America's credit unions: Secure, strong

Amid turmoil, serving as safe harbors for consumer savings

CUNA
Credit Union National Association

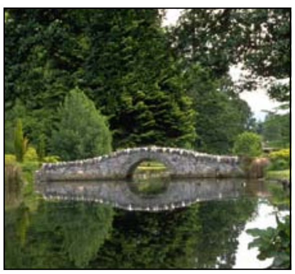
Credit unions as a whole are healthy, with strong balance sheets.

- Credit unions are well capitalized. Their overall capital-to-asset ratio stands at a very solid 11.1% (compared to 10% for banks). In dollars, that's a capital cushion of $90 billion.
- Credit union mortgage delinquencies at the end of the first quarter stood at only 0.7%. First mortgage charge-offs were a miniscule 0.06%.
- More broadly, credit union loan delinquencies have edged up, but still are at a very low 1.0%.

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

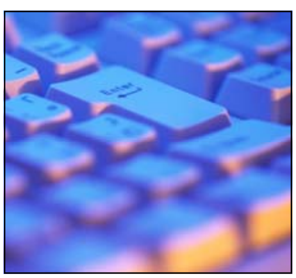
- In the first four months of 2008, mortgages at credit unions grew faster than all other loans. This at a time when mortgage losses have forced other lenders to scale back or close their doors entirely.

- Why? For one thing, credit unions operate more conservatively and tend to hold more of their mortgage loans (about 70% in fact) in portfolio rather than sell them to Fannie and Freddie on the secondary market.
- Secondly, credit unions are member-owned and not-for-profit cooperatives. We exist to serve our members, not profit from them. Unlike the banks and brokers, we're not out to force loans on our members just to make a quick buck.
- Today 56% of credit unions offer first mortgages, and 90% of the nation's 90 million credit union members belong to one of the credit unions that offer first mortgage loans.
- To the extent credit unions have been impacted by the subprime debacle, it's primarily as "collateral damage"—members having trouble making payments on other loans because of 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's over.



Credit unions are a safe harbor for consumer savings.

- Savings at credit unions so far this year have grown nearly 7%. In today's economy, consumers are increasing their savings in response to concerns about their economic future.
- More people seeking to put their money in a stable source offering good rates are turning to credit unions.
- As not for profit cooperatives, credit unions typically offer higher savings rates than banks. For a daily rate comparison, go to this link: http://www.creditunion.coop/ratedex.php
- Consumers saved $10.9 billion last year 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 $126 per credit union member or $239 per household.



Federal insurance covers credit unions, too.

- Virtually all credit unions 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 of at least up to $100,000 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), an agency of the federal government. To determine insurance coverage, see the NCUA's insurance estimator at: http://webapps.ncua.gov/ins/

- The NCUA recently reported that the NCUSIF at mid-year remained strong, with an equity-to-insured deposits ratio estimated at 1.24% as of June 30 and projected to rise to 1.28% by year end.
- For more information on federal share insurance, see the NCUA brochure "Your Insured Funds," available at the link here: http://www.ncua.gov/Publications/brochures/insured_funds/funds.pdf
- A relatively small number of credit unions (less than 170, with under 2% of all deposits) have opted for private deposit insurance. Private insurance funds typically have an equity ratio even higher than the federal fund, and state regulators oversee privately insured credit unions just like any other state-chartered credit unions. A credit union opting for private insurance is required to disclose this to its members.

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