America's credit unions: Secure, strong

With federal insurance, serving as consumers' safe harbors

Credit unions as a whole are healthy, with strong balance sheets.

Credit unions are well capitalized. Their overall capital-to-asset ratio stands at a very solid 9.8%. In dollars, that's a capital cushion of $92 billion.

Credit union loan delinquencies stood at 1.73% at mid-year 2010 – one third the 5.3% rate reported by commercial banks. The relatively low credit union delinquency rate is especially significant since credit unions report delinquencies on a 60+ day basis while banks report on a 90+ day basis (i.e., bank numbers reflect an extra month of collections efforts).

Credit union annualized loan net charge offs totaled 1.2% of average loans in the first half of 2010 – less than one-half the 2.9% rate reported by the nation's banks.

Credit unions have steered clear of the subprime mess. We're still lending responsibly.

Credit union first mortgage originations hit a record $94 billion in 2009 and are on pace to total $62 billion in 2010 — at a time when mortgage losses have forced other lenders to scale back or close their doors entirely.

Why? First, credit unions operate more conservatively and have high asset quality and high capital ratios. Second, credit unions are member-owned and not-for-profit cooperatives. We exist to serve our members, not profit from them. Unlike banks and brokers, we're not out to force loans on our members just to make a quick buck.

Today 59% of credit unions offer first mortgages, and 99% of the nation's more than 90 million credit union members belong to one of the credit unions that offer first mortgage loans.

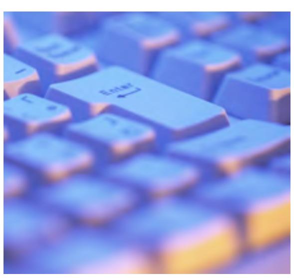
To the extent credit unions have been affected by the subprime debacle, it's primarily as "collateral damage" — members having trouble making payments on other loans because of a subprime mortgage they've gotten elsewhere, or because some members are losing their jobs in today's down economy.

But credit unions went into this with very strong balance sheets and will still be in very strong shape when it is over.

Even so, the corporate credit union system (credit unions that provide liquidity and investment services to retail credit unions) was more adversely affected by the housing crisis. Two large corporate credit unions were placed in conservatorship by the NCUA in March 2009 after their portfolio of chiefly investment-grade securities fell in value during the liquidity crisis. Natural person credit unions have been called on to stabilize the corporate credit union system with annual assessments paid to the NCUA over the next six years — without any taxpayer assistance.

Credit unions are a safe harbor for consumer savings.

Savings at credit unions grew by 10% in 2009 and an annualized 7% in the first half of 2010. In today's economy, consumers are increasing their savings in response to concerns about their economic future. Further, more people want to put their money in a stable source offering good rates, and thus turn to credit unions.



As not for profit cooperatives, credit unions typically offer higher savings rates than banks. See a daily rate comparison at http://www.creditunion.coop/ratedex.php

Consumers saved $7.3 billion in 2009 by using credit unions rather than banks. The savings come in the form of lower fees, higher savings rates and lower loan rates. That works out to about $80 per credit union member or $155 per household.

Federal insurance covers credit unions, too.

All credit unions in this state are federally insured by a fund that, like the FDIC, is backed by the full faith and credit of the U.S. government.

As the FDIC does for banks, the National Credit Union Share Insurance Fund (NCUSIF) insures savings in credit unions of at least $250,000 per account (with additional coverage of up to $250,000 for certain retirement accounts).

The NCUSIF is administered by the National Credit Union Administration (NCUA), a federal government agency . To determine insurance coverage, see the NCUA's insurance estimator (http://webapps.ncua.gov/ins/)

The NCUSIF remains strong, with an equity-to-insured deposits ratio of 1.18% at mid-year 2010. A September 2010 assessment (payable by November) will bring the fund balance to 1.30%.

For more information on federal share insurance, see the NCUA brochure "Your Insured Funds," at http://www.ncua.gov/Resources/ShareInsurance/YourInsuredFunds.pdf.

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