



NCUA Media Advisory

Credit Union Earnings Grow, Charge-offs Slow

Third Quarter Call Reports Indicate Higher Net Income; Flat Loan Demand; Stable Delinquencies; Yet Rising Member Bankruptcies

November 29, 2010, Alexandria, Va. – Credit union earnings increased and shares and loans continued to grow at a slow, steady pace while the difficult economy presented challenges for credit unions and their members, according to third-quarter Call Reports submitted by the nation’s 7,402 federally insured credit unions.

Return on Average Assets (ROA), a key measure of credit union earnings, increased to 0.45 percent in the third quarter from 0.40 percent in the second quarter. Increasing operating expenses were offset by declining cost of funds, lower provision for loan loss expense, and higher fee and other income.

Meanwhile, credit union membership continues to grow, reaching 90.8 million members.

Assets, loans and shares grew during the traditionally slow-growing third quarter. While share growth continues to outpace loan growth, used automobile and unsecured loans and credit cards remain popular.

Used vehicle loans expanded 1.8 percent and continued to lead loan growth during the third quarter while new vehicle loans declined 3.6 percent. Unsecured loans increased 1.4 percent and real estate loans rose 0.1 percent. Overall credit union lending remained flat, posting a 0.1 percent increase.

The delinquency ratio – while high – appears to have stabilized, standing at 1.74 percent after reaching 1.76 percent in the first quarter and 1.73 percent in the second quarter. The net charge-off ratio continued to inch lower in the third quarter, falling to 1.13 percent from 1.16 percent.

“Positive trends are emerging,” noted NCUA Chairman Debbie Matz. “Although difficult economic conditions persist, I am particularly encouraged by the return on average assets growing to 0.45 percent, up significantly from 0.18 percent at year-end 2009 and negative 0.05 percent at year-end 2008. Coupled with the aggregate net worth ratio holding steady at 9.9 percent, there is reason to believe that credit unions are making progress. Having said that,

NCUA is well aware of the stressed financial environment in which credit unions operate, and is committed to maintaining a rigorous supervisory regime that will enhance safety and soundness.”

Credit union member bankruptcies continue to increase and are on track to exceed 2009 levels. The number of members filing for bankruptcy was 268,141 through the third quarter of 2010, compared to 246,386 over the same time in 2009. Member bankruptcies reached 323,737 at the end of 2009. Additionally, loans charged-off due to bankruptcy, and loans outstanding subject to bankruptcy are all on track to match or exceed the high 2009 levels. Credit unions in states with distressed real estate markets and high unemployment are particularly susceptible.

Foreclosed and repossessed assets grew 8.3 percent to \$1.8 billion in the third quarter, the highest growth rate of the year.

“Ongoing challenges have prompted NCUA to budget for additional examination staff in 2011 as part of our comprehensive effort to work with credit unions in controlling costs, mitigating risks, and maintaining strong, durable balance sheets,” stated Chairman Matz.

As of September 2010, loan modifications accounted for nearly 2 percent of all loans. While the pace of loan modifications slowed in the third quarter, growth continues as credit unions work to assist members.

What follows are key balance sheet and income statement data reported by federally insured credit unions from June through September 2010:

- Assets increased 0.4 percent to \$907.9 billion from \$903.9 billion;
- Loans increased 0.1 percent to \$567.1 billion from \$566.4 billion;
- Shares increased 0.3 percent to \$779.9 billion from \$777.8 billion;
- Investments declined 1.8 percent to \$226.2 billion from \$230.3 billion;
- Net income increased 11.3 percent to \$3.0 billion from \$1.8 billion; and
- Net worth increased 1.4 percent to \$90.6 billion from \$89.3 billion.

Details of September 30 Call Report data are available in an Aggregate Financial Performance Report (FPR), and a 1-page September 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.