National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
www.ncua.gov

Media Contact: NCUA Office of Public & Congressional Affairs
Phone: (703) 518-6330
Email: pacamail@ncua.gov

NCUA Media Advisory

Net Worth Holds Steady; Delinquencies/Charge-offs Slow; Bankruptcies Increase

Mid-Year Call Reports Show Credit Union Earnings Decline Due to Members' Financial Stress

August 30, 2010, Alexandria, Va. – Credit unions continue to welcome new members, while helping many existing members overcome financial stress, according to second-quarter Call Reports from America‟s 7,445 federally insured credit unions.

Credit union membership increased to 90.5 million during the second quarter. But after credit union deposits ("shares") grew at a nearly 11 percent annual rate during the first quarter, share growth slowed to 0.6 percent during the second quarter.

Shares still grew six times faster than loans, which grew only 0.1 percent. The fastest-growing types of loans were those chosen by consumers seeking lower payments and less collateral.

Unsecured credit cards led loan growth at 1.7 percent. Real estate loans rose 0.4 percent, boosted in part by a 10.8 percent increase in mortgage modifications as credit unions worked to make members‟ homes more affordable. Used vehicle loans picked up, but new vehicle loans slowed – a sign that members are turning to less expensive cars.

Aggregate delinquency and charge-off ratios inched lower in the second quarter. "However," NCUA Chairman Matz pointed out, "credit unions in many areas continue to experience greater loan losses – particularly in states struggling with high unemployment, declining real estate values, and failing businesses. These trends are also having a severe impact on many credit union members. As their debts become overwhelming, members who are dealing with job losses and foreclosures are now much more likely to file for bankruptcy."

The number of members filing for bankruptcy doubled during the second quarter. By year-end 2010, bankruptcies are on pace to exceed the total for 2009.

Credit unions‟ earnings reflected their members‟ struggles. Return on average assets slipped to 0.41 percent during the second quarter from 0.47 percent during the first quarter.

“There is some good news,” Chairman Matz remarked. “Credit unions‟ aggregate net worth ratio held steady at 9.9 percent. More than 95 percent of federally insured credit unions still exceed the statutory definition of „well capitalized.‟ NCUA continues to work diligently with credit unions to control costs, mitigate risks, and maintain stable balance sheets.”

What follows are key balance sheet and income statement data in federally insured credit unions from March through June 2010:

- Assets increased 0.7 percent to $903.9 billion from $897.6 billion;
- Loans increased 0.1 percent to $566.4 billion from $565.7 billion;
- Shares increased 0.6 percent to $777.8 billion from $773.2 billion;
- Investments increased 5.3 percent to $230.3 billion from $218.8 billion;
- Net income totaled $1.8 billion; and
- Net worth grew to $89.3 billion from $88.6 billion.

Details of June 30 Call Report data are available in an Aggregate Financial Performance Report (FPR), and a 1-page June 2010 Facts Summary is posted online at: click here.

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