \$92.1 billion from \$87.6 billion.

Complete details of December 2010 Call Report data are available in an Aggregate Financial Performance Report (FPR), and a 1-page December 2010 Facts Summary is posted online at: [click here](#).

The National Credit Union Administration is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 90 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not tax dollars.