NATIONAL CREDIT UNION ADMINISTRATION

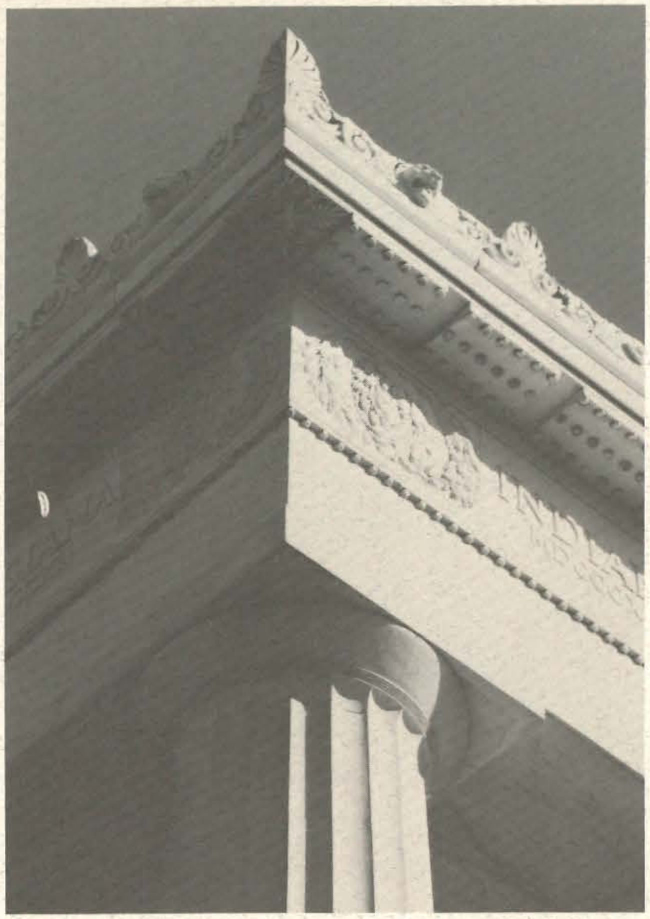
1990 Annual Report

The National Credit Union Administration, an independent federal agency, supervises and insures 8,511 federal credit unions and insures 4,349 state-chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.

NCUA's mission is to ensure the safety and soundness of credit unions and to provide a flexible regulatory environment which will facilitate sound credit union development, while efficiently and effectively managing the agency's resources and the Share Insurance Fund.

This 1990 NCUA Annual Report is an official report to the President and the Congress of the United States.

cover photo:
Lincoln Memorial,
Washington, DC



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FINANCIAL HIGHLIGHTS 1990

National Credit Union Administration

• 1990 Budget	$66.5 million
• Actual Expenses	63.6 million
• Operating fee income from federal credit unions	32.3 million
• Expenses transferred to Share Insurance Fund	31.8 million
• Investment income	1.6 million
• Operating fund balance	8.6 million

National Credit Union Share Insurance Fund

• Total insured shares	$176.6 billion
• Total assets	2.1 billion
• Gross income	160.3 million
• Net income	35.1 million
• Operating expenses	35.2 million
• Insurance losses	90.0 million
• Reserve for losses	72.7 million
• Equity ratio (fund balance as a percentage of insured deposits)	1.25 percent

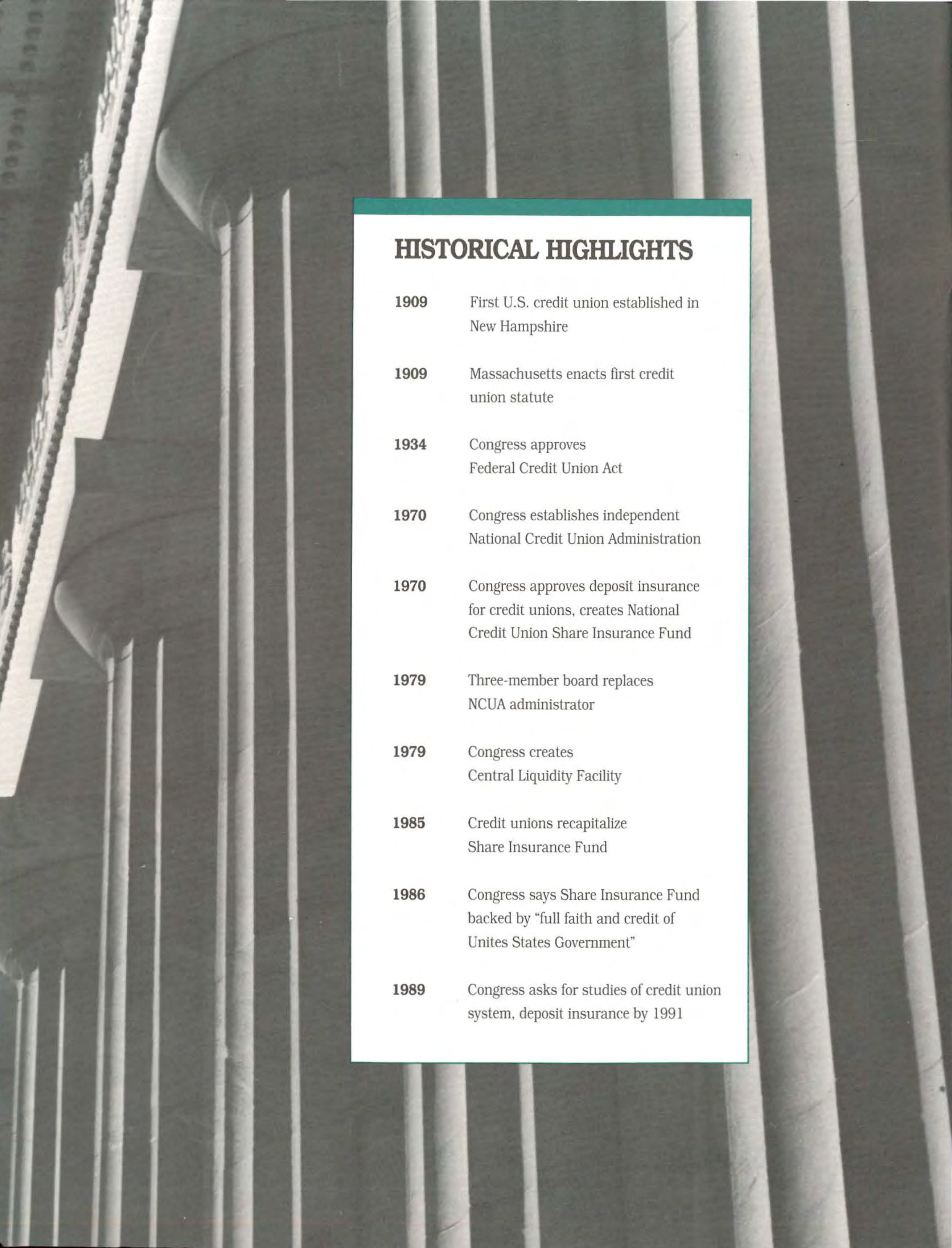
National Credit Union Central Liquidity Facility

• Total assets	$533.0 million
• Member shares and retained earnings	460.7 million
• Total loans	66.6 million
• Net income	35.4 million
• Dividends paid	34.7 million
• Reserve transfer	.7 million

Federally Insured Credit Unions, December 31

• Number of credit unions	12,860
• Total assets	$198 billion
• Capital/equity to assets	7.6 percent
• Share growth	7.5 percent
• Loans to shares ratio	70.6 percent
• Loan delinquency rate	1.7 percent
• Net income growth	11.1 percent

The fiscal year of NCUA, the Share Insurance Fund, and CLF begins October 1 and ends September 30. The insurance year begins July 1. Credit union data is collected twice in each calendar year.



HISTORICAL HIGHLIGHTS

1909	First U.S. credit union established in New Hampshire
1909	Massachusetts enacts first credit union statute
1934	Congress approves Federal Credit Union Act
1970	Congress establishes independent National Credit Union Administration
1970	Congress approves deposit insurance for credit unions, creates National Credit Union Share Insurance Fund
1979	Three-member board replaces NCUA administrator
1979	Congress creates Central Liquidity Facility
1985	Credit unions recapitalize Share Insurance Fund
1986	Congress says Share Insurance Fund backed by "full faith and credit of Unites States Government"
1989	Congress asks for studies of credit union system, deposit insurance by 1991

Roger W. Jepsen

Robert H. Swan

Dramatic Events, Economic Downturn Affect Credit Unions

Dramatic events in Eastern Europe and the threat of military confrontation in the Middle East changed the world in 1990, while here at home government regulators coped with a weakened financial system and an economic downturn.

Each of these top news stories touched or involved credit unions and NCUA. Some Eastern Europeans turned to credit unions as a force for democratic growth and financial stability in their newly liberated countries. U. S. credit unions spontaneously and generously offered their help.

And when U.S. military forces headed for the Persian Gulf and Saudi Arabia, defense credit unions quickly mobilized to assist members and their families. The credit union community can be proud of the way defense credit unions responded to their members' needs.

The year's top domestic news story was not good news. Economic uncertainty made 1990 one of the worst for America's financial community since the Great Depression years of the 1930s. Credit unions and NCUA are not unaffected by what happens in the total financial services industry. Thus, in 1990 the health and strength of credit unions and their insurance fund was very good news, indeed.

The Share Insurance Fund finished fiscal year 1990 with the best showing ever. The fund reached $2.1 billion in assets and net income was almost 50 percent higher than in 1989. The equity ratio remained above 1.25 throughout the year and was 1.28 at the end of the insurance year on June 30.

In December, the NCUA Board waived an insurance premium for the sixth year since recapitalization, saving credit unions $135 million. However, the Board will watch the economy and will assess a partial premium to replenish the fund if its equity level falls below 1.25.

In 1990, NCUA maintained its schedule of annually examining every credit union and developed new tools for assessing the health of credit unions. Both the number of troubled credit unions and losses as a percent of insured shares declined.

We are pleased, therefore, to be able to reassure credit union members, the public, Congress, and the President that the credit union system is *not* another disaster waiting to happen. Most credit unions are strong and vibrant, and this Board will take every precaution to ensure the continuing safety of the insurance fund.

Roger W. Jepsen
Roger W. Jepsen
Chairman of Board

Robert H. Swan
Robert H. Swan
Member of Board

Insurance Fund Nation's Strongest, Equity Ratio Highest

Twenty years after the creation of the National Credit Union Share Insurance Fund, it is the nation's strongest federal deposit insurer, having never suffered a net annual loss.

On September 30, 1990, the fund—

- Insured $176.6 billion in credit union deposits;
- Had assets of $2.1 billion, and
- Had a ratio of assets to insured shares (deposits) of 1.25.

During fiscal year 1990—

- Gross income rose 8 percent;
- Net income rose 73 percent;
- Reserves for credit union losses were increased 62 percent;
- Troubled credit unions decreased in number by 17 percent, and
- Losses declined from 58 to 51 cents per $1,000 of insured shares.

Although the smallest of the three federal funds, NCUSIF's ratio of assets to insured deposits is twice that of the other funds. That was not always true. Premiums were the fund's primary source of income until 1985. Rising insurance losses in 1982 and 1983 reduced the fund's equity ratio to an alarming level and the Board levied a second premium in those years.

When that action failed to restore the fund, the credit union community turned to an entirely different system—the present capitalization plan—and Congress wrote the plan into law in 1984. Public law 98-369 requires insured credit unions to deposit and maintain one percent of their insured shares in the fund. Earnings on the deposits build the fund.

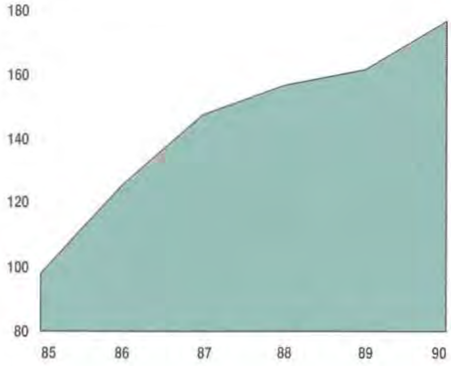
Since recapitalization, the fund's equity ratio has remained between 1.23 and 1.30 percent without assessing additional premiums. The 1990 premium waiver saved credit unions $135 million and savings for the six-year period total $655 million. Because credit unions have an ownership interest in the fund, average losses for the five-year period after capitalization were half those of the previous five-year period.

After recapitalization, the NCUA Board under Chairman Roger W. Jepsen asked credit unions to support additional safety and soundness measures. These included enlarging the examiner force and providing the training, tools and incentives to produce first-class professionals. Today, the NCUA Board—

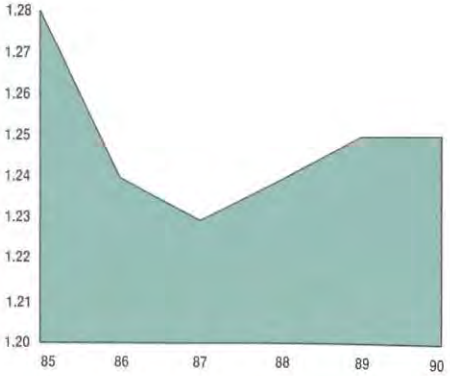
- Maintains an annual examination schedule for all insured credit unions;
- Works closely with state credit union supervisors to develop and use common methods and tools; and

Donald E. Johnson, Executive Director

NCUSIF Total Insured Shares
June 30 (in billions)



NCUSIF Equity Ratio
September 30



- Provides the most up-to-date technology and training for federal and state examiners.

To reduce a still sizeable number of chronically troubled credit unions, NCUA in 1988 launched what it called an "intensive care" program. As a result, troubled credit unions declined by one-third—from 1,022 in 1988 to 678 at the end of fiscal year 1990.

In 1990, the Board acted to further reduce potential insurance losses and to shorten the time the agency holds assets acquired from failed or troubled credit unions. It consolidated its liquidation activities under the Asset Liquidation Management Center in Austin.

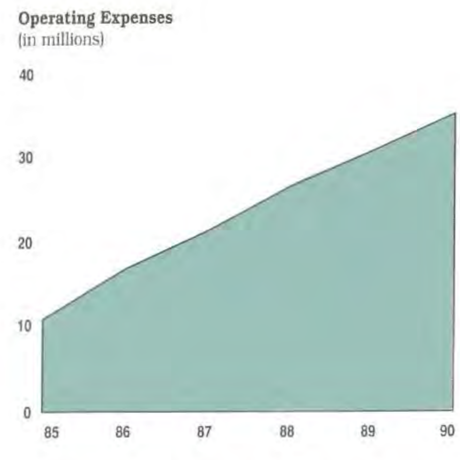
The center's automated system can maintain the records of as many as 300 liquidation cases, for years if necessary. Records are available at up to 30 terminals located at the credit union, at the center, at any one of the regional offices, or in the Washington office. Payout time was reduced in 1990 from two weeks to five or six days. The 1991 goal is a payout time of under five days.

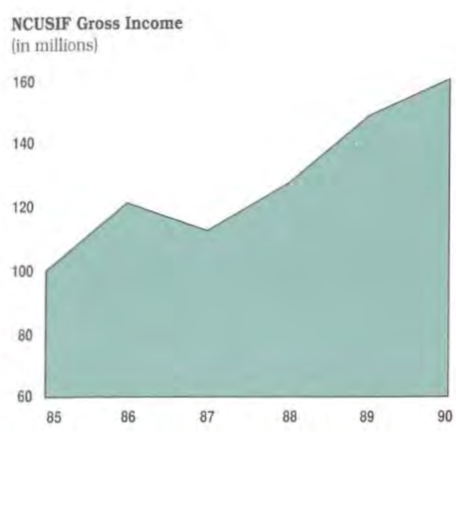
During fiscal year 1990, NCUA liquidated 83 credit unions with assets of $230.5 million of which 25 were purchase and assumptions. The largest, the $20 million Amalgamated Taxi Federal Credit Union, Flushing, N. Y., had 4,000 accounts. Another, the $5 million Manufacturers and Small Business Association Credit Union, Englewood, Colo., had 20,000 small account holders scattered throughout the country.

Left and right: Director of Office of Examination and Insurance D. Michael Riley and General Counsel Robert M. Fenner

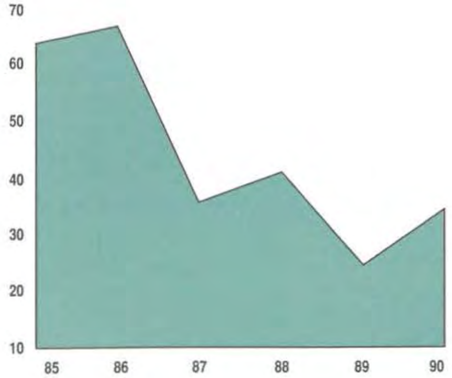
The ALMC stepped up its sales of liquidated assets in 1990, closing on 58 properties with a book value of $15.7 million at a sales price of $15.5 million. In addition, the center purchased a total of 41 assets valued at $9.5 million from troubled credit unions.

On September 30, the ALMC held an inventory of 68 properties valued at $36.4 million and was managing 32 properties worth $10.1 million. It had $157 million in loan portfolios acquired through liquidation which are being managed by three collection agencies.

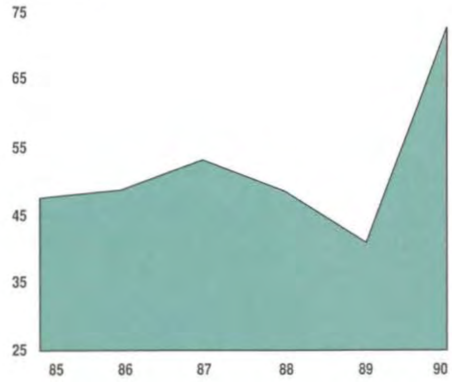




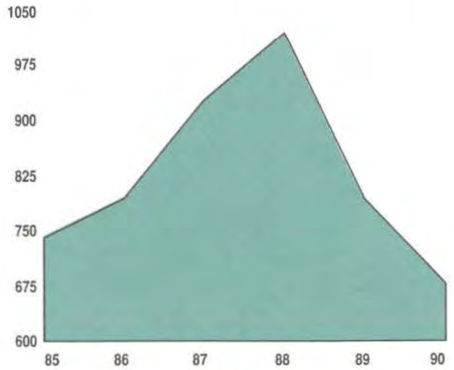
NCUSIF Net Income
(in millions)



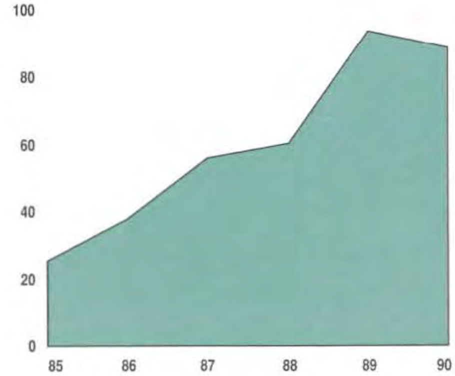
NCUSIF Reserves
(in millions)



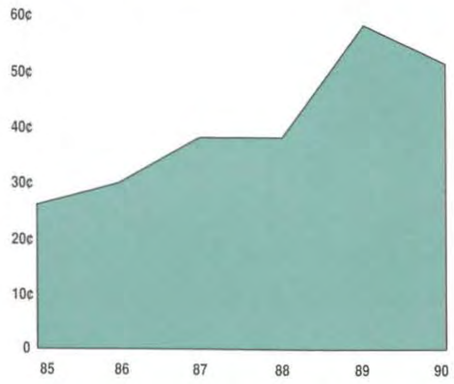
Number of Problem Credit Unions
CAMEL Codes 4 & 5



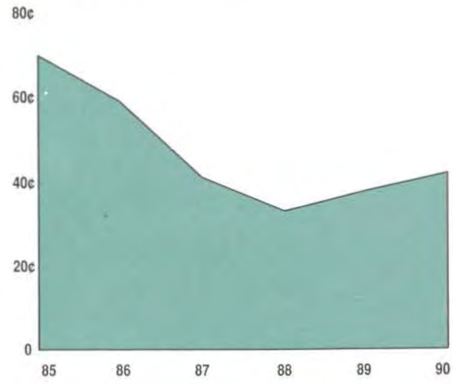
Insurance Losses
(in millions)



NCUSIF Losses Per $1,000 of Insured Funds



Five Year Average Loss
(per $1,000 of insured deposits)



Agency Uses Several Tools to Provide Early Warning System

Supervision is most evident when an examiner appears for a credit union's annual examination and assigns a CAMEL rating. The semiannual Financial Performance Report based on call report data is also well known.

However, these are only the most visible components of NCUA supervision. The agency uses several other tools to create an early warning system that, like sophisticated X-ray equipment, can expose underlying, undetected symptoms. In one quite typical case, a $3 million credit union is on its way back to health because the system worked.

Examiners and other staff compare the different analyses for quality control purposes. One of them, a semi-annual Risk Evaluation Report, uses nine ratios and tolerance levels to assess credit unions. It is updated periodically to reflect economic trends.

A CURE (credit union risk evaluation) index is another tool. Using a carefully constructed formula of 10 ratios, the agency assigns an index number to each credit union. Examiners also receive a so-called CAEL report—a computer analysis of each credit union's key ratios.

Using all of these tools, the Department of Risk Management regularly gives each region a list of its "top 10" potential problems—those not previously identified. That is how the $3 million problem credit union was found. A supervisory visit confirmed the existence of lending and earning problems, and monthly visits were scheduled. Today, the credit union is stabilized.

> *CAMEL rating, performance reports most visible of NCUA tools.*

Regional directors also receive quarterly reports on insurance losses—by state and type of credit union. They get computer lists of credit unions with high concentrations of real estate, agricultural or commercial loans. Other research alerts them to local economic conditions or a weakened sponsor.

With all of this information—which modern technology makes possible and NCUA has developed—a regional office can identify troubled credit unions or geographical areas before problems become irreversible.

More visible than the early warning system is NCUA's two-year-old "intensive care" program which targets chronically troubled credit unions. Regional officers review every case and examiners make frequent on-site visits. NCUA and credit union officers agree on a plan which is written into a Letter of Understanding and Agreement, and establish a timetable. State supervisors, credit union associations, and other credit unions work with them.

The message becomes clear—it is time for this credit union to get serious about the way it does business. If it won't change, it should get out of business. The timetable encourages good faith efforts and apparently permanent positive results have been achieved in many difficult cases.

Of course, some problem credit unions have been liquidated and others chose to merge with healthier credit unions. But the total number is down and the overall results are encouraging.

In the end, NCUA's supervision program depends on recruiting, equipping and training top-notch examiners. A broad array of tools, research and analysis, and technical experts stand behind them, but it is the examiners in the field who are on the front line.

Congress Enacts Laws Affecting Credit Unions

Two major pieces of legislation, enacted because of problems in other financial institutions, will have a long-term effect on credit unions and the operations of the National Credit Union Administration.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 included several amendments to the Federal Credit Union Act. It also required the NCUA Board to revise some regulations and add others—which it did in 1990.

Abiding by the mandate of Congress, NCUA Board took action.

The Omnibus Crime Control Act, signed by President Bush late in 1990, increased NCUA's enforcement authority in a number of ways. Both of these acts target practices which Congress and the public believe contributed to the collapse of the savings and loan industry in the 1980s.

In 1990, abiding by the mandate of Congress, the NCUA Board took final action which—

- Extends NCUA enforcement authority to "institution-affiliated parties," including consultants, attorneys, appraisers, and accountants;
- Requires an outside audit of a credit union by a certified public accountant under certain conditions;
- Requires written appraisals by state-licensed or certified appraisers in most real estate transactions over $50,000, based on standards approved by Congress, and
- Requires newly chartered or troubled credit unions to obtain prior NCUA approval of new officers and senior management.

During 1990, the Board also took final action on rules—

- Requiring credit unions to obtain prior low-income designation from NCUA in order to use powers limited to that status;
- Redefining risk assets, further relating reserve requirements to the level of asset risk;
- Clarifying the requirements for records preservation;
- Authorizing self-directed IRA and Keogh accounts, and
- Prohibiting the practice of offering uninsured member shares.

Proposed rules on which final action was pending at the end of 1990 would—

- Update existing rules on loan participations, and the purchase, sale and pledge of loans by credit unions, and
- Require NCUA approval before the purchase or acquisition of loans or other assets from other depository institutions.

During 1990, NCUA studied areas of credit union activity which will be the subject of rule-making in 1991. These include proposals to restrict investments in stripped mortgage-backed securities, a revision of rules governing corporate credit unions, and a business lending rule.

Board Revises Operating Fee, Employee Pay Scale

A more equitable operating fee scale for federal credit unions and a market-based employee pay system were two major NCUA objectives in 1990. Both projects were successfully completed.

Officers and staff also spent thousands of hours during 1990 assisting the General Accounting Office with its year-long study of the credit union system. In 1989, Congress directed GAO to make the study and to report back in 1991.

After a comprehensive evaluation of the operating fees paid by federal credit unions, the NCUA Board in 1990 revised the fee scale to make it more equitable. When Congress amended the Federal Credit Union Act in 1979 to establish a single fee, it said the fee should be based on the ability to pay.

Board revised operating fee scale in 1990 to make it more equitable.

The fee levied at that time was highest at the low end of the multi-bracket scale. As new brackets were added the scale became increasingly unfair. By 1990, the fee as a percent of assets or as a percent of operating expenses was many times more burdensome on smaller credit unions.

After its study, the Board acted in October to reduce the number of brackets from 14 to 2, and agreed to adjust the dividing line between the brackets each year based on asset growth. In November, the Board set the rates—one fee on assets up to $272.25 million and a reduced fee on assets over that amount. Credit unions with assets under $50,000 do not pay a fee and the minimum fee continues to be $100.

Again in 1990, the Board agreed to continue the overhead transfer rate of 50 percent—the rate at which agency operating costs are allocated to the Share Insurance Fund. The rate is based on an annual in-depth study of staff time—over half of all NCUA staff time is related to its insurance function.

Critics of the federal pay system have long charged that it is inflexible, fails to attract and retain quality personnel, and rewards seniority over performance. Also, in 1990 Congress recognized the need for federal financial regulators to retain qualified staff and approved legislation calling for "comparable pay." However, comparability did not mean that the same job title warrants the same pay at different agencies.

To obtain independent, objective advice, NCUA selected a respected human resource consulting firm to redesign its compensation package. The Board asked the firm to base its recommendations on an analysis of private industry, other financial regulatory agencies, and geographic differences.

As part of the transition to the new pay system, staff members in October received a one-time pay adjustment to bring everyone to market rate. No employee received less pay, but for some the increase was minimal. Examiners received pay increases of up to 23 percent based on experience, performance, and the local labor market.

Under the new system, NCUA employees will no longer receive standard government cost of living increases. All future pay increases will be based on job performance and changes in the marketplace.

CLF Members Receive 7.9% Return in 1990

The Central Liquidity Facility, a source of short-term funds for the credit union system, paid dividends of $34.6 million in 1990 to its member credit unions—a 7.9 percent return on member capital and deposits.

At the end of the fiscal year, September 30, CLF had $66.6 million in outstanding loans, down from $112.2 million in 1989, and $13.5 million in lines of credit to four private insurers. It had income of $35.3 million and expenses of $794,613, less than the budget of $851,000 approved by Congress. Reserves of $685,642 exceeded the target of $600,000 set by the NCUA Board.

CLF's 14,500 member credit unions or their designated agents purchase shares equal to one-half of one percent of unimpaired capital and surplus. Member equity on September 30 was $460.7 million, compared with $438.9 million in 1989.

CLF investments had an average maturity of 67 days at year-end and the average yield in 1990 was 8.1 percent, compared to 8.0 for 90-day U. S. Treasury bills.

Sluggish Year Does No Harm To Credit Unions

By Charles H. Bradford, Chief Economist

Iraq's invasion of Kuwait in August 1990 had negative effects on consumer and business psychology and put the finishing touches on a recession. It led to a fourth-quarter downturn in real gross national product, which, coupled with a GNP decline in the first quarter of 1991, was the first recession, albeit a mild and short one, since 1982.

War or no war, 1990 was a sluggish year for the U. S. economy. Real GNP rose only 0.9 percent, the slowest growth since 1982—down from 2.5 percent in 1989, and well below the average of 3.5 percent per year over the eight years since the last recession.

Unemployment broke out of a 1989 plateau of 5.3 percent, and tilted upward to 6.1 percent in December. One million workers lost their jobs in 1990, most of them in the fourth quarter. Probably the only economic positives in 1990 were moderate inflation and falling interest rates. The consumer price index rose 5.4 percent, but there is no sign of run-away inflation.

Interest rates declined. Yields on three-month Treasury bills started the year at 7.9 percent and ended at 6.9 percent. The prime rate was stuck at 10 percent throughout the year. The yield curve steepened. Thirty-year government bonds declined only slightly, from 8.5 percent to 8.25 percent, after spiking up to 9 percent in the summer.

With a soft national economy, there was no external stimulus for credit unions to grow very fast. Nonetheless, acting somewhat contrary to national economic trends, credit unions had a good year. Assets grew 7.7 percent and shares grew 7.5 percent, both up from 4.8 percent growth in 1989.

Loans, however, had a dismal year, and reflected the soft national economy, growing only 3.5 percent. However, loan quality improved. The average delinquency ratio fell from 1.8 to 1.7 percent. Investments took a big jump—rising 18.5 percent—after falling 2 percent in 1989.

> *Iraq invasion of Kuwait had negative effects on consumer, business psychology.*

The divergence of sizeable credit union share growth and sluggish loan growth reflected national economic conditions. Fear of recession generally encourages saving, but falling consumer confidence and a slowing economy curb consumer spending and borrowing. Accordingly, credit union loans rose very slowly in 1990 while savings grew strongly.

The loan-to-share ratio fell from 73.3 percent in 1989 to 70.6 percent in 1990. Credit union liquidity increased. Of several CAMEL liquidity ratios, a key ratio—short-term cash availability—increased from 13.9 percent in 1989 to 18.4 percent in 1990, well within the good range.

Net income showed excellent results, up 11.1 percent in 1990, after declining 2.6 percent in 1989. Capital ratios at federally insured credit unions stood at a healthy 7.6 percent at year end, up from 7.4 percent in 1989. While insurances losses were up the last two years due to a couple of bád situations, the overall system is strong.

NCUA is pleased to note that the rapid expansion of mortgage lending by credit unions has slowed, due in large part to supervisory advice. Mortgage loans grew 46 percent in 1987, 28 percent in 1988, and 11 percent in 1989. In 1990, growth was only 9 percent.

NCUA is not overly concerned about the credit risk associated with mortgages, but it is concerned about interest rate risk. It has given strong advice that credit unions qualify all mortgage loans for sale in the secondary market.

Barring a deep economic slump, which is not expected, the general good health of credit unions should continue for the foreseeable future.

Financial Results

The following pages contain the financial statements of the National Credit Union Administration Operating Fund for the fiscal years ending Sept. 30, 1990, and Sept. 30, 1989, and our accountants opinion statement. During 1990, the fund's financial condition remained strong and financial results were within planned levels. For the fifth consecutive year, our independent accountants rendered a fully unqualified opinion.

Operating Fund revenue comes from fees assessed annually on all federal credit unions, investments of idle cash, and miscellaneous income from sources such as sales of publications. Revenue in 1990 was very close to budget projections—$32.3 million in fees, $1.6 million in investment income, and $339,000 miscellaneous income.

Operating expenses are divided between the Share Insurance Fund and the Operating Fund in a monthly allocation known as the overhead transfer. The NCUA Board establishes the allocation rate based on an annual survey of staff time. In recent years, the allocation rate has been 50 percent.

Operating expenses of $63.6 million were 4.4 percent under budget, lower than expected in the two largest categories—employee wages and benefits, and travel expenses. Of 913 full time equivalent staff years authorized and budgeted, 894 were actually used. Rescheduling of several large conferences also reduced travel expenses.

Revenue in 1990 exceeded expenses by $2.5 million due to budget savings. The fund balance was $8.1 million at year-end.

Operating Fund Report and Financial Statements for the Years Ended September 30, 1990 and 1989

Report of Independent Accountants

To the Board of the National Credit Union Administration

In our opinion, the statements appearing on pages 13 through 17 of this report present fairly, in all material respects, the financial position of the National Credit Union Administration—Operating Fund at September 30, 1990 and 1989, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Price Waterhouse
Washington, D.C.
November 15, 1990

Operating Fund Balance Sheets

	Year Ended September 30, 1990	1989
ASSETS		
Cash, including cash equivalents of $10,916,298 and $7,053,043 (Note B)	$ 10,916,298	$ 7,053,043
Due from National Credit Union Share Insurance Fund (Note C)	626,060	191,721
Employee advances	323,807	392,387
Other accounts receivable	649,181	254,024
Prepaid expenses	255,991	247,045
Office building and land, net of accumulated depreciation of $105,469 and $63,281	2,152,483	2,194,671
Furniture and equipment, net of accumulated depreciation of $4,781,457 and $3,190,760	3,317,099	4,504,087
Leasehold improvements, net of accumulated amortization of $215,327 and $97,730	328,687	374,564
Total assets	**$18,569,606**	**$15,211,542**
LIABILITIES AND FUND BALANCE		
Accounts payable	$ 2,047,851	$ 1,495,530
Accrued wages and benefits	2,599,835	2,218,144
Accrued annual leave	3,026,219	2,909,260
Accrued employee travel	763,325	860,924
Note payable to National Credit Union Share Insurance Fund (Note C)	1,980,766	2,052,766
Total liabilities	**$10,417,996**	**$ 9,536,624**
Fund Balance:		
Available for operations	4,334,107	654,362
Invested in fixed assets, net	3,817,503	5,020,556
Total fund balance	**$ 8,151,610**	**$ 5,674,918**
Commitments (Note D)		
Total liabilities and fund balance	**$18,569,606**	**$15,211,542**

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Revenue, Expenses and Changes in Fund Balance

	Year Ended September 30, 1990	1989
REVENUE		
Operating fee revenue	$ 32,294,318	$ 28,925,893
Investment income	1,638,702	1,291,900
Miscellaneous income	339,513	366,076
Total revenue	**$34,272,533**	**$30,583,869**
EXPENSES (NOTE C)		
Employee wages and benefits	$ 22,263,676	$ 18,973,325
Travel expense	3,648,450	3,977,074
Rent, communications, and utilities	2,308,434	2,197,839
Contracted services	1,232,397	1,552,305
Other administrative expenses	2,342,884	2,068,044
Total administrative expenses	**$31,795,841**	**$28,768,587**
Excess of revenue	2,476,692	1,815,282
Fund balance at beginning of year	5,674,918	3,859,636
Fund balance at end of year	$ 8,151,610	$ 5,674,918

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Cash Flows

	Year Ended September 30, 1990	1989
Cash flows from operating activities:		
Excess of revenue	$ 2,476,692	$ 1,815,282
Adjustments to reconcile excess of (expenses) revenue to net cash provided by operating activities:		
Depreciation and amortization	1,716,332	1,498,041
Gain on disposition of fixed assets	(312)	(4,361)
Changes in operating assets and liabilities:		
(Increase) decrease in amounts due from National Credit Union Share Insurance Fund	(434,339)	520,101
Decrease in employee advances	68,580	228,272
Increase in other accounts receivable	(395,157)	(85,686)
Increase in prepaid expenses	(8,946)	(28,174)
Increase (decrease) in accounts payable	552,321	(1,108,887)
Increase in accrued wages and benefits	381,691	249,507
Increase in accrued annual leave	116,959	324,391
(Decrease) increase in accrued employee travel	(97,599)	185,909
Net cash provided by operating activities	4,376,222	3,594,395
Cash flows from investing activities:		
Purchases of fixed assets	(452,913)	(949,778)
Proceeds from sale of fixed assets	11,946	5,840
Net cash used by investing activities	(440,967)	(943,938)
Cash flows from financing activities:		
Repayments of note payable	(72,000)	(72,000)
Net cash (used) provided by financing activities	(72,000)	(72,000)
Net increase in cash and cash equivalents	**3,863,255**	**2,578,457**
Cash and cash equivalents at beginning of year	**7,053,043**	**4,474,586**
Cash and cash equivalents at end of year	**$10,916,298**	**$7,053,043**
Composed of:		
Cash equivalents—U.S. Government securities with maturities less than 3 months	$ 10,916,298	$ 7,053,043
Total	**$10,916,298**	**$7,053,043**

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements September 30, 1990

Note A— Organization and Purpose

The National Credit Union Administration—Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration Board for the purpose of providing administration and service to the federal credit union system.

Note B— Significant Accounting Policies

Cash Equivalents

The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. All investments in fiscal years 1990 and 1989 were cash equivalents and are stated at cost which approximates market. Cash equivalents are highly liquid investments with original maturities of three months or less.

Depreciation and Amortization

Building, furniture and equipment and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building, furniture and equipment and the shorter of the estimated useful life or lease term for leasehold improvements. Estimated useful lives are 40 years for the building and three to ten years for the furniture and equipment and leasehold improvements.

Operating Fee Revenue

The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding June 30. The fee is designed to cover the costs of providing administration and service to the federal credit union system. The Fund recognizes operating fee revenue on a fiscal year basis.

Income Taxes

The Fund is exempt from federal income taxes under §501(c)(1) of the Internal Revenue Code.

Note C—Transactions with the National Credit Union Share Insurance Fund (NCUSIF)

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board derived from an estimate of actual usage. The allocation factor was 50% to NCUSIF and the Fund in the years ended September 30, 1990 and 1989. The cost of the services allocated to NCUSIF, which totaled approximately $31,796,000 and $28,769,000 for the years ended September 30, 1990 and 1989, respectively, are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In fiscal year 1988, the Fund entered into a $2,160,766 30-year term note with NCUSIF, for the purchase of a building. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal years 1990 and 1989 was approximately 8.22% and 8.1%, respectively. The outstanding principal balance at September 30, 1990, was $1,980,766. The total interest paid in fiscal years 1990 and 1989 was $166,444 and $184,275.

Note D—Commitments

The Fund leases office space under lease agreements which expire through 1998. Office rental charges for the years ended September 30, 1990 and 1989, amounted to approximately $2,640,000 and $2,279,000 of which approximately $1,320,000 and $1,140,000 was reimbursed by NCUSIF. In addition, the Fund leases office equipment under operating leases with lease terms less than one year.

The future minimum lease payments as of September 30, 1990, are as follows:

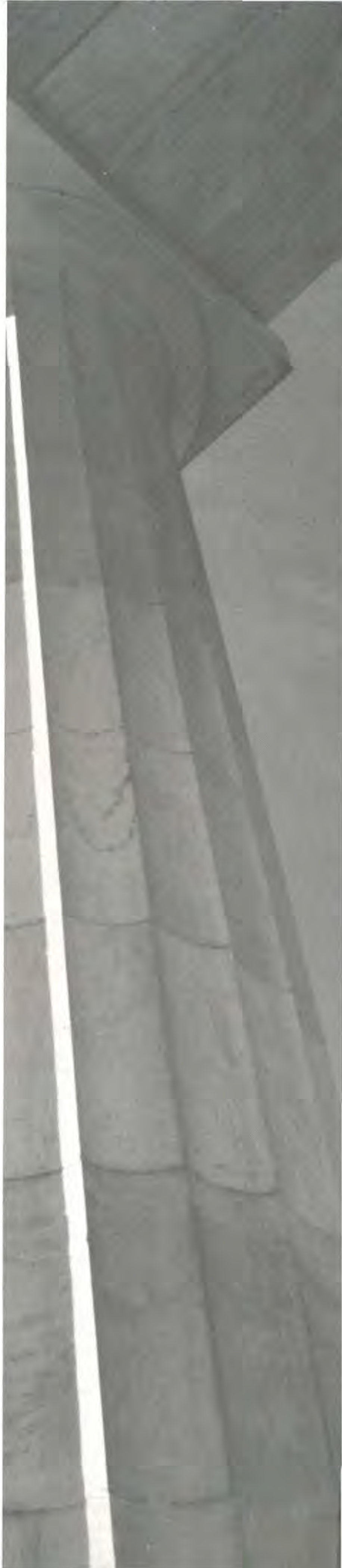
1991	$2,276,379
1992	2,304,681
1993	2,182,135
1994	1,772,758
1995	229,737
Thereafter	765,792
	$9,531,482

Based on the allocation factor approved by the NCUA Board for fiscal year 1990, NCUSIF will reimburse the Fund for approximately 50% of the future lease payments.

Note E—Retirement Plan

The employees of the Fund are participants in the Civil Service Retirement Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between 1% and 10% of their gross pay and the Fund will match up to 5% of the employees' gross pay. The Fund's contributions to the plans for the years ended September 30, 1990 and 1989, were approximately $3,604,700 and $3,145,000, of which $1,802,350 and $1,572,500 was reimbursed by NCUSIF, respectively.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers.



Consolidated Balance Sheet

December 31 (In thousands)

	1989	1990	Percentage Change
ASSETS			
Cash	$ 2,750,344	$ 2,819,713	2.5%
Loans outstanding	80,272,104	83,022,168	3.4
Allowance for loan losses	-642,603	-782,819	21.7
U.S. Gov/Fed Agency Securities	9,874,611	11,753,645	19.0
Commercial banks	5,786,921	7,151,906	23.6
S&Ls and mutual savings banks	7,110,839	6,333,079	-10.9
Corporate credit unions	9,341,952	13,367,096	43.1
Mutual funds	799,926	902,227	12.8
NCUSIF capitalization deposit	1,000,427	1,048,149	4.8
Other investments[1]	760,171	662,539	-12.8
Total investments	**$ 34,674,852**	**$ 41,218,644**	**18.9**
Allowance for investment losses	-38,300	-37,578	-1.9
Land and building (net of depreciation)	1,600,562	1,693,756	5.8
Other fixed assets	662,136	666,974	0.7
Other assets	1,387,292	1,462,045	5.4
Total assets	**$120,666,059**	**$130,062,906**	**7.8**
LIABILITIES			
Notes payable	891,421	1,029,422	15.5
Dividends payable	714,470	729,540	2.1
Accounts payable and other liabilities	646,118	669,975	3.7
Total liabilities	**$ 2,252,009**	**$ 2,428,939**	**7.9**
EQUITY/SAVINGS			
Regular shares	48,745,429	50,796,054	4.2
Share certificates	24,299,571	26,671,116	9.8
IRA/Keogh accounts	15,982,519	17,705,459	10.8
Share drafts	10,940,925	11,731,488	7.2
All other shares	9,684,191	10,977,253	13.4
Total savings	**$109,652,638**	**$117,881,372**	**7.5**
Regular reserves	3,537,507	3,890,735	10.0
Other reserves	1,152,394	1,267,852	10.0
Undivided earnings	4,071,507	4,594,005	12.8
Total equity/savings	**$118,414,046**	**$127,633,966**	**7.8**
Total liabilities/equity	**$120,666,059**	**$130,062,906**	**7.8**

1989 data has been revised to reflect the 1989 Yearend Statistics for Federally Insured Credit Unions

Consolidated Income and Expense Statement
December 31 (In thousands)

	1989	1990	Percentage Change
INCOME			
Interest on loans	$ 8,834,754	$ 9,318,015	5.5%
Less: Interest refund	(12,874)	(9,316)	-27.7
Income from investments	2,925,246	3,152,344	7.8
Other operating income	672,989	770,060	14.4
Total gross income	**$12,420,107**	**$13,231,105**	**6.5**
EXPENSES			
Employee compensation and benefits	1,821,908	1,982,134	8.8
Travel and conference expenses	63,360	66,236	4.5
Office occupancy	231,283	251,864	8.9
Office operations expense	831,808	893,484	7.4
Educational and promotional	97,161	101,949	4.9
Loan servicing expense	118,495	133,656	12.8
Professional and outside services	303,749	320,733	5.6
Provision for loan losses	589,308	668,831	13.5
Provision for investment losses	703	6,306	797.0
Member insurance	147,435	138,677	-5.9
Operating fees	29,918	33,425	11.7
Miscellaneous operating expenses	129,028	130,922	1.5
Total operating expenses	**$ 4,364,160**	**$ 4,728,223**	**8.3**
NON-OPERATING GAINS OR LOSSES			
Gain (loss) on investments	(2,558)	$ 2,278	-189.1
Gain (loss) on disposition of assets	8,336	6,222	-25.4
Other non-operating income (expense)	6,285	7,700	22.5
Total income (loss) before cost of funds	**$ 8,067,980**	**$ 8,519,083**	**5.6**
COST OF FUNDS			
Interest on borrowed money	113,189	83,164	-26.5
Dividends	6,909,752	7,371,221	6.7
Net transfer to statutory reserves	**$ 264,950**	**$ 223,585**	**-15.6**
Net income (loss) after costs of funds and net reserve transfers	**$ 780,088**	**$ 841,112**	**7.8**

1989 data revised to reflect the 1989 Yearend Statistics for Federally Insured Credit Unions

Note: Because of rounding, detail may not add to totals

Federal Credit Unions by State

December 31

	Number FCUs 1990	Assets (in millions) 1990	Assets (in millions) 1989	Percent Change 1989 to 1990
Alabama	129	$ 1,829	$ 1,723	6.2%
Alaska	16	1,290	1,248	3.4
Arizona	48	1,810	1,708	6.0
Arkansas	80	514	464	10.8
California	650	21,272	19,616	8.4
Colorado	119	1,974	1,828	8.0
Connecticut	195	2,427	2,310	5.1
Delaware	55	508	462	10.0
District of Columbia	102	1,964	2,086	-5.8
Florida	206	7,086	6,596	7.4
Georgia	197	2,077	1,927	7.8
Guam	3	88	64	37.5
Hawaii	128	2,591	2,367	9.5
Idaho	45	532	514	3.5
Illinois	244	2,071	1,903	8.8
Indiana	280	4,348	4,103	6.0
Iowa	6	41	40	2.5
Kansas	41	387	351	10.3
Kentucky	109	1,103	994	11.0
Louisiana	279	1,915	1,710	12.0
Maine	100	1,310	1,224	7.0
Maryland	160	3,465	3,033	14.2
Massachusetts	237	3,855	3,811	1.2
Michigan	215	4,225	4,007	5.4
Minnesota	61	1,791	1,641	9.1
Mississippi	117	704	641	9.8
Missouri	22	174	160	8.8

Note: Because of rounding, detail may not add to totals

Number of Federal Credit Unions by Asset Size

December 31

Asset Size	Number of FCUs	Percentage of Total	Cumulative Percentage
Less than $50 thousand	121	1.4%	1.4%
$50 to $100 thousand	158	1.9	3.3
$100 to $250 thousand	555	6.5	9.8
$250 to $500 thousand	695	8.2	18.0
$500 thousand to $1 million	987	11.6	29.6
$1 million to $2 million	1,181	13.9	43.4
$2 million to $5 million	1,627	19.1	62.6
$5 million to $10 million	1,139	13.4	75.9
$10 million to $20 million	805	9.5	85.4
$20 million to $50 million	718	8.4	93.8
$50 million to $100 million	267	3.1	97.0
$100 million and over	258	3.0	100.0
Total	**8,511**		

Federal Credit Unions by State

December 31 (continued)

	Number FCUs 1990	Assets (in millions) 1990	Assets (in millions) 1989	Percent Change 1989 to 1990
Montana	81	$ 572	$ 534	7.1%
Nebraska	68	666	593	12.3
Nevada	29	836	912	-8.3
New Hampshire	18	533	527	1.1
New Jersey	404	3,490	3,282	6.3
New Mexico	38	1,015	903	12.4
New York	800	10,408	9,609	8.3
North Carolina	91	1,678	1,604	4.6
North Dakota	25	85	84	1.2
Ohio	449	3,204	3,024	6.0
Oklahoma	81	1,043	976	6.9
Oregon	126	1,469	1,332	10.3
Pennsylvania	956	6,216	5,766	7.8
Puerto Rico	32	184	174	5.7
Rhode Island	12	16	17	-5.9
South Carolina	99	1,821	1,734	5.0
South Dakota	70	410	364	12.6
Tennessee	129	2,012	1,867	7.8
Texas	592	10,066	9,149	10.0
Utah	52	430	390	10.3
Vermont	8	160	127	26.0
Virgin Islands	5	12	12	0.0
Virginia	212	9,132	8,136	12.2
Washington	108	1,992	1,854	7.4
West Virginia	141	802	741	8.2
Wisconsin	2	164	157	4.5
Wyoming	39	296	270	9.6
Total	**8,511**	**$130,063**	**$120,669**	**7.8%**

Note: Because of rounding, detail may not add to totals

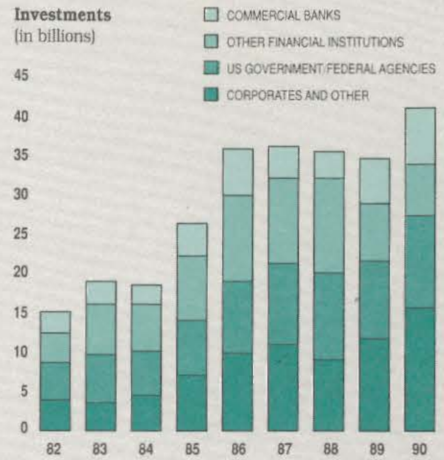
Federal Credit Unions by Asset Size

December 31

Asset Size	Assets (in thousands)	Percentage of Total	Cumulative Percentage
Less than $50 thousand	$ 3,348	0.0	0.0
$50 to $100 thousand	11,903	0.0	0.0
$100 to $250 thousand	97,400	0.1	0.1
$250 to $500 thousand	258,497	0.2	0.3
$500 thousand to $1 million	724,195	0.6	0.8
$1 million to $2 million	1,716,205	1.3	2.2
$2 million to $5 million	5,297,959	4.1	6.2
$5 million to $10 million	8,043,872	6.2	12.4
$10 million to $20 million	11,444,737	8.8	21.2
$20 million to $50 million	22,383,732	17.2	38.4
$50 million to $100 million	18,675,060	14.4	52.8
$100 million and over	61,406,134	47.2	100.0
Total	**$130,063,042**		

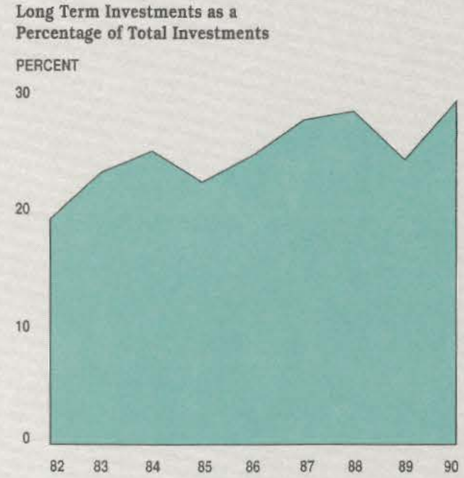
Loans Outstanding
December 31 (In millions)

	1986	1987	1988	1989	1990
Loans outstanding	$55,305	$64,104	$73,766	$80,272	$83,022
Allowance for loan losses	415	466	542	643	783
Regular reserves	2,417	2,764	3,163	3,538	3,891
Amount of delinquent loans	1,172	1,219	1,326	1,417	1,438
Loans charged off	381	448	522	612	653
Recoveries on loans	53	64	81	86	100
Provision for loan losses	355	418	489	589	669
SIGNIFICANT RATIOS (as a percentage of loans outstanding)					
Alllowance for loan losses	0.75%	0.73%	0.73%	0.80%	0.94%
Regular reserves	4.37	4.31	4.29	4.41	4.69
Delinquent loans	2.12	1.90	1.80	1.77	1.73
Loans charged off	0.69	0.70	0.71	0.76	0.79
Net loans charged off	0.59	0.60	0.60	0.66	0.67
Provision for loan losses	0.64	0.65	0.66	0.73	0.81



Percentage Distribution of Savings by Type of Account
December 31 (In millions)

Type of Account	1986	1987	1988	1989	1990
Regular shares	71.6%	71.2%	68.1%	63.2%	62.4%
Share drafts	9.7	10.0	9.7	10.0	10.0
Other regular shares	61.9	61.2	58.4	53.2	52.4
Share certificates	28.4	28.8	31.9	36.8	37.6
IRA and Keogh	13.4	14.2	14.2	14.6	15.0
Other certificates	15.0	14.6	17.7	22.2	22.6
Total savings	**$87,954**	**$96,346**	**$104,431**	**$109,653**	**$117,881**



Annual Growth Rates in Reserves and Undivided Earnings

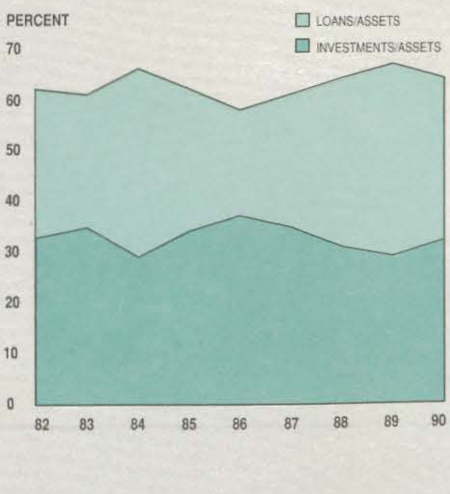
	1986	1987	1988	1989	1990
Total reserves	18.0%	16.0%	15.3%	12.6%	11.3%
Regular reserve	13.4	14.4	14.4	11.9	10.0
Other reserves	21.6	7.5	9.5	9.5	10.0
Undivided earnings	21.4	20.6	18.0	14.2	12.8

Total Investments
December 31 (In millions)

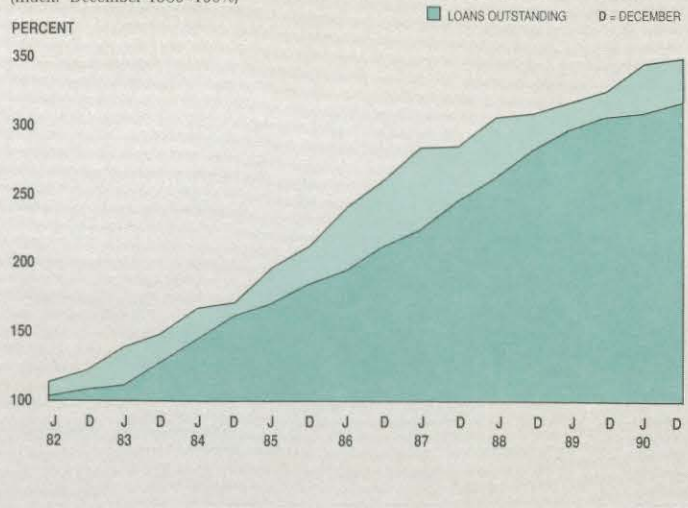
	1986	1987	1988	1989	1990
U.S. government obligations	$ 3,518	$ 4,439	$ 4,123	$ 3,138	$ 3,912
Federal agency securities	5,270	5,979	6,840	6,737	7,841
Mutual funds	1,801	1,193	949	800	902
Deposits in commercial banks	5,757	4,134	3,394	5,787	7,152
Deposits in S&Ls and savings banks	10,700	10,840	9,744	7,111	6,333
Shares/deposits in corporate CUs	7,136	6,286	6,798	9,342	13,367
NCUSIF capitalization deposits	709	815	948	1,000	1,048
Investments in other CUs	165	189	267	225	165
Other investments[1]	653	2,435	2,549	535	498
Allowance for investment losses	(21)	(58)	(58)	(38)	(38)
Total investments	**$35,688**	**$36,253**	**$35,554**	**$34,636**	**$41,180**
PERCENTAGE BREAKDOWN PER YEAR					
U.S. government obligations	9.9%	12.2%	11.6%	9.1%	9.5%
Federal agency securities	14.8	16.5	19.2	19.5	19.0
Mutual funds	5.0	3.3	2.7	2.3	2.2
Deposits in commercial banks	16.1	11.4	9.5	16.7	17.4
Deposits in S&Ls and savings banks	30.0	29.9	27.4	20.5	15.4
Shares/deposits in corporate CUs	20.0	17.3	19.1	27.0	32.5
Share insurance/other capital deposits	2.0	2.2	2.7	2.9	2.5
Investments in other CUs	0.5	0.5	0.8	0.6	0.4
Other investments[1]	1.8	6.7	7.2	1.5	1.2
Total Investments	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1]Includes loans to other credit unions, shares in the Central Liquidity Facility and other investments.
1987 and 1988 figures include all federal funds.

Loan and Investment Ratios



Index of Loan and Share Growth
(Index: December 1980=100%)



CAMEL Rating System, Number by Categories

December 31

EWS/CAMEL Category	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Change
Codes 1 and 2	7,237	7,093	7,365	7,425	7,250	6,536	5,800	5,649	5,551	5,174	-377
Code 3	3,737	3,751	2,855	2,623	2,460	2,734	3,063	2,919	2,857	2,964	107
Code 4	720	661	646	451	375	440	486	480	386	376	-10
Code 5	175	126	97	48	40	48	52	70	27	25	-2
Total	**11,869**	**11,631**	**10,963**	**10,547**	**10,125**	**9,758**	**9,401**	**9,118**	**8,821**	**8,539**	**-297**

EWS (Early Warning System) replaced by CAMEL Rating System in 1987.

Federal Credit Unions Experiencing Losses

December 31

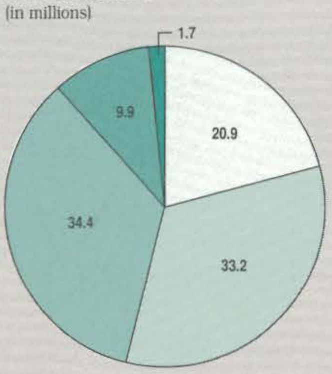
Year	Number of Federal Credit Unions	Number Experiencing Losses	Percentage of Total	Negative Earnings (in thousands)
1981	11,969	2,561	21.4	$ 82,735
1982	11,631	2,572	22.1	63,098
1983	10,963	2,443	22.3	45,434
1984	10,547	1,041	9.9	18,555
1985	10,125	1,178	11.6	31,604
1986	9,758	1,360	13.9	43,805
1987	9,401	1,481	15.8	71,410
1988	9,118	1,074	11.8	78,212
1989	8,821	1,008	11.4	126,383
1990	8,537	1,043	12.2	$169,260

Federal Credit Unions Experiencing Losses by Asset Size

December 31

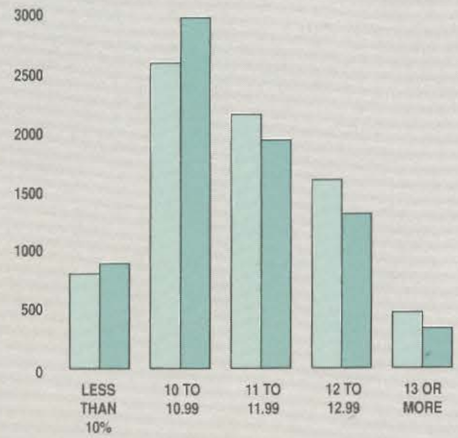
Asset Size	Number of FCUs	Assets	1990 Losses	Reserves and Undivided Earnings
Less than $1 million	392	$ 153,868,851	$ 3,007,430	$ 15,063,537
$1 million to $2 million	159	227,250,053	3,252,332	17,489,440
$2 million to $5 million	206	648,546,991	7,812,038	40,606,184
$5 million to $10 million	121	839,777,028	11,800,800	42,645,727
$10 million to $20 million	82	1,181,520,080	16,108,367	51,110,124
$20 million to $50 million	62	1,811,805,810	28,634,729	63,452,178
$50 million and over	21	2,387,020,941	98,644,212	(14,252,581)
Total	**1,043**	**$7,249,789,754**	**$169,259,908**	**$216,114,609**

Loan Distribution
(in millions)

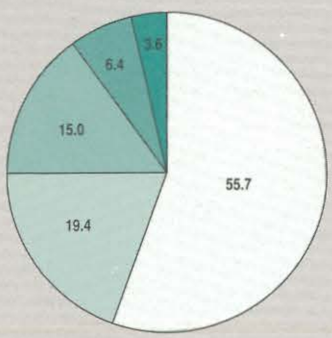


UNSECURED	$17,363
AUTO LOANS	27,514
REAL ESTATE	28,557
OTHER LOANS TO MEMBERS	8,242
MISCELLANEOUS:	
AGRICULTURAL	53
COMMERCIAL	913
NONMEMBER LOANS	380

Distribution of Interest Rates
New Car Loans

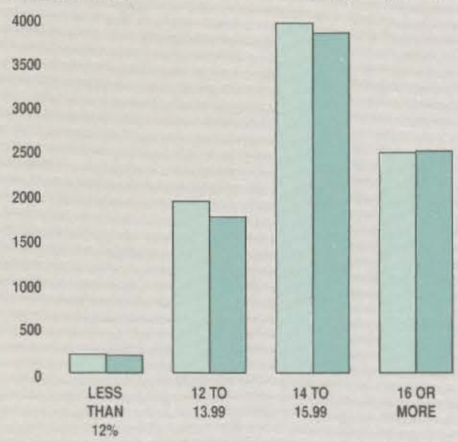


Uses of Funds
(in millions)

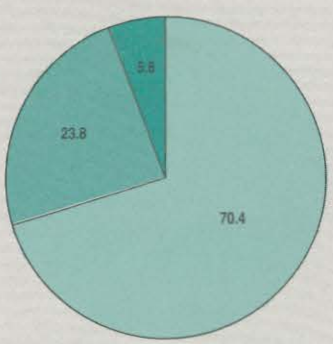


DIVIDENDS	$7,371
GENERAL & ADMINISTRATIVE	2,565
SALARIES/BENEFITS	1,982
RETAINED EARNINGS	841
TRANSFERS TO REGULAR AND OTHER RESERVES	472

Distribution of Interest Rates
Unsecured Loans

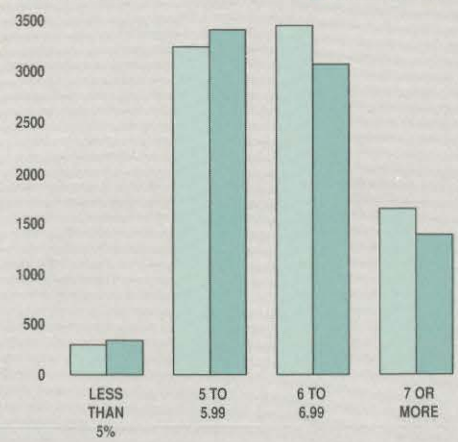


Sources of Income
(in millions)



LOANS	$9,309
INVESTMENTS	3,152
OTHER	770

Distribution by Dividend Rates
Regular Shares



Selected Data for Federal Credit Unions

December 31

Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	(amounts in thousands of dollars) Assets[1]	Shares[1]	Loans Outstanding
1934[2]	78		78	78	39	39	3,240	$ 23	$ 23	$ 15
1935	828		828	906	134	772	119,420	2,372	2,228	1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	22,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,633	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720

[1]Data for 1934-44 are partly estimated.

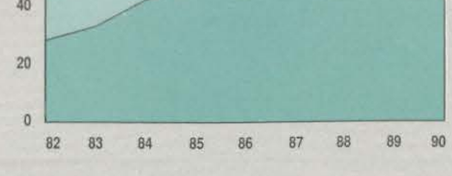
[2]First charter approved October 1, 1934.

Selected Data for Federal Credit Unions

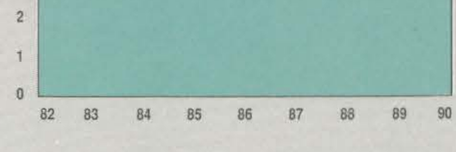
December 31 (continued)

								(amounts in thousands of dollars)		
Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	Assets	Shares	Loans Outstanding
1970	563	412	151	13,555	578	12,977	11,966,181	$ 8,860,612	$ 7,628,805	$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	49,755,270	45,503,266	27,998,657
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,421	87,953,642	55,304,267
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	90	8,539	36,236,049	130,062,906	117,881,372	83,022,168

Loans and Shares
(in billions)



Effective Cost of Shares



FEDERAL CREDIT UNIONS

Federal Credit Union Data 10 Year Summary, 1981 to 1990

December 31 (Dollar amounts in millions)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Number of credit unions	11,969	11,631	10,976	10,548	10,125	9,758	9,401	9,118	8,821	8,537
Number of members	25,459,059	26,114,649	26,798,799	28,191,922	29,578,808	31,041,142	32,066,542	34,438,304	35,612,317	36,236,049
Assets	$39,181	$45,494	$54,482	$63,656	$78,188	$95,484	$105,190	$114,565	$120,666	$130,063
Loans outstanding	27,238	28,192	33,201	42,133	48,241	55,305	64,104	73,766	80,272	83,022
Shares	35,248	41,352	49,891	57,929	71,616	87,954	96,346	104,431	109,653	117,881
Reserves[1]	1,614	1,773	2,007	2,451	2,884	3,312	3,725	4,216	4,690	5,159
Undivided earnings	906	1,118	1,281	1,592	2,063	2,506	3,023	3,567	4,072	4,594
Gross income	4,681	5,406	6,064	7,454	8,526	9,416	10,158	11,173	12,420	13,321
Operating expenses	1,660	1,822	2,045	2,314	2,674	3,115	3,585	3,931	4,364	4,728
Dividends	2,656	3,185	3,573	4,413	5,090	5,506	5,624	6,148	6,910	7,371
Reserve transfers	147	147	166	260	282	250	237	232	265	224
Net income	219	244	287	473	521	626	688	799	781	841

PERCENT CHANGE

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total assets	4.4%	16.1%	19.8%	16.8%	22.8%	22.1%	10.2%	8.9%	5.3%	7.8%
Loans outstanding	4.1	3.5	17.8	26.9	14.5	14.6	15.9	15.1	8.8	3.4
Savings	4.2	17.3	20.6	16.1	23.6	22.8	9.5	8.4	5.0	7.5
Reserves	9.6	9.9	13.2	22.1	17.7	14.8	12.5	13.2	11.2	10.0
Undivided earnings	27.8	23.4	14.6	24.3	29.6	21.5	20.6	18.0	14.2	12.8
Gross income	22.4	15.5	12.2	22.9	14.4	10.4	7.9	10.0	11.2	6.5
Operating expenses	10.8	9.8	12.2	13.2	15.6	16.5	15.1	9.7	11.0	8.3
Dividends	21.6	19.9	12.2	23.5	15.3	8.2	2.1	9.3	12.4	6.7
Net reserve transfers	50.0	0.0	12.9	56.6	8.5	-11.3	-5.2	-2.1	14.2	-15.5
Net income	409.3	11.4	17.6	64.8	10.1	20.2	9.9	16.1	-2.3	7.7

SIGNIFICANT RATIOS

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Reserves to assets	4.1%	3.9%	3.7%	3.9%	3.7%	3.5%	3.5%	3.7%	3.9%	4.0%
Reserves and undivided earnings to assets	6.4	6.4	6.0	6.4	6.3	6.1	6.4	6.8	7.3	7.5
Reserves to loans	5.9	6.3	6.0	5.8	6.0	6.0	5.8	5.7	5.8	6.2
Loans to shares	77.3	68.2	66.5	72.7	67.4	62.9	66.5	70.6	73.2	70.4
Operating expenses to gross income	35.5	33.7	33.7	31.0	31.4	33.1	35.3	35.2	35.1	35.7
Salaries and benefits to gross income	14.1	14.1	14.4	13.6	13.6	14.1	14.6	14.8	14.7	15.0
Dividends to gross income	56.7	58.9	58.9	59.2	59.7	58.5	55.4	55.0	55.6	55.7
Yield on average assets	12.2	12.8	12.1	11.7	12.0	10.8	10.1	10.2	10.6	10.6
Cost of funds to average assets	7.2	7.5	7.1	7.0	7.2	6.4	5.6	5.7	6.0	5.9
Gross spread	5.1	5.3	5.0	4.7	4.8	4.5	4.5	4.5	4.6	4.6
Net income divided by gross income	4.7	4.5	4.7	6.3	6.1	6.6	6.8	7.2	6.3	6.4
Yield on average loans	12.5	13.6	13.7	12.4	13.5	12.7	11.6	11.3	11.5	11.4
Yield on average investments	12.8	12.3	10.2	11.0	9.5	7.9	7.7	7.9	8.4	8.3

[1]Does not include allowance for loan losses

STATE CREDIT UNIONS

Federally Insured State Credit Union Data 10 Year Summary, 1981 to 1990

December 31 (Dollar amounts in millions)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Number of credit unions	4,994	5,023	4,915	4,645	4,920	4,935	4,934	4,760	4,552	4,349
Number of members	12,954,206	13,113,393	14,277,816	15,205,029	15,689,048	17,362,780	17,998,921	18,518,969	18,939,127	19,453,940
Assets	$22,584	$24,089	$27,479	$29,188	$41,525	$52,244	$56,972	$60,740	$63,175	$68,135
Loans outstanding	15,341	15,282	17,215	19,951	26,168	30,834	35,436	39,977	42,373	44,102
Shares	20,007	21,636	24,297	26,327	37,917	48,097	52,083	55,217	57,658	62,082
Reserves[1]	1,191	1,250	1,341	1,409	1,781	2,147	2,423	2,612	2,872	3,072
Undivided earnings	508	601	655	728	1,065	1,253	1,458	1,651	1,945	2,248
Gross income	2,745	2,879	3,062	3,428	4,508	5,117	5,483	5,973	6,529	6,967
Operating expenses	905	981	1,024	1,060	1,364	1,655	1,884	2,078	2,216	2,410
Dividends	1,554	1,584	1,747	1,975	2,684	3,004	3,049	3,201	2,930	3,139
Reserve transfers	128	131	130	179	227	201	184	158	150	117
Net income	164	190	165	219	256	288	355	470	457	513
PERCENT CHANGE										
Total assets	8.2%	6.7%	14.1%	6.2%	42.3%	25.8%	9.0%	6.6%	4.0%	7.9%
Loans outstanding	5.2	-0.4	12.6	15.9	31.2	17.8	14.9	12.8	6.0	4.1
Savings	8.3	8.1	12.3	8.4	44.0	26.8	8.3	6.0	4.4	7.7
Reserves	9.7	5.0	7.3	5.1	26.4	20.6	12.9	7.8	10.0	6.9
Undivided earnings	28.0	18.3	9.0	11.1	46.3	17.7	16.4	13.2	17.8	15.6
Gross income	28.2	4.9	6.4	12.0	31.5	13.5	7.2	8.9	9.3	6.7
Operating expenses	19.1	8.4	4.4	3.5	28.7	21.3	13.8	10.3	6.6	8.8
Dividends	27.6	1.9	10.3	13.1	35.9	11.9	1.5	5.0	-8.5	7.1
Net reserve transfers	N/A	2.3	-0.8	37.7	26.8	-11.5	-8.5	-14.1	-5.1	-22.0
Net income	N/A	15.9	-13.2	32.7	16.9	12.5	23.3	32.4	-2.8	12.3
SIGNIFICANT RATIOS										
Reserves to assets	5.3%	5.2%	4.9%	4.8%	4.3%	4.1%	4.3%	4.3%	4.5%	4.5%
Reserves and undivided earnings to assets	7.5	7.7	7.3	7.3	6.9	6.5	6.8	7.0	7.6	7.8
Reserves to loans	7.8	8.2	7.8	7.1	6.8	7.0	6.8	6.5	6.8	7.0
Loans to shares	76.7	70.6	70.9	75.8	69.0	64.1	68.0	72.4	73.5	71.0
Operating expenses to gross income	33.0	34.1	33.4	30.9	30.3	32.3	34.4	34.8	33.9	34.6
Salaries and benefits to gross income	13.0	14.0	14.4	13.6	13.4	13.9	14.5	14.5	14.4	14.7
Dividends to gross income	56.6	55.0	57.1	57.6	59.5	58.7	55.6	53.6	44.9	45.1
Yield on average assets	12.6	12.3	11.9	12.1	12.7	11.2	10.4	10.1	10.5	10.6
Cost of funds to average assets	7.5	7.0	6.9	7.1	7.6	6.4	5.5	5.5	5.9	6.0
Gross spread	5.1	5.3	5.0	5.0	5.1	4.5	4.3	4.6	4.6	4.6
Net income divided by gross income	6.0	6.6	5.4	6.4	5.7	5.6	6.5	7.9	7.0	7.4
Yield on average loans	12.6	13.3	13.3	13.2	14.3	12.7	11.1	11.2	11.4	11.4
Yield on average investments	13.5	11.4	9.9	10.5	10.0	8.0	7.5	7.9	8.4	8.5

N/A Indicates not available

[1]Does not include the allowance for loan losses

CORPORATE CREDIT UNION DATA

Federal Corporate Credit Unions
December 31

Corporate Name	City, State	Assets (in millions)
Capital Corporate	Landover, Maryland	$ 584.2
Colorado Corporate	Arvada, Colorado	764.0
Eastern Corporate	Stoneham, Massachusetts	538.5
Empire Corporate	Albany, New York	1,478.6
Indiana Corporate	Indianapolis, Indiana	798.4
Kentucky Corporate	Louisville, Kentucky	206.7
LICU Corporate	Endicott, New York	12.6
Mid-Atlantic Corporate	Harrisburg, Pennsylvania	927.2
Mid-States Corporate	Oak Brook, Illinois	2,087.1
Nebraska Corporate Central	Omaha, Nebraska	106.3
Pacific Corporate	Honolulu, Hawaii	234.0
South Dakota Corporate Central	Sioux Falls, South Dakota	76.5
Southeast Corporate	Tallahassee, Florida	1,165.3
Southwest Corporate	Dallas, Texas	3,522.5
Tricorp Federal Credit Union	Portland, Maine	342.7
Virginia League Corporate	Lynchburg, Virginia	880.9
Western Corporate	Pomona, California	6,931.5
Total		**$20,657.0**

Federally Insured State Corporate Credit Unions
December 31

Corporate Name	City, State	Assets (in millions)
Alabama Corporate	Birmingham, Alabama	$ 321.2
Constitution State Corporate	South Wallingford, Connecticut	551.0
Corporate Central Credit Union	Salt Lake City, Utah	184.4
Corporate Credit Union of Arizona	Phoenix, Arizona	409.9
Federacion de Cooperativas	San Juan, Puerto Rico	76.4
First Carolina Corporate	Greensboro, North Carolina	463.2
Georgia Central	Atlanta, Georgia	644.1
Iowa League Corporate	Des Moines, Iowa	274.2
Minnesota Corporate	St. Paul, Minnesota	293.3
Corporate One	Columbus, Ohio	665.2
Oklahoma Corporate	Tulsa, Oklahoma	352.1
Oregon Corporate Central	Portland, Oregon	320.1
The Carolina Corporate	Columbia, South Carolina	205.3
Total		**$4,760.4**

Key Statistics on Federally Insured Corporate Credit Unions

December 31 (Dollar amounts in millions)

	1986	1987	1988	1989	1990
Number	29	30	30	30	30
Assets	$12,182.1	$12,473.4	$13,996.9	$17,206.4	$25,493,.8
Loans	621.0	1,302.8	1,584.7	1,026.2	1,172.4
Shares	10,851.0	10,699.4	11,234.6	14,501.6	20,012.3
Reserves	104.1	126.8	146.6	172.5	218.0
Undivided earnings	45.3	56.2	69.6	82.6	96.9
Gross income	785.5	927.5	1,084.1	1,485.4	1,904.1
Operating expenses	25.4	29.5	33.8	41.6	54.9
Interest on borrowing	47.9	75.7	139.7	260.0	323.9
Dividends and interest on deposits	685.9	790.6	877.4	1,145.4	1,465.5
Reserve transfers	17.2	17.5	16.8	18.8	27.8
Net income	9.0	14.7	17.2	19.9	32.5
SIGNIFICANT RATIOS					
Reserves to assets	0.9%	1.0%	1.0%	1.0%	0.9%
Reserves and undivided earnings to assets	1.2	1.5	1.5	1.5	1.2
Reserves to loans	16.8	9.7	9.3	16.8	18.6
Loans to shares	5.7	12.2	14.1	7.1	5.9
Operating expenses to gross income	3.2	3.2	3.1	2.8	2.9
Salaries and benefits to gross income	1.2	1.3	1.3	1.1	1.0
Dividends to gross income	87.3	85.2	80.9	77.1	77.0
Yield on average assets	7.4	7.3	8.2	9.5	8.9
Cost of funds to average assets	6.9	6.8	7.7	9.0	8.4
Gross spread	0.6	0.5	0.5	0.5	0.5
Net income divided by gross income	1.1	1.6	1.6	1.3	1.7
Yield on average loans	7.1	7.5	9.1	13.3	9.8
Yield on average investments	7.5	7.6	8.2	9.5	9.1

OFFICERS

Roger W. Jepsen
Chairman

Robert H. Swan
Member of the Board

Donald E. Johnson
Executive Director

Rebecca J. Baker
Secretary of the Board

Charles H. Bradford
Chief Economist

Susan L. Nelowet
Executive Assistant to the Chairman

Christopher W. Kerecman
Executive Assistant to the Member

Robert M. Fenner
General Counsel

D. Michael Riley
Director
Office Of Examination and Insurance

Robert E. Loftus
Director
Office of Public and Congressional Affairs

J. Leonard Skiles
President
Asset Liquidation Management Center

Robert J. LaPorte
President
Central Liquidity Facility

Herbert S. Yolles
Controller

Joan E. Perry
Inspector General

Benny R. Henson
Director
Office of Administration

Joseph W. Visconti
Director
Office of Information Systems

Dorothy W. Foster
Director
Office of Personnel

Layne L. Bumgardner
Director, Region I

Daniel L. Murphy
Director, Region II

H. Allen Carver
Director, Region III

Nicholas Veghts
Director, Region IV

John S. Ruffin
Director, Region V

Foster C. Bryan
Director, Region VI

Chairman Roger. W. Jepsen, United States Senator from Iowa from 1979 through 1984, was appointed by President Ronald Reagan in 1985 and reappointed by President George Bush to a full six-year term in 1987.

Member Robert H. Swan, president of Tooele Federal Credit Union, Tooele, Utah, and former deputy director of finance for the state of Utah, was appointed to the Board by President Bush in 1989 and took office in 1990.

Elizabeth F. Burkhart, a Texas banker who had served as deputy administrator of the Veterans Administration, served as a member of the Board from 1982 until her resignation in August 1990.

OFFICES

Central Office
1776 G Street NW
Washington, DC 20456
202-682-9600

Asset Liquidation Management Center
4807 Spicewood Springs Road, # 5100
Austin, TX 78759
512-482-4550

Region I
9 Washington Square
Albany, NY 12205
518-472-4554

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Puerto Rico, Rhode Island, Vermont, Virgin Islands

Region II
1776 G Street NW, #800
Washington, DC 20006
202-682-1900

Delaware, District of Columbia, Maryland, Pennsylavania, Virginia, West Virginia

Region III
7000 Central Parkway, #1600
Atlanta, GA 30328
404-396-4042

Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee

Region IV
300 Park Boulevard, #155
Itasca, IL 60143
708-250-6000

Illinois, Indiana, Michigan, Missouri, Ohio, Wisconsin

Region V
4807 Spicewood Springs Road, #5200
Austin, TX 78759
512-482-4500

Arizona, Colorado, Iowa, Kansas, Minnesota, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming

Region VI
2300 Clayton Road, #1350
Concord, CA 94520
415-825-6125

Alaska, American Samoa, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Washington

FOR INFORMATION

General questions about NCUA,
call 202-682-9650

News about NCUA activities,
call 800-755-1030 or
202-682-9660

A complaint about your credit union,
call appropriate regional office

About credit union investments,
call 800-755-5999

To report questionable activity
at a credit union,
call 800-827-9650

For data on credit unions,
call National Technical Information
Service, 703-487-4650

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Washington, DC 20456

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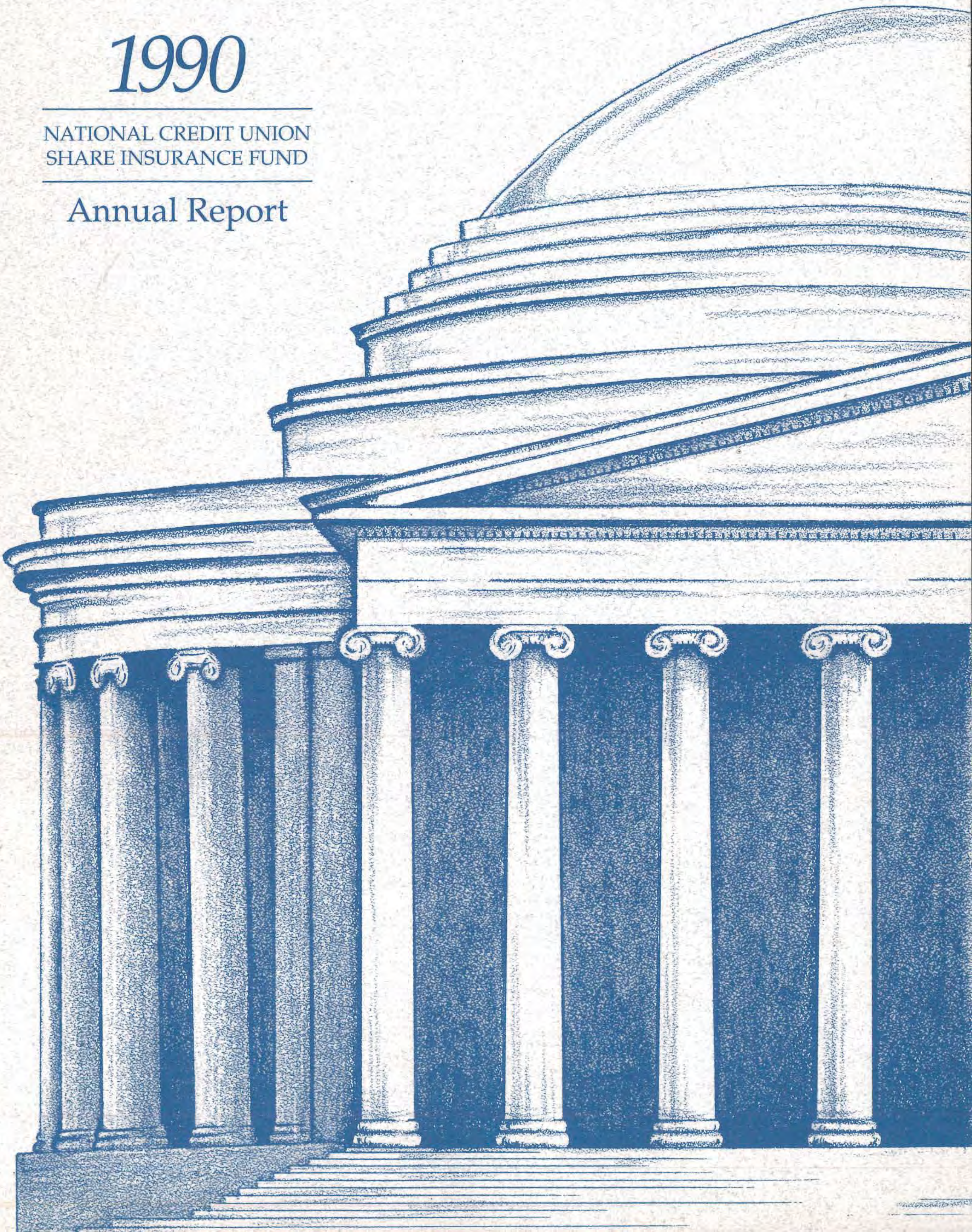
1990

NATIONAL CREDIT UNION SHARE INSURANCE FUND

Annual Report



NCUSIF Highlights Fiscal Year 1990

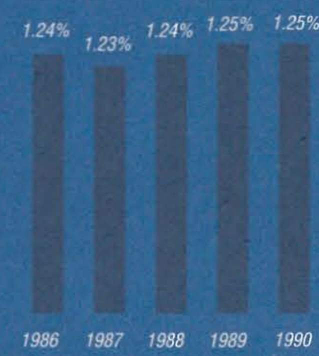
NCUSIF Gross Income
(In Millions)

NCUSIF Net Income
(In Millions)

NCUSIF Reserves
(In Millions)

NCUSIF Losses Per $1,000 of Insured Shares

NCUSIF Equity Ratio

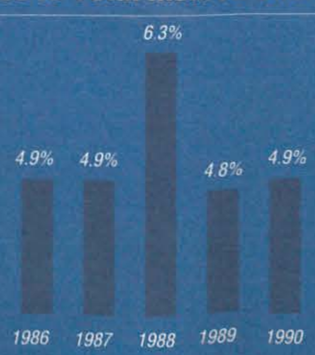


Credit Union Highlights Fiscal Year 1990

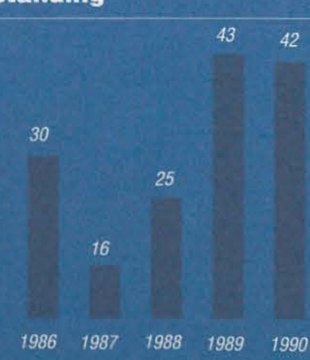
Total Insured Shares
(In Billions–June 30)

Number of Problem Credit Unions
CAMEL Codes 4 & 5

Percentage of CAMEL Code 4 & 5 Shares to Total Insured Shares



Number of 208 Cases Outstanding



Amount of 208 Non-Cash Assistance Outstanding
(In Millions)

ANNUAL REPORT

1990

NATIONAL CREDIT UNION SHARE INSURANCE FUND

Table of Contents

Chairman's Statement

Consider the contrast: one year ago, the critics of the NCUSIF were certain that credit unions were the next S&Ls and the Fund was based on double accounting. Today, credit union opponents have muted their criticism as credit unions remain the best capitalized of all financial institutions; the insurance fund continues to grow in assets, reserves and income; and legislation has been introduced to restructure the bank insurance fund using the capitalization feature of the NCUSIF.

This year marks the twentieth anniversary of NCUSIF operations. In its twenty years, the Fund has never sustained a net operating loss, and in fact continues to strengthen. Assets have grown to over $2.1 billion, and reserves for problem credit unions are at their highest level ever. Net income for 1990 is almost fifty percent greater than that of 1989.

For the sixth straight year, the NCUSIF has received an unqualified opinion on the fiscal year-end financial statements from our independent auditor, Price Waterhouse. We also expect a similar opinion soon from the General Accounting Office.

Although I believe our staff does a fine professional job of managing the NCUSIF, the cornerstone of its success is based on your confidence and support, for which I am thankful. Together we will maintain a safe and sound credit union system.

Roger W. Jepsen

Roger W. Jepsen
Chairman

Board Member's Statement

As we bring to a close this first year of the new decade, I am impressed by the importance of our efforts in the regulatory arena and the impact that they have on the average citizen. It is a privilege to serve as a member of the NCUA Board.

After almost seven years as a credit union manager, serving today as a member of this Agency has provided me new insight into the importance of maintaining the strength and independence of the NCUA. The changes made during the past ten years in the area of training and supervision, deposit insurance, and regulation have placed the credit union system on a sound financial foundation.

Yet, our resolve will be tested during the coming years as Congress and the nation evaluate changes which will be made to the financial services industry. Decisions made during this period will determine the direction of this industry well into the next century.

The strength and vitality of the credit union system will stand as an example for others to follow.

We all owe a debt of gratitude to the men and women of NCUA who have over the years dedicated themselves to creating a regulatory system that is second to none. These individuals have made tough decisions, sometimes against great opposition, that in the end have proven to be wise and correct.

The numbers contained here in this report prove it.

We today are the beneficiaries of those decisions. We must not forget that the future demands no less from all of us. I am confident that credit unions and NCUA are up to the task.

Robert H. Swan

Robert H. Swan
Board Member

Director's Message

By any measure, both credit unions and the NCUSIF have completed one of the most successful years ever. With an uncertain economy looming and the daily predictions of a recession, credit unions should reap the benefits of their planning and risk management of the last few years. There is little doubt that NCUSIF losses will be higher if the economy worsens. There is no doubt that we are fully prepared to do whatever it takes, including the assessment of an insurance premium, to stay rock solid. Fortunately, we have been working extremely hard to prevent excess loss exposure, resolve problems quickly, and to manage risk. Every year seems to bring newer and tougher challenges, and every year credit unions and NCUA have met those challenges. The following pages summarize a consistently strong performance for twenty straight years.

As always, we appreciate your thoughts, observations, and opinions about ways to improve our operation.

D. Michael Riley
Director, Office of Examination and Insurance

Credit Union Highlights – 1990

Credit unions continued to attract member savings in a period of increased competition for funds. While growth in share deposits was about 4.7% for 1989, total shares and deposits grew at an annual rate of 13% as of June 30, 1990. The upswing in deposit growth for 1990 is attributed to several factors:

- Credit unions offer higher savings rates than banks and savings and loans;
- Increased consumer savings due to fear of a recession; and
- A shifting of deposits from failed banks and savings and loans to credit unions.

Loan growth in credit unions experienced the adverse effect of recession fears. Consumers tend to reduce borrowing and increase savings when they are unsure of the direction of the economy. At June 30, 1990, total loans grew at an annual rate of 2.2%, well below the 9% of last year. However, both home mortgage and equity loans continued to grow, but at a slower pace than 1989, while new auto and other types of consumer loans dropped in growth. Credit union delinquency on outstanding loans dropped to its lowest level in a decade at 1.6% from 1.8% from last year.

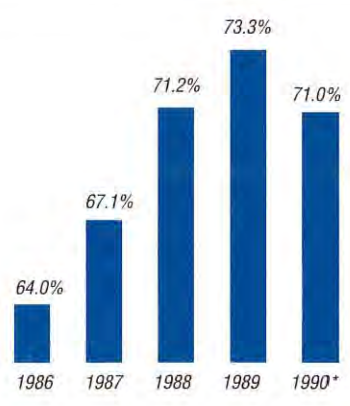
Another indicator of credit union success in 1990 is profitability. Net income (before reserve transfers) grew at an annual rate of 7.4%, compared to 7% for 1989. Net income as a percentage of average assets (return on average assets) also improved slightly.

Capital-to-asset ratios continue to be at their highest level in a decade. Credit unions had an annualized capital-to-assets ratio 7.8% as of June 30, 1990. (The capital to assets ratio was 7.4% as of June 30, 1989.)

Shares Outstanding
(Billions - December 31)

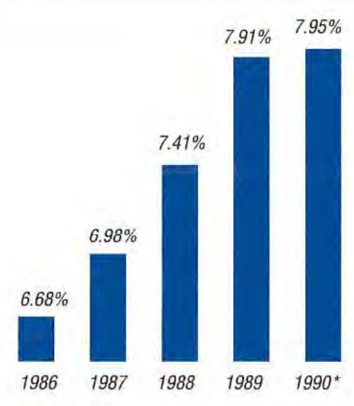
*Projected

Loan to Share Ratio
(Billions - December 31)



*Projected

Capital Ratio
(Billions - December 31)



*Projected

Supervision of Federally Insured Credit Unions

Examination and Supervision Program

The credit union industry has undergone remarkable changes over the past 20 years. At the same time the NCUA examination and supervision program has continually evolved to meet the ever changing challenges presented. The examination and supervision program consists of a coordinated and interrelated group of programs and activities which include:

- examination policies and procedures;
- automated core examination system (ACES);
- CAMEL rating system;
- examiner training;
- corporate credit union examination program;
- quality control, and
- state insurance review program.

Examination Policies and Procedures

Examination policies and procedures affect all federal and federally insured state-chartered credit unions. NCUA strives to establish examination policies and procedures which strike a balance between managing available resources and providing regular, active, on-site supervision of all federal credit unions. The scope of the examination in 1970 concentrated on proving the accuracy of records and regulatory compliance. With the advent of share insurance, the examination program shifted more toward the assessment of risk. Today, the examination program still includes a review of accounting records; however, the examiners spend most of their time analyzing the policies of the board and evaluating financial conditions and trends. NCUA's long history of working with credit union officials remains unchanged. The examiners' goal is to work with credit union officials in the cooperative spirit of credit unions to resolve problems together.

Examination policies are developed through an ongoing program of review and adjustments. Examination policies and procedures are developed through the committee approach, using examiners, regional office staff, central office staff and state credit union supervisors. The committee is charged with ensuring that examination policies and procedures are consistent, effective and practical. In order to achieve uniformity of results, a CORE examination program was developed. This CORE examination program is used by all federal examiners and most state examiners who examine federally insured state-chartered credit unions.

Automated Core Examination System (ACES)

In 1970, examiners were issued an adding machine, a manual typewriter and seven-column pads. Gradually, as technology improved, NCUA moved along with it. NCUA was a pioneer in developing the use of financial calculators as a part of the examination program. Ultimately, the NCUA Board authorized the agency to automate the examination process using portable personal computers. NCUA was the first federal regulator to develop an automated core examination system and issue personal computers to all examiner staff. This new capability markedly improved the efficiency of examiner staff. By automating the mundane number-crunching functions, examiners are now free to evaluate financial trends and to discuss matters with management, staff and officials. Personal computers have permitted examiners the time to perform qualitative analysis while the computer performs much of the quantitative analysis.

Camel Rating System

To ensure the most effective use of resources, NCUA developed a system to rate credit unions according to relative risk. Beginning in 1971 and continuing through 1987, NCUA used the Early Warning System (EWS). EWS classified credit unions based on the examiner's evaluation during the annual examination process. This system served the agency well until the complexity of credit unions increased beyond the capacity of EWS to measure the risk. As a result, NCUA developed a CAMEL rating system which was implemented in fiscal year 1988. Although CAMEL rating systems have been established by other federal and state regulators, NCUA's CAMEL is unique to this agency. CAMEL established a set of criteria and ratios which are measured both quantitatively and qualitatively by each examiner during the on-site examination. CAMEL provided NCUA with a method of establishing more uniform and consistent results between examiners and from one period to another. Credit unions were also provided information about CAMEL and were encouraged to establish their own internal measurements in order to assess the relative strengths and weaknesses of the credit union. It is through this cooperative effort and sharing of information that credit unions and NCUA have achieved better understanding. CAMEL is a dynamic system serving the needs of both NCUA and credit unions in a changing environment.

Examiner Training - Professionalism Through Education

In 1970, when the Share Insurance Fund was established, NCUA's training focused almost entirely on on-the-job (OJT) training. Little formal classroom training was offered. While OJT provides the examiner with important, practical experience, the overall quality can vary. The key was the knowledge, experience, and ability of the trainer. With the advent of share insurance, it became obvious that NCUA had to establish a more uniform, structured approach to training its staff.

Over the past 20 years, the training program has grown and flourished. Today's examiner receives the most impressive variety of state of the art training in the history of the Agency. Over the past few years, the program has matured to provide examiners some of the highest quality training provided by any financial regulator. NCUA's examiner training is conducted in two phases.

The New Examiner Training Program

The New Examiner Training Program includes five formal classroom training programs, combined with extensive OJT training. Its goal is to develop a highly skilled, productive and motivated examiner. The training focuses on safety and soundness issues, the ability to identify adverse trends and potential problems, computer skills, and communication skills.

In 1990, NCUA established a new position, the Regional Training Specialist. Each Region identified one examiner that possessed the combination of technical skills and the ability to communicate this knowledge in a classroom environment. Regional Training Specialists devote approximately 50% of their time to training activities. With the advent of this position, NCUA's new examiner training has achieved a level of consistency that we have been seeking for years.

NCUA Regional Directors: (from left) H. Allen Carver - Region III, Nicholas Veghts - Region IV, Layne L. Bumgardner - Region I, John S. Ruffin - Region V, Foster C. Bryan - Region VI, and Daniel L. Murphy - Region II.

During fiscal year 1990, the following classes were conducted:

Program	Number of Sessions	Federal Examiners	State Examiners	Total Trained
New Examiner - Level I	11	57	0	57
New Examiner - Level II	11	57	0	57
New Examiner - Level III	8	65	30	95
New Examiner - Level IV	9	53	48	101
New Examiner - Level V	9	46	43	89
Totals	48	278	121	399

Technical Seminars

NCUA's senior examiners are offered an array of technical seminars that offer an opportunity to stay up to date on key credit union issues. Each seminar focuses in on one key topic and explores the safety and soundness issues surrounding the topic. All seminars feature a variety of speakers that represent various segments of the credit union community. The faculty includes NCUA staff, industry leaders and acknowledged subject matter experts. In addition, NCUA uses the services of institutions of higher learning to conduct special programs for credit union examiners. During fiscal year 1990, the seminars shown to the right were conducted.

Seminar	Number of Sessions	Federal Examiners	State Examiners	Total Trained
Agricultural Lending	1	6	2	8
Asset-Liability Management	6	176	29	205
Commercial Lending	2	49	18	67
Advanced Commercial Lending	1	28	8	36
Real Estate Lending	6	220	25	245
Auditing Principles and Fraud Detection	3	213	15	228
Investments	4	186	27	213
Problem Resolution	6	86	25	111
OJT Trainer	1	21	0	21
Totals	30	985	149	1,134

FFIEC Training

In addition to conducting its own technical seminars, NCUA participates in training programs conducted by the Federal Financial Institutions Examination Council (FFIEC). These programs permit NCUA examiners to benefit from the knowledge and experiences of other financial regulators. In fiscal year 1990, 61 examiners attended FFIEC seminars. Courses include "White collar crime", "Off balance sheet risk", and many others.

Corporate Credit Union Examination Program

Corporate credit unions are credit unions for credit unions. They are the primary source of investment, liquidity and payment services for the nation's 13,000 natural person credit unions. Thirty of the corporate credit unions are federally insured (17 federal charters), and 13 are either privately insured or uninsured.

The idea of credit unions serving credit unions began when several large credit unions attempted to provide for the liquidity needs of other smaller credit unions. This "interlending" needed an intermediary to operate efficiently and corporate credit unions were formed to meet that need. The first corporate credit union was chartered in 1951 in Wichita, Kansas. During the next 20 years, corporate credit unions continued to be formed to meet the needs for external sources of credit for the rapidly increasing numbers of credit unions.

After years of planning, U.S. Central Credit Union was organized in March 1974 and quickly became the focal point which linked the corporate credit unions together into the Corporate Credit Union Network. A need also existed for a "central bank" dedicated solely to serving the emergency liquidity needs of the credit union movement. On October 1, 1979 the Central Liquidity Facility (CLF), a federally backed lender of last resort, became operational. U.S. Central Credit Union joined the CLF, becoming an "agent member" for corporate credit unions, which in turn, became agent members for their natural person credit union members. In one stroke, over 95 percent of all credit unions became members of the CLF which, along with the Corporate Credit Union Network, provides liquidity to natural person credit unions.

The Monetary Control Act of 1980 provided the Corporate Credit Union Network with direct access to Federal Reserve Bank services - services for which credit unions previously had to rely on the banking industry to provide. Since 1980, U.S. Central Credit Union and corporate credit unions, defined by the Act as "banker's banks", have expanded the benefits associated with economies of scale by providing "wholesale" correspondent services including investment, safekeeping, wire transfers and automated settlement, while continuing to be the primary providers of liquidity for their member credit unions.

In an effort to minimize risks in their investment portfolios, the Corporate Credit Union Network developed and voluntarily agreed to follow the Standards and Guidelines for Corporate Credit Unions. Only investments that meet stringent credit standards and are matched by amount and maturity against the source of funds qualify as permissible investments under the Standards and Guidelines.

NCUA has developed a team of 16 highly qualified examiners to perform examinations of all corporate credit unions. These examiners receive ongoing, specialized training to keep abreast of developments in the corporate credit union system as well as in the financial marketplace. In cooperation with the various state credit union supervisory authorities, NCUA corporate examiner staff conducted examinations of the books and records of all corporate credit unions (federal charter, state charter, privately insured and uninsured).

Quality Control Program

Quality control of the examination program has always been a serious concern of NCUA. A number of checks and balances have been built into the system to ensure that all problems have been adequately identified; that plans for corrective action are being implemented; and that results are uniform and consistent between examiners and from one period to another. A key component of quality control has been the supervisory examiner (SE) position. Credit union examiners all report to an SE. Each SE is responsible for managing a group of 10 to 15 examiners. SEs continually review examination reports to maintain a high quality product. Additionally, SEs monitor the activities of each credit union within the group, particularly problem credit unions, to ensure that expected results are being achieved. Additionally, each regional office maintains a staff to continually review the work of examiners and SEs to ensure that regional policies and goals are being achieved.

Beginning in 1990, NCUA instituted an additional level of quality control. The Office of Examination and Insurance conducts an annual quality control review of each regional office. The purpose of the quality control review is to ensure that national policies are being followed by each regional office and that regional policies and procedures are uniform and consistently applied throughout the country.

State Insurance Review Program

State programs have been significantly enhanced over the past two years resulting in a cooperative spirit between NCUA and state credit union regulators. In 1990, NCUA and the states worked jointly to preserve the financial health of federally insured state chartered credit unions (FISCUs) through consistent and quality examinations.

Most states now follow the Core examination format, and many utilize the Automated Core Examination System (ACES) using laptop computers. This was made possible by the laptop computer lease program which allows state credit union examiners to use NCUA's computers in conducting examinations of FISCUs.

In addition, many state examiners attended NCUA's formalized classroom training in 1990. This program has offered an opportunity for state examiners to gain advanced technical knowledge, as well as a platform on which to exchange ideas and thoughts with their peers.

Administrative Enforcement Actions

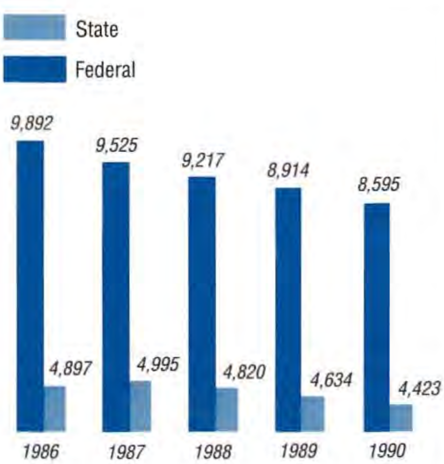
Administrative enforcement actions and other measures to respond to fraud and abuse in credit unions increased substantially during 1990. During the year, five cease-and-desist orders were issued compared to two in 1989. Removals, suspensions, and prohibitions increased from one in 1989 to 19 for 1990. The number of criminal referrals to the Justice Department rose from 696 in 1989 to 764 in 1990, with six reported as significant referrals (those involving a senior official, and/or having over $250,000 in potential losses, and/or having a material effect upon the credit union).

Scope of Insurance Coverage

The National Credit Union Share Insurance Fund is the largest insurer of credit union shares. At June 30, 1990, NCUSIF-insured credit unions had total insured deposits of $177 billion out of an estimated total of $200 billion in all credit union deposits nationwide. The table to the right summarizes the share insurance requirements of the 50 states and Puerto Rico.

During fiscal year 1990, the number of federally insured credit unions declined by 530 to 13,018. Federal credit unions continue to make up 66% of this number, and the remaining 4,423 are federally insured state-chartered credit unions. Actual changes in the numbers of federally insured credit unions are shown on the next page.

Number of Federally Insured Credit Unions



Law Requires Participation in Insurance Program of National Credit Union Administration

Alabama	District of Columbia	Mississippi	South Dakota
Arkansas	Maine	Nebraska	Vermont
Connecticut	Michigan	North Dakota	Wisconsin
Delaware	Minnesota	South Carolina	Wyoming

Law Requires Participation in Either the NCUA Program or Some Other Officially Approved Insurance Program

Alaska	Indiana	Nevada	Rhode Island
Arizona	Iowa	New Jersey	Tennessee
California	Kansas	New Mexico	Texas
Colorado	Kentucky	New York	Utah
Florida	Louisiana	North Carolina	Virginia
Georgia	Maryland	Ohio	Washington
Hawaii	Massachusetts	Oregon	West Virginia
Idaho*	Missouri	Pennsylvania	
Illinois	Montana	Puerto Rico	

No Requirement in Law on Share Insurance

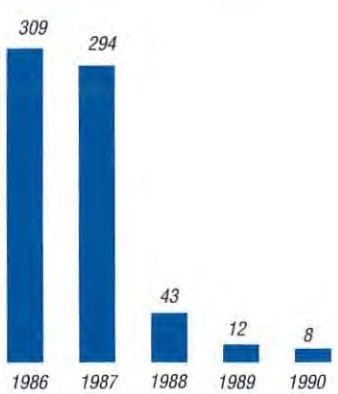
New Hampshire
Oklahoma**

* CU members may vote to remain uninsured
** CU must disclose lack of insurance

Although the number of credit unions dropped in 1990, the amount of insured shares in natural person credit unions is projected to increase by about 8% during the calendar year, raising total insured shares to $180 billion. Although deposit growth has stabilized within the past years, credit unions have maintained a higher rate of growth than banks and savings and loans during the same period.

The number of conversions of privately insured credit unions to the NCUSIF decreased from 12 in 1989 to eight in 1990. Since the Fund was capitalized in 1985, 905 credit unions have converted to NCUSIF. The large number of conversions in 1986 and 1987 was due to the voluntary closure of several guaranty corporations privately insuring credit union deposits.

Number of Conversions



Share Growth in Federally Insured Natural Person Credit Unions
(Dollars in Millions)

December 31	Shares Outstanding: Federal Credit Unions	Shares Outstanding: State Credit Unions	Total	Percentage Change from Prior Year Total Shares
1986	86,709	47,476	134,185	22.5%
1987	94,927	51,417	146,344	9.1%
1988	104,431	55,217	159,648	9.1%
1989	109,653	57,518	167,171	4.7%
1990*	118,000	62,000	180,000	9.6%

*Estimated for 12/31/90

Changes in Federally Insured Credit Unions
Fiscal Year 1990

	Federal Credit Unions	Federally Insured State Credit Unions	Total
Beginning Number 10/1/89	8,914	4,634	13,548
Additions:			
New Federal Charters	7	—	7
New State Charters with Federal Insurance Certificates	—	3	3
Conversions:	8	8	16
Resumed Operations:	21	9	30
Subtractions:			
Mergers			
Assisted	57	24	81
Voluntary	234	152	386
Liquidations:			
Involuntary	52	31	83
Voluntary	4	4	8
Conversions	1	14	15
Other	7	6	13
Ending Number 9/30/90	8,595	4,423	13,018
Net decrease	319	211	530

Financial Status of Federally Insured Credit Unions

As discussed earlier, the NCUA Board approved a change in the program used to assess the condition of federally insured credit unions from the Early Warning System (EWS) to the CAMEL Rating System effective October 1, 1987. Under CAMEL a credit union's rating may range from a code 1 to a code 5 credit union based upon an evaluation of financial data derived from the annual examination, the financial performance report, and several other measurements of safety and soundness. The CAMEL classifications are as follows:

CAMEL Code 1 Excellent
CAMEL Code 2 Good
CAMEL Code 3 Fair
CAMEL Code 4 Weak
CAMEL Code 5 Unsatisfactory

The tables to the right provide an analysis, by CAMEL code, of the number and percentage of shares of federally insured credit unions as of September 30, 1990.

In FY90, the number of Code 4 and 5 classifications decreased by 116, attributable to NCUA's improved supervision of troubled credit unions; however, total shares in those credit unions increased by $1 billion.

Distribution of Federally Insured Credit Unions by CAMEL Categories

CAMEL Category	As of* 9/30/86	As of* 9/30/87	As of 9/30/88	As of 9/30/89	As of 9/30/90
Codes 1 & 2	10,010	9,133	8,341	8,310	8,055
3	3,985	4,458	4,644	4,444	4,279
4	716	838	926	723	625
5	78	91	96	71	53
Totals	14,789	14,520	14,007	13,548	13,018

Percentage of Shares by CAMEL Category

CAMEL Category	As of* 9/30/86	As of* 9/30/87	As of 9/30/88	As of 9/30/89	As of 9/30/90
Codes 1 & 2	79.0%	76.5%	73.8%	75.4%	73.0%
3	16.1	18.6	19.9	19.8	22.1
4	4.7	4.7	6.0	4.6	4.7
5	.2	.2	.3	.2	.2
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

Summary of CAMEL Code 4 and 5 Credit Unions

	9/30/89	9/30/90
Number of Code 4 and 5 credit unions	794	678
Percentage of insured credit unions	5.9%	5.2%
Shares in Code 4 and 5 credit unions	$8.4 Billion	$9.4 Billion
Percentage of Shares in all insured credit unions	4.8%	4.9%

*EWS Code system replaced by CAMEL 10/1/87.

Financial Assistance to Credit Unions

Risk management is the principle which underlies the NCUSIF's success. Active programs to assess risk and to take appropriate action to minimize loss have never been more important.

The management of risk entails identifying and controlling losses to meet insurance underwriting standards. The regulatory side of the agency is vital to carrying out the risk management function, and must work in concert with the Fund's assistance programs. Due to diversification of the insured's activities, competitive pressures and deregulation, the nature of risk and the necessary measures to deal with risk continue to evolve. Improvements in credit union capitalization and efforts to operate competitively while minimizing loss exposure directly assist the Fund. The unique nature of the insured's interest and ownership in the NCUSIF result in common goals between the Fund and the insured credit unions.

During 1990, the agency increased the emphasis on assisting credit unions and managing the risk of loss. Special Actions and Risk Management staff were increased and additional training was afforded these special examiners. The NCUSIF makes an effort to learn from losses to better minimize and control future losses. To this end, formal programs to study the common features of failed credit unions were instituted. The results were disseminated to all staff and used to bolster the supervision effort. The Asset Liquidation Management Center (ALMC) consolidated existing resources and added a dimension to deal with acquired assets (see ALMC section of report).

National and regional financial trends played an important role in the health of credit unions and the demands upon the Fund. Just as the southwest and midwest areas seemed to bottom out, the northeast began to experience problems with real estate lending. Intensifying competition by financial institutions placed pressure on marginal operations. The national trend toward real estate-secured lending requires new and additional expertise by credit unions in asset/liability management.

The NCUSIF can provide financial assistance directly to insured credit unions to avoid liquidation. The Fund exercised this provision during the fiscal year, but as part of an overall risk management program. The goal of the Fund is to minimize losses while ensuring a healthy community of insured credit unions.

Losses cannot all be avoided and are a natural consequence of credit union operations. Losses, as described elsewhere in this report and as summarized on the following table, have decreased and are at moderate levels. Although the number of credit unions receiving assistance is relatively small, the risk they represent to the Fund is significant. The return of these credit unions to profitable, self-sustaining operations is central to the successful use of assistance from the NCUSIF.

When credit unions become impaired financially, a decision concerning the propriety of financial assistance is made. If the credit union has a viable field of membership, good management, and has resolved the basic problems that were generating the financial losses, the NCUSIF can provide financial assistance. Significant resources are expended to ensure credit unions are assisted and salvaged to the maximum degree possible.

Financial assistance from the NCUSIF can be divided into the categories of non-cash or cash:

Changes in NCUSIF Guaranty Accounts Outstanding:

(Amounts in Thousands)

Guaranty Accounts Outstanding October 1, 1989 (43 cases)	$53,959
Increases	
21 credit unions needed initial assistance	40,020
8 credit unions needed additional assistance	14,554
Decreases	
10 credit unions merged/liquidated	(6,239)
12 credit unions completed amortization of assistance	(792)
Guaranty reduction in outstanding cases	(2,926)
Guaranty Accounts Outstanding September 30, 1990 (42 cases)	$98,576

Guaranty Accounts Outstanding by Type of Credit Union as of September 30, 1990

	Number	Amount Outstanding (in thousands)
Federal Credit Unions	26 (62%)	$84,855
Federally Insured State Credit Unions	16 (38%)	$13,721
Totals	42 (100%)	$98,576

Non-Cash Assistance

Non-cash special financial assistance is provided as a capital guaranty account which replaces a credit union's deficit in undivided earnings. The deficit in undivided earnings occurs when the credit union's losses and expenses exceed its ability to generate revenue. Guaranty accounts are necessary to provide full and fair disclosure of a credit union's financial condition. Adjustment of loan valuation was the most frequent valuation adjustment during the year. The guaranty allows the credit union to continue operating and paying dividends while it amortizes the negative net worth. A guaranty does not mask the financial condition of the credit union since the account is shown as deficit capital and clearly identified and footnoted. The credit union's assets are not overstated, nor the negative net worth understated. As of September 30, 1990, 42 credit unions reflected non-cash assistance of $98.6 million.

Any type of assistance from the Fund is granted conditionally. The problem that resulted in the losses or need for assistance must be immediately addressed and corrected. Action must also be taken by the credit union to improve its operations and financial performance. Almost all guaranty accounts are amortized on a predetermined schedule negotiated between the Agency staff and the credit union. The amortization schedule reflects profit improvement goals that the credit union's directors and management are committed to achieving.

Cash Assistance

The second type of financial assistance under Section 208 of the Federal Credit Union Act is in the form of loans or cash advances. Capital Notes have constituted the majority of this assistance over the past several years. Under this program, cash is advanced to a problem credit union in exchange for a subordinated note that is usually interest free. The primary intent of the cash infusion is to improve the credit union's income position by allowing it to acquire income producing assets to offset the effect of non-earning assets or accumulated losses. Capital Notes usually contain specific repayment schedules that reflect the earnings improvement projected for the credit union.

As of September 30, 1990, eleven credit unions had $67.9 million of cash assistance outstanding. During the year, six new credit unions received Capital Note assistance totaling $29.5 million.

Changes in NCUSIF Cash Assistance Outstanding:
(Amounts in Thousands)

Cash Assistance Outstanding September 30, 1989 (8 cases)	$39,360
Increases	
6 credit unions needed initial assistance	29,515
1 credit union needed additional assistance	4,000
Decreases	
(5) credit unions earned incentive reductions	2,649
(3) credit unions repaid balance of assistance	2,335
Reduction in 11 cases	4,984
Cash Assistance Outstanding September 30, 1990 (11 cases)	$67,891

Non-Cash Assistance Outstanding
(In Millions)

Cash Assistance Outstanding
(In Millions)

Department of Operations

The Department of Operations was created in the spring of 1990, in conjunction with the reorganization of the Office of Examination and Insurance. While the various responsibilities within the purview of the new department are not new, the Department of Operations brings together a number of diverse but complementary functions that promote greater efficiency and expertise. This new department consists of individuals with specialized training and experience in electronic data processing (EDP) auditing, investments, accounting, data collection and analysis, and regulatory and consumer compliance. Major issues and activities of the department are discussed below.

Information Systems Audit and Review

Credit unions are becoming increasingly reliant on automated information systems. Whether the choice is an in-house computer or service bureau support, the proper management, implementation and control of computer-related services is critical to a credit union's operation and survival. Issues such as strategic planning, access controls, contingency planning and vendor support are among the important elements of an information systems operation. NCUA is aware of the potential for problems in these areas, and, as such, examiners are reviewing data processing systems and services as part of the regular examination process. The Department of Operations develops policy and provides training and specialized support in information systems management and controls for NCUA and the industry.

Accounting Policy and Guidance

During the last few years, NCUA has made a concerted effort to develop credit union accounting policies and guidelines which adhere to generally accepted accounting principles (GAAP). The public's best interests are served by adhering to GAAP whenever possible, while use of regulatory accounting practices (RAP) should only be employed under unusual circumstances for preserving safety and soundness, or because of philosophical differences which require departure from GAAP. The Department of Operations interprets authoritative accounting literature and provides credit unions with comprehensive procedures for maintaining accounting records, and guidelines and requirements for specialized accounting problems. Properly used, accounting techniques will assist credit union management in improving the analysis of the credit union's financial condition and in improving the planning process.

Investment Policy and Guidance

Next to loans to members, investments represent the largest portion of total credit union assets. Given the significant role that investments play in credit union operations, NCUA is keenly interested in developments in the capital markets and their potential impact on individual credit unions. Maintaining a viable investment program also requires NCUA to research specific investment products as they are introduced to the market place. In carrying out this aspect of the program, NCUA, through the Department of Operations, provides examiners and credit union officials with information as to the permissibility and risk characteristics of these new products.

Data Collection and Analysis

The need for more information about credit unions is ever-increasing. As the pace and complexity of today's financial markets grow, NCUA, in its role as a financial institution regulator, needs more data about credit unions, and needs it faster and more accurately reported than ever before. At the same time, NCUA recognizes its obligation to minimize credit unions' reporting burdens. It is while maintaining a balance between these needs and constraints that NCUA collects data via the semiannual call report. The data collected on the call report is used to analyze trends for each credit union, as well as for identifying important industry trends and pinpointing weaknesses in need of attention and corrective action.

Regulatory and Consumer Compliance

The credit union industry is subject to a multitude of regulatory and consumer compliance laws and regulations developed by other federal and state agencies. These laws and regulations directly affect the operation of federally insured credit unions. NCUA is aware of the potential for problems in this area, and, as such, examiners are reviewing compliance issues as part of the regular examination process. The Department of Operations is responsible for the development of manuals, position papers and other materials to keep credit unions, state regulatory authorities, trade organizations and NCUA staff advised of all pertinent laws and regulations relating to consumer protection and other compliance issues.

Asset Liquidation Management Center

The Asset Liquidation Management Center (ALMC), which became operational in 1989 under the direction of Region V, assumed an expanded mission independent of Regional control in March 1990. Prior to being restructured, the ALMC's mission was to minimize losses to the NCUSIF by managing and disposing of assets, primarily real estate, acquired from liquidated or troubled credit unions. Although the mission and concept of the ALMC was national in scope, its performance was essentially case specific and involved assets acquired from two large troubled credit unions in Region V.

The asset and management structure, however, was not adequate to meet the increasing percentage of real estate loans in the portfolios of federally insured credit unions. Of particular concern to the NCUA Board was the immediate adverse effect a single non-performing large real estate loan or a block of smaller non-performing real estate loans could have on a credit union's operations. To address this potential problem in credit union loan portfolios the NCUA Board determined that the ALMC must have the ability to respond rapidly to Regional requests for assistance in examining real estate portfolios, and to aggressively manage and dispose of assets acquired from troubled or liquidated credit unions.

Before March, NCUA's liquidation activity was the responsibility of Regions II and V. To improve consistency and efficiency, the NCUA Board decided to consolidate liquidation activity, and set up the nationally oriented ALMC in Austin, Texas. The Board appointed a President of the ALMC, responsible for directing the consolidated operations.

The restructured ALMC is currently organized into the Divisions of Liquidations, Asset Sales and Management, and Accounting and Administration. The ALMC has hired staff with outstanding credentials and experience in real estate.

Asset Sales and Management

During fiscal year 1990, the Division of Asset Sales and Management (ASM) aggressively marketed its properties and closed on 58 contracts (19 more than fiscal year 1989). The 58 properties had a book value of $15,717,775 and were sold for $15,542,023. During this same period 41 assets were purchased from troubled credit unions for $9,562,223. ASM ended the fiscal year with 68 assets, valued at $36,414,857, that were purchased as a part of assistance programs to return the credit unions to sound financial operations. In addition, ASM assumed management responsibility for 32 assets with a book value of $10,149,440. These assets were acquired as a result of liquidations.

Significant dispositions during fiscal year 1990 included a sale to a single purchaser of 31 lots for $1,147,000, a sale of a luxury residential home for $850,000, and sales of two small plazas for $575,000.

Liquidations

During the first five months of the fiscal year, NCUA's liquidation activity was managed by two different Regions. As previously noted, in March 1990, this activity was consolidated and transferred to the Division of Liquidations in Austin to improve overall operations. Throughout the fiscal year 83 credit unions were involuntarily liquidated, of which 28 were purchase and assumptions, with assets of $230,461,860. However, since March 1990, 56 of the 83 with assets totalling $180,537,764 were processed by the ALMC.

Significant payouts during fiscal year 1990 were the MSBA SCU and Amalgamated Taxi FCU. MSBA was unique in that it had multiple fields of membership throughout the United States and over 20,000 accounts. Because of the diverse fields of membership, most of which were small in number, the liquidation of MSBA took approximately one month. Amalgamated Taxi had over 4,000 accounts totalling $20,000,000. The payout of this credit union took two days. Since March 1990, share payouts averaged 5.69 days from the day of receipt to the day of payout. This time included all holidays and weekends.

The Division of Liquidations contracted with three primary collection agencies to collect any loan portfolios not sold at the time of liquidation. The value of the loan portfolios at the time of assignment, which total 99, was $157,061,051 with a value of $99,978,077.

NCUSIF Financial Review

The total number of credit union failures (liquidations and mergers) was 164 for 1990 compared to 114 for 1989. The increase is attributed primarily to the Agency's goal of reducing the number of Code 4 & 5 credit unions, either through an upgrade in rating due to improvement of financial condition, or through a merger or liquidation. While the number of failures increased, total costs to close these credit unions dropped over a third to $48.6 million compared to $74 million in 1989.

For 1990, the NCUSIF received its sixth consecutive unqualified audit opinion from its independent auditors. The audited financial statements and accompanying footnotes of the independent auditors begin on page 24 of this report. The NCUSIF continues to be the only federal deposit insurance fund that has its financial statements audited annually not only by the General Accounting Office (GAO), but also by an independent auditing firm. GAO is in the process of completing their review of the September 30, 1990 NCUSIF financial statements, and their report is expected early next year.

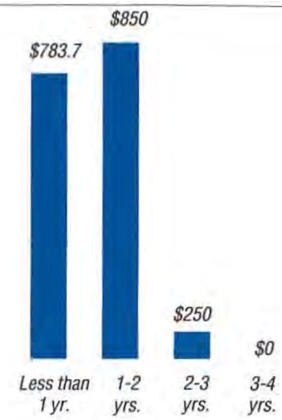
Also, for the sixth straight year, the NCUA Board waived the annual insurance premium of 1/12th of 1 percent of credit union deposits. For 1990, this saved credit unions $135 million in insurance expense. The cumulative effect of premium waivers for six years has resulted in a total savings to credit unions of $655 million. Insurance premiums have not been assessed because the investment income generated from credit unions' 1% capitalization deposits has been sufficient to cover all operating and financial costs and keep the Fund's operating level within the NCUA Board designated operating level of 1.25% - 1.30%.

Total Revenue

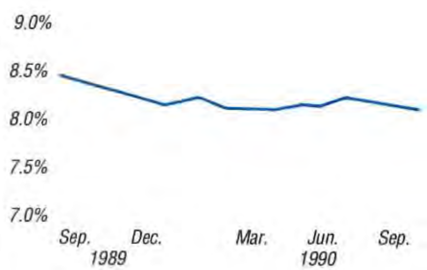
Total revenue of $160.3 million for FY90 million was 8% higher than 1989 revenue of $148.8 million. Total revenue is composed of investment income, interest on notes receivable, interest on some types of credit union assistance, and miscellaneous income on other assets. Over 98% of the Fund's income is generated from its U.S. Treasury investments.

By Federal statute, the investments of the NCUSIF are limited to direct obligations of the U.S. Treasury or securities guaranteed by the United States as to both principal and interest. The primary investment objectives of the NCUSIF are to provide adequate liquidity to meet the cash needs of the Fund and to obtain the maximum yield possible within maturity limits. The composition of the NCUSIF investment portfolio is entirely one-day Treasury certificates and Treasury Notes. At September 30, 1990, 42% of NCUSIF investments had maturities of one year or less, and none had maturity dates greater than three years. The average investment yield for the NCUSIF in 1990 was 8.22% compared to 8.08% in 1989.

Investment Portfolio
Maturity Schedule
(Par Value in Millions)



Investment Yield



Administrative Expenses

Administrative costs increased $4.4 million in 1990 to $35.2 million. Over 77% of the increase is associated with the costs of operating and equipping the reorganized Asset Liquidation Management Center (ALMC), and costs incurred from training of state examiners.

Since 1985, all administrative costs (with the exception of ALMC and State training costs) of the NCUSIF are paid through an overhead transfer allocation. The NCUSIF transfers cash to the Agency's operating fund to cover a percentage of the Agency's total administrative costs budgeted for a fiscal year. This percentage, which is set by the NCUA Board based upon an annual review, remained at 50% for 1990. For the past five years, the amount of administrative costs, both direct and allocated, are shown below:

NCUSIF Administrative Expenses
(In Millions)

NCUSIF Administrative Costs
(Amounts in Thousands)

Fiscal Year	1986	1987	1988	1989	1990
Direct Expenses	$ 0	$ 0	$ 0	$ 2,048	$ 3,357
Allocated Expenses	16,822	21,466	26,588	28,769	31,796
Total Administrative Expenses	$16,822	$21,466	$26,588	$30,817	$35,153
% of NCUA Total Administrative Expenses	50.5%	50.5%	50.5%	53.6%	52.5%

Insurance Losses

The NCUSIF, under full accrual accounting, incurs insurance losses when loss reserves are established for those credit unions which management considers the greatest risk to the Fund (CAMEL code 4&5 credit unions). Moneys expended on failed institutions are not considered insurance losses (cash basis accounting); they are recorded as charges to the loss reserves.

Credit unions coded 4 and 5 are divided into two groups for reserve evaluation purposes. Those having insured shares of $20 million or greater are reviewed case-by-case by both the Regional and Washington offices, while those in the under $20 million category are pooled and a historical loss factor is applied to their total insured shares. Pooled credit unions having projected losses of $1 million or greater are removed from the pool and established as a specific case. All NCUSIF reserves are audited at year-end by the Fund's independent auditors. In some cases, the auditors will visit a credit union to further assess potential loss. The following table shows the changes in the NCUSIF reserve levels and the amount of insurance losses for the past three fiscal years.

Insurance losses for 1990 decreased from $93.6 million to $90.0 million, a reduction of 4%. Consequently, losses per $1,000 of insured shares decreased to $.51 from $.58 in 1989. For the past five years, losses per thousand have averaged $.43. The overall reduction in loss per thousand is a direct result of the improvements made to the examination and supervision program, and the strengthening of the state examination process over the past several years.

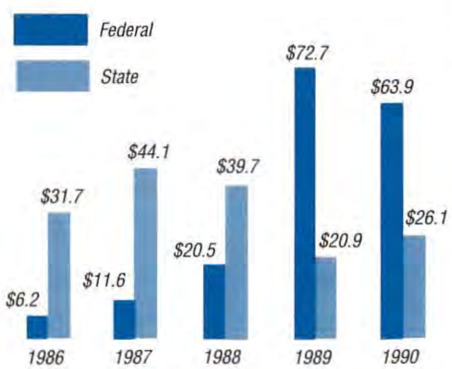
Summary of Reserves Established for Potential Losses from Supervised Credit Unions
(Amounts in Thousands)

	FY 1988	FY 1989	FY 1990
Reserves - Beginning of Fiscal Year (October 1)	$53,221	$48,492	$40,912
Net Charges for Fiscal Year	(64,851)	(101,188)	(58,206)
Provisions for Insurance Losses	60,122	93,608	89,982
Reserves - End of Fiscal Year (September 30)	$48,492	$40,912	$72,688

NCUSIF Losses Per $1,000 of Insured Shares

Of the $90 million in losses for 1990, 71% were applicable to federal credit unions, compared to 78% for 1989. For every $1,000 of insured shares, federal credit unions cost the NCUSIF $.55, compared to $.43 for federally insured state chartered credit unions.

Insurance Loss
(In Millions)



Net Income

For 1990, net income grew to $35.1 million, almost 50% higher than the $24.4 million earned in 1989. Last year's low net income figure was attributable to the failure of Franklin Community Federal Credit Union.

Had the NCUA Board assessed an insurance premium for 1990, an additional $135 million would have been added to net income before dividends. In the twenty years of NCUSIF operations, the Fund has never shown a net loss.

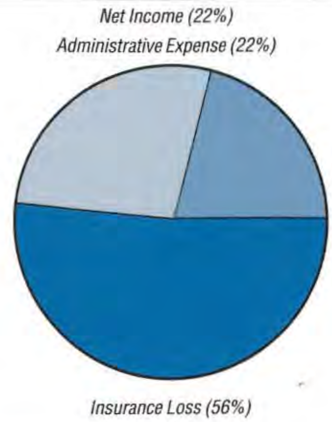
Equity

Equity of the NCUSIF surpassed the $2 billion mark to $2.1 billion during 1990. The growth in equity was due to:

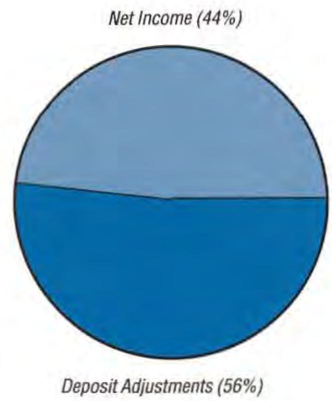
- $45 million increase in accumulated contributions from credit unions due to share growth; and
- $35 million in net income for the year.

The ratio of insured shares to equity was 1.28% at June 30, 1990, the end of the insurance year. A new share base of $177 billion was used to calculate the ratio beginning in July 1990, dropping the ratio to 1.25% at September 30, 1990. The ratio is projected to grow to the 1.27% - 1.28% range by June 30, 1991.

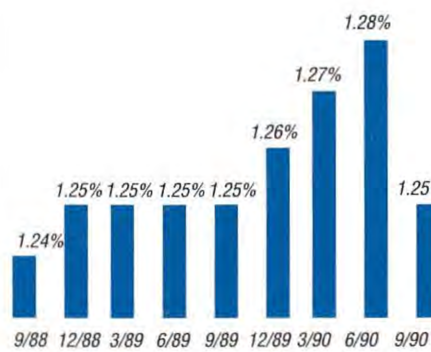
Income and Expense



Growth in Equity



Equity Ratio



Mergers, Liquidations, and Purchase & Assumptions

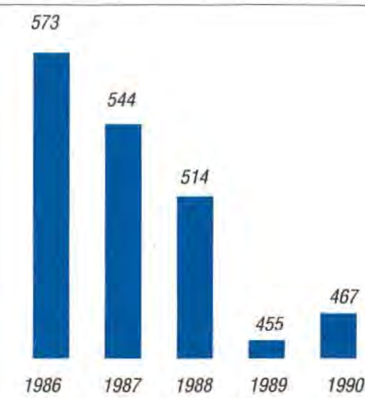
Mergers

The number of completed mergers for 1990 was 467 compared to 455 for 1989. In 1990, 81 of the mergers required some type of assistance from the NCUSIF. The cost of this assistance was $5.8 million. Over 75% of the assistance provided ($4.8 million) was in the form of immediate cash payments to facilitate the mergers, and the remaining 25% is extended cash assistance to cover losses on loans acquired and other asset disposition from the merging credit union. The remaining 386 mergers were completed without any cost to the NCUSIF.

The largest merger in 1990 was Hyde Park Co Op Federal Credit Union in Chicago, Illinois, which merged into United Credit Union. Hyde Park, which had shares of about $7 million, cost the Fund $800 thousand in merger costs for 1990.

The following table summarizes the assisted mergers for fiscal year 1990.

Number of Credit Union Mergers



Assisted Mergers Fiscal Year 1990

Merging Credit Union / Continuing Credit Union	Date Approved	Shares of Merging Credit Union	Cost of Merger	Cost as a Percentage of Shares
Mergers with Costs Over $200,000				
Hyde Park Co Op FCU / United CU	11/06/89	$ 7,408,000	$ 800,000	10.8%
Murray School District CU / Granite District CU	08/15/90	3,130,000	488,000	15.6
American Family Financial CU / American Federal Svgs. CU	10/01/90	4,620,000	400,000	8.7
United Medical FCU / Embarcadero FCU	06/30/90	3,719,000	337,500	9.1
Mountain West Trades CU / Idaho Central CU	03/31/90	1,183,000	300,000	25.4
Good Samaritan Hospital FCU / Avon Products Emp. FCU	08/27/90	1,116,000	239,046	21.4
All Other Assisted Mergers - 75		96,166,000	3,229,692	3.4
Total Assisted Mergers - 81		$117,342,000	$5,794,238	4.9%

Losses from NCUSIF Assisted Mergers
(In Millions)

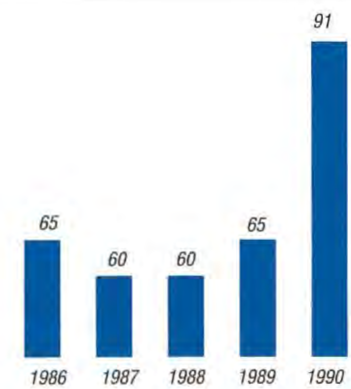
Liquidations

In fiscal year 1990, there were 91 liquidations of federally insured credit unions. Of this number, 83 were involuntary liquidations which cost the Fund $24 million as of September 30, 1990, less than half the cost of last year's liquidations. The remaining nine were voluntary liquidations, completed without any loss to the Fund.

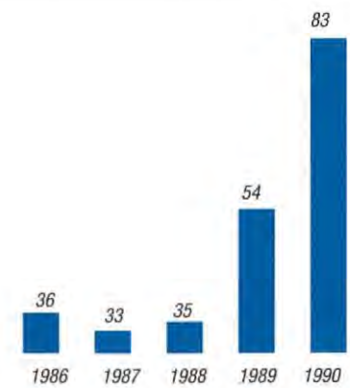
The largest liquidation loss in 1990 resulted from the failure of Amalgamated Taxi Federal Credit Union in Flushing, New York. This credit union was chartered in 1958 to serve employees of the Amalgamated Taxi Association, Inc. in New York. Inadequate lending policies, a high delinquency rate, and a large undivided earnings deficit resulted in the credit union's liquidation on August 17, 1990. The cost of liquidating the credit union was $6.9 million as of the end of the fiscal year, much less than the $39.2 cost of Franklin Community Federal Credit Union, the most costly credit union in 1989.

Occasionally, involuntary liquidations become Purchase and Assumptions (P&A). In a P&A, the Fund acquires segments of the liquidating credit union's assets and liabilities, and the remaining assets and liabilities are "merged" into an acquiring credit union. During 1990, 25 of the 83 involuntary liquidations became P&As requiring assistance from the NCUSIF. (P&As are discussed in further detail following this section.) The tables on the next page summarize NCUSIF liquidations.

Total Liquidations
Number of Cases



Involuntary Liquidations
Number of Cases



Involuntary Liquidations Fiscal Year 1990

Liquidated Credit Union	Date of Liquidation	Shares Outstanding When Credit Union Closed	Cost of Liquidation	Cost as a Percentage of Shares
Liquidations with costs over $500,000:				
Amalgamated Taxi FCU	08/17/90	$ 30,654,000	$ 6,860,461	22.4%
United Montana FCU	11/07/89	8,270,000	4,650,536	56.2
Henry Vogt Employees CU	01/08/90	7,875,000	2,707,392	34.4
Teamsters 584 FCU	01/05/90	2,772,000	1,067,704	38.5
Allegheny West Community FCU	11/28/89	1,862,000	927,083	49.8
Southern Nevada State Svgs & CU	07/30/90	5,508,000	899,766	16.3
Intermedics FCU	04/16/90	3,352,000	897,791	26.8
Holmes Employees FCU	01/11/90	808,000	677,286	83.8
MSBA CU	10/10/89	4,441,000	628,229	14.1
Viz Employees CU	07/05/90	1,125,000	511,891	45.5
All Other Involuntary Liquidations - 73		154,520,000	4,132,440	2.7
Total Involuntary Liquidations - 83		$221,187,000	$23,960,579	10.8%

Involuntary Liquidations: Five-Year History

Fiscal Year	1986	1987	1988	1989	1990
Number of Involuntary Liquidations Commenced	36	33	35	54	83
Shares Paid (Thousands)*	$22,168	$3,213	$36,110	$21,687	$70,875
Percentage of Shares Paid to Total Insured Shares (June 30)	0.020%	0.002%	0.023%	0.013%	0.040%
Average Payout Per Credit Union Liquidated (Thousands)	$ 500.0	$615.8	$ 97.4	$401.6	$853.9

*Does not include Purchase and Assumptions

NCUSIF Liquidation Recovery History

	Recovery Percentages			
Fiscal Year in which Case Closed	Federal Credit Unions	State Credit Unions	All Cases	Net Loss in Closed Cases Millions
1986	49.4%	87.5%	57.9%	$5.1
1987	83.3	90.9	87.0	1.4
1988	79.3	37.3	56.8	3.6
1989	56.4	66.7	66.6	7.5
1990	66.2%	49.8%	53.8%	$7.7

Purchase and Assumptions (P&A)

As mentioned earlier, a P&A transaction initially begins as an involuntary liquidation; however, in accordance with a P&A agreement, some of the assets and in most cases all of the shares of an "assumed" credit union are transferred to a "purchasing" credit union. A P&A arrangement contains elements of both involuntary liquidation and merger, and is less costly than an involuntary liquidation, but more costly than a merger.

To facilitate a P&A, the NCUSIF usually provides some form of cash assistance to the acquiring credit union similar to the assistance provided in a merger agreement. In 1990, there were 25 P&As requiring assistance from the NCUSIF, and 3 P&As requiring no assistance from the NCUSIF. The following table summarizes P&As for 1990:

Purchase and Assumptions Fiscal Year 1990

Assumed Credit Union / Purchasing Credit Union	Date Approved	Cost of P&A	Cost as a Percentage of Shares
Credit Union I of Salina / Great Plains FCU	10/01/90	$ 5,541,320	24.2%
Rocky Mountain FCU / Bellco CU	06/20/90	4,331,617	12.4
Avondale Mills Bevelle FCU / Mutual Savings CU	09/06/90	2,089,364	109.1
World and Tribune FCU / Oklahoma FCU	04/06/90	1,050,000	5.1
Auto Accessories CU / LorMet Allied CU	07/31/90	1,000,000	7.9
Associated FCU / Arizona FCU	06/30/89	713,772	6.9
First Central CU of Memphis / Navy Memphis FCU	05/29/90	548,242	10.7
All Other Assisted P&As - 18		3,656,858	9.4%
Total - 25 Cases		$18,931,173	12.9%

Financial Reporting Practices

The NCUSIF has completed eight years of full accrual accounting under Generally Accepted Accounting Principles (GAAP). GAAP accounting for any insurance program requires adequate reserves for known and anticipated losses. Deposit insurance accounting under GAAP requires two such reserves: One anticipates future cash outlays under guarantees issued when credit unions are merged with assistance or their assets are sold to third parties. The other reserve anticipates future losses from problem credit unions, i.e., those currently classified as weak or unsatisfactory.

Future losses from problem credit unions is the harder loss to estimate. However, an accurate estimate of future losses, based on historical data and case-by-case reviews, will fairly disclose losses that should be recognized today. The confidence credit union members can place in the Fund is directly related to the ability of its management to identify and control those losses.

The Fund's adherence to GAAP is unique among the federal deposit insurers. The NCUSIF is the only Federal deposit insurance fund that establishes balance sheet reserves for anticipated future losses for all problem institutions. Moreover, the increased financial disclosure required by GAAP strengthens the reliance which can be placed upon the Fund's financial statements. To reinforce this reporting standard, the Fund has retained Price Waterhouse, an international accounting firm, to audit the Fund's financial statements, including its loss estimates. Price Waterhouse's unqualified opinion on the Fund's financial statements is shown in full beginning on the next page.

Insurance Fund Report and Financial Statements for the Years Ended September 30, 1990 and 1989

Report of Independent Accountants

Price Waterhouse

To the Board of the
National Credit Union Administration

In our opinion, the statements appearing on pages 25-30 of this report present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund at September 30, 1990 and 1989 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Share Insurance Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, DC
November 15, 1990

Balance Sheets

	September 30,	
Assets	1990	1989
Cash, including cash equivalents of $83,249,644 and $514,044,000 (Notes B and E)	$ 84,260,898	$ 524,979,628
Investments (Notes B and E)	1,814,885,712	1,323,909,955
Capital notes advanced to insured credit unions	67,890,846	39,359,717
Note receivable - National Credit Union Administration Operating Fund (Note H)	1,980,766	2,052,766
Other notes receivables (Note F)	13,013,688	8,732,014
Other receivables	2,170,067	8,310,797
Assets acquired in assistance to insured credit unions:		
Liquidating and acquired credit union assets	127,803,380	105,545,042
Allowance for losses on acquired assets	(21,200,000)	(23,501,000)
	106,603,380	82,044,042
Accrued interest receivable	53,674,828	40,101,853
Total assets	$2,144,480,185	$2,029,490,772
Liabilities and Fund Capitalization		
Due to National Credit Union Administration Operating Fund (Note H)	$ 626,060	$ 191,721
Accounts payable	302,442	
Amounts due to insured shareholders of liquidated credit unions	15,204,879	9,331,655
Estimated losses from supervised credit unions (Note C)	72,688,000	40,912,000
Estimated losses from asset and merger guarantees (Note C)	3,024,000	6,553,000
Total liabilities	91,845,381	56,988,376
Fund capitalization		
Insured credit unions' accumulated contributions (Note D)	1,613,976,947	1,568,974,263
Insurance fund balance	438,657,857	403,528,133
Total fund capitalization	2,052,634,804	1,972,502,396
Commitments (Notes C and H)		
Total liabilities and fund capitalization	$2,144,480,185	$2,029,490,772

The accompanying notes are an integral part of these financial statements.

Statements of Operations

Revenue:	Year ended September 30, 1990	1989
Interest income	$159,095,503	$147,900,128
Other income	1,168,938	899,678
Total revenue	160,264,441	148,799,806
Expenses:		
Administrative expenses (Note H)		
Employee wages and benefits	22,263,674	18,973,326
Travel expense	3,648,449	3,977,074
Rent, communications, and utilities	2,308,433	2,197,839
Contracted services	1,232,397	1,552,305
Other administrative	5,699,764	4,116,505
Total administrative expenses	35,152,717	30,817,049
Provision for insurance losses	89,982,000	93,608,000
Total expenses	125,134,717	124,425,049
Excess of revenue	$ 35,129,724	$ 24,374,757

Statements of Insured Credit Union Accumulated Contributions and Insurance Fund Balance

	Insured Credit Union Accumulated Contributions	Insurance Fund Balance
Balance at September 30, 1988	$1,476,757,851	$379,153,376
Contributions from insured credit unions, net	92,216,412	
Excess of revenue		24,374,757
Balance at September 30, 1989	1,568,974,263	403,528,133
Contributions from insured credit unions, net	45,002,684	
Excess of revenue		35,129,724
Balance at September 30, 1990	$1,613,976,947	$438,657,857

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	Year ended September 30,	
	1990	1989
Cash flows from operating activities:		
Excess of revenue	$ 35,129,724	$ 24,374,757
Adjustments to reconcile excess of revenue to net cash provided (used) by operating activities:		
Provision for insurance losses	89,982,000	93,608,000
Payments relating to losses from supervised credit unions and asset and merger guarantees, net	(61,735,000)	(97,278,000)
Changes in operating assets and liabilities:		
(Increase) in advances to credit unions	(28,531,129)	(34,243,206)
(Increase) in other notes receivables	(4,281,674)	(8,732,014)
Decrease (increase) in other receivables	6,140,730	(8,310,797)
(Increase) in assets acquired from credit unions, net	(24,559,338)	(12,169,206)
(Increase) in accrued interest receivable	(13,572,975)	(9,389,310)
Increase (decrease) in amounts due to National Credit Union Administration Operating Fund	434,339	(520,101)
Increase (decrease) in amounts due to insured shareholders of liquidated credit unions	5,873,224	(2,959,212)
Increase in accounts payable	302,442	
Net cash provided (used) by operating activities	5,182,343	(55,619,089)
Cash flows from investing activities:		
(Increase) decrease in investments, net	(490,975,757)	240,937,999
Collections on note receivable - National Credit Union Administration Operating Fund	72,000	72,000
Net Cash (used) provided by investing activities	(490,903,757)	241,009,999
Cash flows from financing activities:		
Contributions from insured credit unions, net	45,002,684	92,216,412
Net (decrease) increase in cash and cash equivalents	(440,718,730)	277,607,322
Cash and cash equivalents at beginning of year	524,979,628	247,372,306
Cash and cash equivalents at end of year	$ 84,260,898	$524,979,628
Composed of:		
Cash	$ 1,011,254	$ 10,935,628
Cash equivalents - U.S. Government securities with maturities less than 3 months	83,249,644	514,044,000
Total	$ 84,260,898	$524,979,628

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements September 30, 1990

Note A - Organization and Purpose

The National Credit Union Share Insurance Fund (the Fund) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) which was amended in 1984 by Public Law 98-369 as discussed in Note D. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder.

NCUA exercises direct supervisory authority over federal credit unions and coordinates any required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual basis and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctible. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is determined to be infeasible, a merger partner may be sought. If the assistance or merger alternatives are not considered practical, the credit union is liquidated.

The first form of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not considered practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are at times guaranteed to third-party purchasers by the Fund.

Note B - Significant Accounting Policies

Cash Equivalents and Investments

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount. Cash equivalents are highly liquid investments with original maturities of three months or less.

Advances to Insured Credit Unions

The Fund provides cash assistance in the form of interest and non-interest bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing operations.

Assets Acquired from Credit Unions

The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring non-performing assets of a credit union experiencing financial difficulty. Such assets acquired are recorded at their estimated net realizable value.

Insurance Premium Revenue

The Fund could assess each insured credit union a regular annual premium of 1/12 of 1% of member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of June 30 of the preceding fiscal year. The NCUA Board waived the 1990 and 1989 share insurance premium.

Income Taxes

The Fund is exempt from Federal income taxes under 501(c)(1) of the Internal Revenue Code.

Note C - Provision for Insurance Losses

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management based on a case-by-case evaluation.

In exercising its supervisory function, the Fund at times will extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately \$6,600,000 and \$12,891,000 at September 30, 1990 and 1989, respectively. The estimated losses from asset and merger guarantees are determined by management based on a case-by-case evaluation.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30, 1990 and 1989 was as follows:

	Year ended September 30,	
	1990	1989
Beginning balance	\$47,465,000	\$51,135,000
Provision for insurance losses	89,982,000	93,608,000
Insurance losses and transfers to the allowance for losses on acquired assets	(74,165,957)	(114,750,000)
Recoveries	12,430,957	17,472,000
Ending Balance	\$75,712,000	\$47,465,000

In addition, the Fund guarantees loans made by the Central Liquidity Facility (CLF) and Corporate Credit unions to credit unions. Total outstanding line-of-credit guarantees at September 30, 1990 and 1989 are approximately \$35,943,000 and \$60,977,000, respectively.

Note D - Fund Capitalization

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1% of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of June 30 of the preceding fiscal year and is billed on a calendar year basis. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The aggregate contributions of \$1,613,976,947 at September 30, 1990, consists of \$1,530,103,924 of insured credit union accumulated contributions and \$83,873,023 of the previously accumulated fund balance which was designated by the NCUA Board as a component of credit union accumulated contributions in 1984. Total insured shares at June 30, 1990 were \$176,624,550,000 for which additional net contributions of approximately \$152,268,553 will be payable to the Fund in January 1991.

The law requires that upon receipt of the 1% contribution, the total fund balance must be maintained at a normal operating level to be determined by the NCUA Board. The NCUA Board has determined this level to be a range of 1.25% to 1.3% of insured shares.

The NCUA Board did not declare any dividends during 1990 or 1989.

Note E - Cash Equivalents and Investments

All cash received by the Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Cash equivalents and investments consist of the following information in the table below.

Note F - Other Notes Receivable

The Fund entered into both secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 9.5% to 12%. The other notes receivable balance at September 30, 1990 and 1989 was $13,013,688 and $8,732,014 respectively.

Note G - Available Borrowings

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of $100,000,000 outstanding at any one time. The Central Liquidity Facility of NCUA is authorized to make advances to the Fund under such terms and conditions as may be established by the NCUA Board. No amounts were borrowed from these sources during 1990 or 1989.

	September 30, 1990			
	Yield to Maturity at Market	Book Value	Market Value	Face Value
Cash Equivalents				
U.S. Treasury Securities - overnight funds	8.92%	$ 83,249,644	$ 83,249,644	$ 83,249,644
U.S. Treasury Securities				
Maturities up to one year	8.26%	$ 699,797,037	$ 702,696,000	$ 700,196,000
Maturities over one year	8.99%	1,115,088,675	1,118,322,920	1,100,197,920
		$1,814,885,712	$1,821,018,920	$1,800,393,920

	September 30, 1989			
	Yield to Maturity at Market	Book Value	Market Value	Face Value
Cash Equivalents				
U.S. Treasury Securities - overnight funds	9.43%	$ 514,044,000	$ 514,044,000	$ 514,044,000
U.S. Treasury Securities				
Maturities up to one year	7.86%	$ 524,292,182	$ 523,191,188	$ 525,199,000
Maturities over one year	8.35%	799,617,773	797,350,000	800,600,000
		$1,323,909,955	$1,320,541,188	$1,325,799,000

Total investment purchases and sales during fiscal year 1990 are approximately $1,015,429,000 and $524,093,000, respectively. Total investment purchases and sales during fiscal year 1989 are approximately $88,808,314,000 and $88,782,570,000, respectively. It was not practical to separate the purchases and sales during 1989 by maturity date; therefore, these amounts include investment transactions with maturities greater than three months and cash equivalents.

Note H - Transactions with NCUA Operating Fund

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. NCUA charges the Fund for these services based on an annual allocation factor approved by the NCUA's Board of Directors derived from a study conducted by these Funds of actual usage. The allocation factor was 50% to the Fund and 50% to the NCUA Operating Fund in the years ended September 30, 1990 and 1989. The cost of services provided by the NCUA Operating Fund was approximately $31,796,000 and $28,769,000 for 1990 and 1989, respectively, and includes pension contributions of approximately $1,802,350 and $1,572,500 for 1990 and 1989, respectively, to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans.

In fiscal year 1988, the Fund entered into a $2,160,766 thirty year unsecured term note with the NCUA Operating Fund. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal years 1990 and 1989 was approximately 8.22% and 8.1%, respectively. The note receivable balance at September 30, 1990 was $1,980,766.

The NCUA Operating Fund leases certain office space under lease agreements which expire through 1998. The future minimum aggregate lease payments through expiration of the leases are approximately $9,531,000 at September 30, 1990. Based on the allocation factor approved by the NCUA Board of Directors for fiscal year 1990, the Fund will reimburse the NCUA Operating Fund for approximately 50% of the future lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $1,320,000 and $1,140,000 for 1990 and 1989, respectively. The amounts were derived using the current annual allocation factor.

Ten Year Financial Trend

Fiscal Year	1981	1982	1983	1984	1985
Income (thousands)					
Regular Premium-Federal	$27,657	$29,658	$33,878	$40,404	$10,508
Regular Premium-State	14,077	15,197	17,374	19,781	5,208
Special Premium-Federal	—	19,419	34,561	—	—
Special Premium-State	—	10,526	17,725	—	—
Interest Income	19,033	18,358	20,141	30,088	83,789
Other	1,655	1,883	1,357	878	708
Total Income	$62,422	$95,041	$125,036	$91,151	$100,213
Expenses (thousands)					
Operating	$9,314	$10,813	$10,315	$10,426	$10,927
Insurance Losses	43,746	77,458	55,060	28,068	25,472
Losses on Investment Sales	—	1,805	1,796	2,326	—
Other	119	1,822	577	—	—
Total Expenses	$53,179	$91,898	$67,748	$40,820	$36,399
Net Income (thousands)	**$9,243**	**$3,143**	**$57,288**	**$50,331**	**$63,814**
Fiscal Year-end Data:					
Total Equity (thousands)	**$174,716**	**$177,921**	**$235,209**	**$285,540**	**$1,119,356**
Equity as a Percentage of Shares in NCUSIF-Insured Credit Unions	0.302%	0.259%	0.292%	0.313%	1.28%
Contingent Liabilities (thousands)[1]	**$171,716**	**$149,090**	**$67,338**	**$23,930**	**$4,131**
Contingent Liabilities as a Percentage of Equity	98.3%	83.8%	29.7%	8.4%	0.4%
NCUSIF Loss per $1,000 of Insured Shares	$0.83	$1.28	$0.77	$0.34	$0.26
Operating Ratios:					
Premium Income	66.9%	78.7%	82.8%	66.0%	15.7%
Interest Income	30.5%	19.3%	16.1%	33.0%	83.6%
Other Income	2.6%	2.0%	1.1%	1.0%	0.7%
Operating Expenses	14.9%	11.4%	8.3%	11.4%	10.9%
Insurance Losses	63.5%	81.5%	44.0%	30.8%	25.4%
Other Expenses	6.8%	3.8%	1.9%	2.6%	—
Total Expenses	85.2%	96.7%	54.2%	44.8%	36.3%
Net Income	14.8%	3.3%	45.8%	55.2%	63.7%
Involuntary Liquidations Commenced					
Number	251	160	50	38	31
Share Payouts (thousands)	$78,639	$39,892	$9,954	$34,840	$15,499
Share Payouts as a Percentage of Total Insured Shares	0.136%	0.058%	0.012%	0.039%	0.014%

Footnotes:

[1] Effective with fiscal year 1983, Contingent Liabilities excludes the amount of Guaranty Account assistance outstanding. Balance sheet reserves for potential losses in supervised credit unions fully provide for all losses that might arise from Guaranty Account assistance.

Fiscal Year	1986	1987	1988	1989	1990
Income (thousands)					
Regular Premium-Federal	—	—	—	—	—
Regular Premium-State	—	—	—	—	—
Special Premium-Federal	—	—	—	—	—
Special Premium-State	—	—	—	—	—
Interest Income	121,080	112,407	127,075	146,612	159,096
Other	346	339	530	2,188	1,169
Total Income	$121,426	$112,746	$127,605	$148,800	$160,264
Expenses (thousands)					
Operating	$16,822	$21,466	$26,588	$30,817	$35,153
Insurance Losses	37,864	55,732	60,122	93,608	89,982
Losses on Investment Sales	—	—	—	—	—
Other	—	—	—	—	—
Total Expenses	$54,686	$77,198	$86,710	$124,425	$125,135
Net Income (thousands)	**$66,740**	**$35,548**	**$40,894**	**$24,375**	**$35,130**
Fiscal Year-end Data:					
Total Equity (thousands)	**$1,411,391**	**$1,602,251**	**$1,855,911**	**$1,972,502**	**$2,052,605**
Equity as a Percentage of NCUSIF-Insured Credit Unions	1.23%[2]	1.23%	1.24%	1.25%	1.25%
Contingent Liabilities (thousands)1	**$4,864**	**$5,572**	**$3,407**	**$10,663**	**$7,803**
Contingent Liabilities as a	0.3%	0.3%	0.2%	0.5%	0.4%
NCUSIF Loss per $1,000 of Insured Shares	$0.30	$0.38	$0.38	$0.58	$0.51
Operating Ratios:					
Premium Income	—	—	—	—	—
Interest Income	99.7%	99.7%	99.6%	98.5%	99.3%
Other Income	0.3%	0.3%	0.4%	1.5%	0.7%
Operating Expenses	13.9%	19.1%	20.8%	20.7%	21.9%
Insurance Losses	31.2%	49.4%	47.1%	62.9%	56.1%
Other Expenses	—	—	—	—	—
Total Expenses	45.1%	68.5%	67.9%	83.6%	78.1%
Net Income	54.9%	31.5%	32.1%	17.4%	21.9%
Involuntary Liquidations Commenced					
Number	36	33	35	54	83
Share Payouts (thousands)	$22,168	$3,213	$36,110	$21,687	$70,875
Share Payouts as a Percentage of Total Insured Shares	0.020%	0.002%	0.023%	0.013%	0.040%

Footnotes:

[2]In July 1986, the NCUA Board approved a change in the insurance year from December 31 to June 30. Effective with fical year 1986, the equity percentage is based upon June 30 insured shares.

End of Calendar Year	1981	1982	1983	1984	1985
Shares in NCUSIF-Insured Credit Unions (millions)[1]					
Federal Credit Unions	$35,250	$41,352	$49,889	$57,927	$71,615
State Credit Unions	18,902	21,638	24,850	26,327	37,917
Total Shares	$54,152	$62,990	$74,739	$84,254	$109,532
Number of Member Accounts in NCUSIF-Insured Credit Unions (thousands)					
Federal	28,595	26,095	26,700	28,170	29,576
State	14,657	13,160	13,460	15,205	15,689
Total	43,252	39,255	40,160	43,288	45,265
Number of NCUSIF-Insured Credit Unions					
Federal	11,969	11,631	10,963	10,547	10,125
State	4,994	5,023	4,915	4,645	4,920
Total	16,963	16,654	15,878	15,192	15,045
Shares in NCUSIF-Insured Credit Unions as a Percentage of all Credit Union Shares	81.5%	82.9%	83.8%	82.0%	91.6%
State Credit Union Portion of Insured Shares	34.9%	34.4%	33.3%	31.3%	34.6%
End of Fiscal Year	1981	1982	1983	1984	1985
Assistance to Avoid Liquidation:					
Capital Notes and Other Cash Advances Outstanding	$8,388	$16,839	$31,838	$36,413	$33,266
Noncash Guaranty Accounts	$42,922	$48,786	$52,736	$54,213	$36,946
Number of active cases	114	124	113	72	45
Problem Case Insured Credit Unions (Codes 4 and 5):					
Number	1,174	1,192	1,124	872	742
Shares (millions)	$2,980	$4,590	$4,652	$4,071	$4,055
Problem case shares as a Percentage of Insured Shares	5.2%	6.7%	5.9%	4.7%	3.9%
Mergers: (fiscal year)					
Assisted[2]	98	167	203	92	63
Unassisted	235	272[3]	503	550	514

Footnotes:

[1]Insured shares in Federally Insured Natural Person Credit Unions only.

[2]Assisted merger cases were not separately identified until 1981.

[3]1982 reflects nine months' activity (January 1, 1982 through September 30, 1982) to coincided with fiscal year. Prior to 1982, information on merger cases was reported on a calendar year basis.

End of Calendar Year	1986	1987	1988	1989	1990[4]
Shares in NCUSIF-Insured Credit Unions (millions)[1]					
Federal Credit Unions	$86,709	$94,927	$104,431	$109,653	$118,000
State Credit Unions	47,476	51,417	55,217	57,518	62,000
Total Shares	$134,185	$146,344	$159,648	$167,171	$180,000
Number of Member Accounts in NCUSIF-Insured Credit Unions (thousands)					
Federal	31,041	32,067	57,235	53,301	56,000
State	17,362	17,999	27,376	32,547	33,000
Total	48,403	50,066	84,611	85,848	89,000
Number of NCUSIF-Insured Credit Unions					
Federal	9,758	9,401	9,118	8,821	8,550
State	4,935	4,934	4,760	4,550	4,400
Total	14,693	14,335	13,878	13,371	12,950
Shares in NCUSIF-Insured Credit Unions as a Percentage of all Credit Union Shares	96.4%	96.0%	96.1%	96.0%	96.0%
State Credit Union Portion of Insured Shares	35.4%	35.1%	34.6%	34.4%	34.4%
End of Fiscal Year	1986	1987	1988	1989	1990
Assistance to Avoid Liquidation:					
Capital Notes and Other Cash Advances Outstanding	$22,396	$5,031	$5,117	$39,360	$67,891
Noncash Guaranty Accounts	$39,903	$39,564	$41,127	$53,959	$98,600
Number of active cases	30	16	25	43	42
Problem Case Insured Credit Unions (Codes 4 and 5):					
Number	794	929	1,022	794	678
Shares (millions)	$6,611	$8,135	$10,600	$8,400	$9,400
Problem case shares as a Percentage of Insured Shares	4.9%	4.9%	6.3%	4.8%	4.9%
Mergers: (fiscal year)					
Assisted	58	55	50	60	81
Unassisted	515	489	464	395	386

Footnotes:

[4]Estimated amounts as of December 31, 1990.

Legislative History and Organization

The National Credit Union Share Insurance Fund (NCUSIF) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) on October 19, 1970 without taxpayer moneys. The Fund was established as a revolving fund in the Treasury of the United States under the management of the Administrator of NCUA (now the NCUA Board). The Act directed the Administrator to insure member accounts in all federal credit unions and to qualifying state credit unions that requested insurance. The maximum amount of insurance was set initially at $20,000 per member account. This maximum was raised to $40,000 by Public Law 93-495 (October 29, 1974) and the current level of $100,000 by Public Law 96-221 (March 31, 1980). Public Law 98-369 (July 18, 1984) provided for the capitalization of the NCUSIF by having each credit union deposit 1% of their insured shares into the Fund.

Money in the Fund can be used by the Board for insurance payments, for assistance authorized in the Federal Credit Union Act in connection with the liquidation or threatened liquidation of insured credit unions, and for expenses incurred in connection with carrying out the Act's purposes.

Organization

NCUA has a central office in Washington, DC, and six regional offices in Albany, New York; Washington, D.C.; Atlanta, Georgia; Itasca, Illinois; Austin, Texas (Suboffice in Sioux City, Iowa); and Concord, California. Of the Agency's 909 employees, 747 are assigned to the regions. The regional offices are responsible for examining and supervising all federal and federally insured state-chartered credit unions. The regional offices perform the initial reviews of insurance applications and requests for financial assistance under Section 208 of the Federal Credit Union Act. They also are responsible for performing continued insurability reviews and for making timely payment of insured member accounts in liquidation cases.

The NCUA Board and its staff are located in the central office in Washington, D.C. The central office's primary role is to provide support to regional offices. The accounting records and investments for the Fund are also managed from Washington, D.C.

NCUA Board

Roger W. Jepsen, Chairman
Robert H. Swan, Board Member

Donald E. Johnson, Executive Director
Robert M. Fenner, General Counsel

Office of Examination and Insurance
D. Michael Riley, Director
David Marquis, Deputy Director
Department of Insurance
Dennis Winans, Director
Department of Operations
Alonzo Swann, Director
Department of Risk Management
Gary Vopat, Director
Department of Supervision
Timothy Hornbrook, Director

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Seated left to right, Insurance Director Dennis Winans, Risk Management Director Gary Vopat, Operations Director Alonzo Swann. Standing, Office of Examination and Insurance Director D. Michael Riley, Supervision Director Timothy Hornbrook, and Deputy Director, Office of Examination and Insurance David Marquis.

National Credit Union Administration

Regional Offices

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Regional Director
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Region V (Austin)
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Regional Director
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Regional Director
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National Credit Union Administration
Washington, DC 20456

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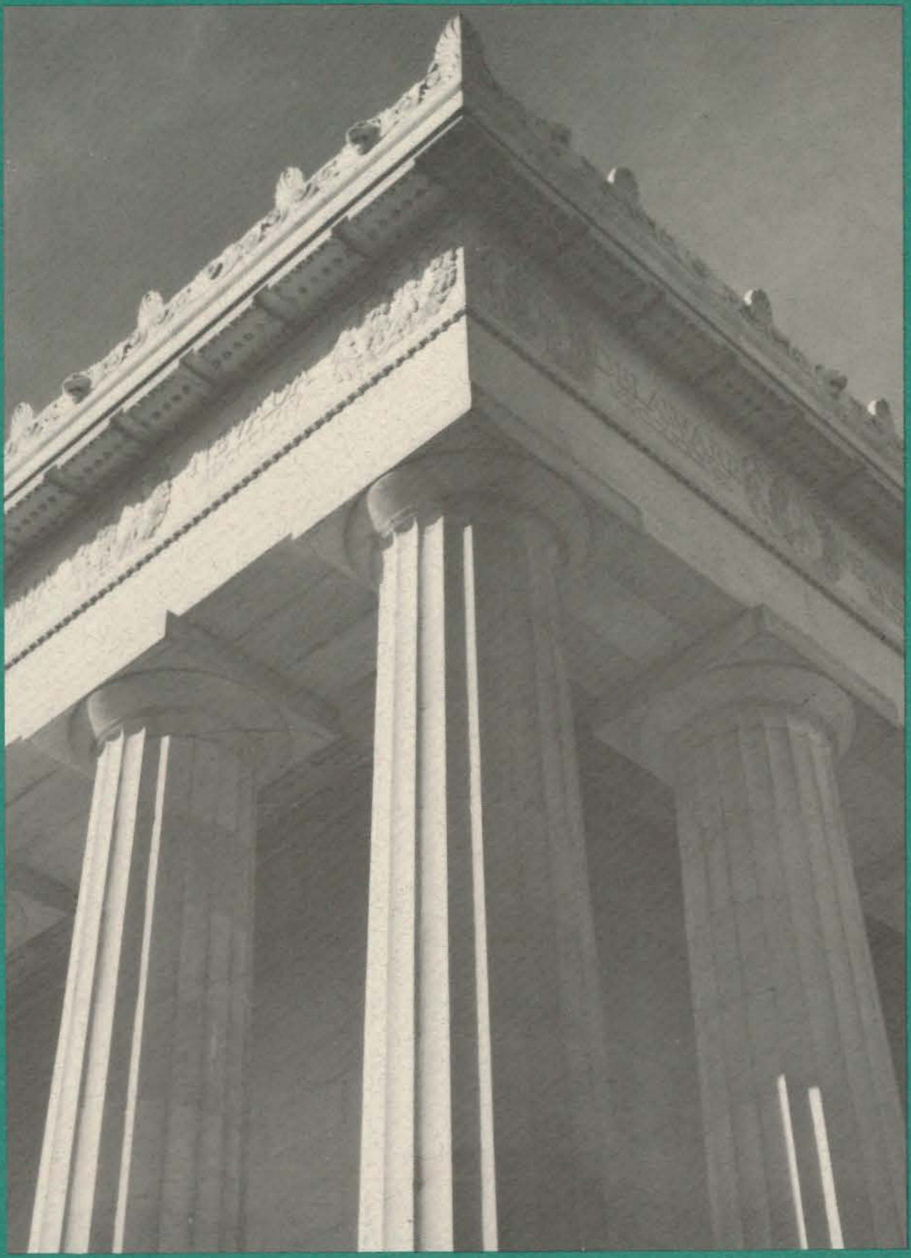

NATIONAL CREDIT UNION ADMINISTRATION

CENTRAL LIQUIDITY FACILITY

1990

Annual Report

The Congress finds that the establishment of a National Credit Union Central Liquidity Facility is needed to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

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Central Liquidity Facility Staff

Front to back

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President

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Roger W. Jepsen, Chairman

Robert H. Swan, Board Member

Letter From the Board

One characteristic that distinguishes a satisfactory organization from an outstanding organization is its commitment to serving the needs of the community. The Central Liquidity Facility (CLF) has been serving its members for 11 years, along the way establishing itself as a vital part of the credit union system.

The CLF's success can be attributed to its self-supporting financial status, its complementary working relationship with the corporate system, and its sensitivity to each member's particular needs.

Since 1979, the CLF has made 600 loans totaling nearly $5.6 billion, ranging in amount from a low of $13,000 to a high of $70 million. Although most of the loans have been for short-term periods of 30 to 90 days, some loans were made for overnight clearings.

There have been 15 long-term loans totaling a little over $92 million with an average life of four years. Loans have been made to provide liquidity during factory closings, seasonal transitions, investment and interest rate restructuring programs, and conservatorship and workout plan proceedings by regulators.

The CLF's credit facilities are provided through the U.S. Treasury's Federal Financing Bank and backed by the credit standing of the U.S. Government. Because of this secure credit backing, credit unions benefit, both by a potentially lower cost of funds and the certainty that funds will always be available in a crisis.

The CLF is a specialized industry lender concerned solely with meeting the needs of credit unions. It has not had any losses from any of its activities during its first 11 years of operation. It stands ready to serve the most important aspect of the entire credit union system—the credit union member.

Financial Summary

During fiscal year 1990, in addition to meeting its statutory mission, the CLF paid a market-based dividend to shareholders and exceeded the reserve targets established by the NCUA Board. Net income of $35.4 million before dividends equals a 7.91% return on members' capital and deposits for the fiscal year 1990.

Operating expenses of $795,000 were below the Congressionally approved $851,000 operating budget set for the CLF during fiscal year 1990.

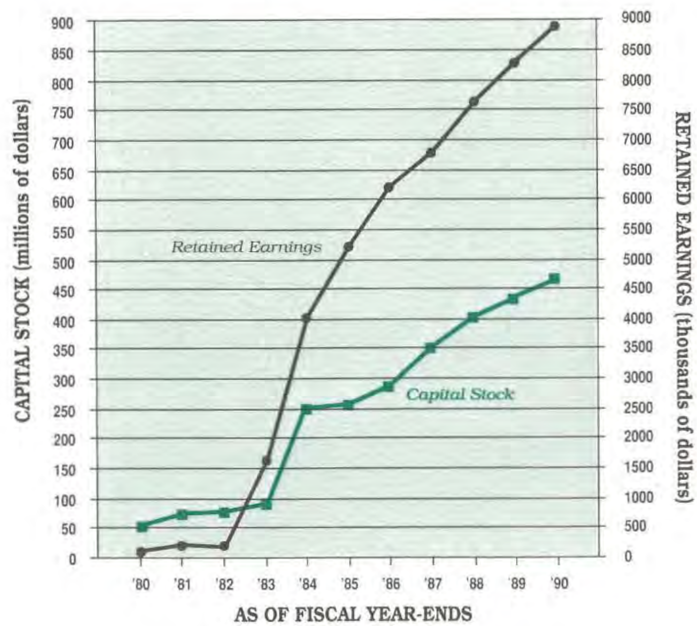
The cooperative relationship between the corporate network and the CLF continues to provide efficiencies for CLF services that help to keep CLF's fixed administrative operating costs to a minimum. The operating expense ratio for 1990 remained at 1.8%.

Retained earnings at September 30, 1990, stood at $9.0 million, an increase of 8.3% during the year. Although CLF has not had any losses from its lending and investment activities during its first eleven years of operation, this reserve account is a recognition that CLF activities are not completely risk free. Investment of these reserves also provides income which at current interest rates allows CLF to meet more than half of its operating expenses. The NCUA Board has established a short-term management goal of increasing reserves to the level where the earnings on these reserves will cover the CLF's operating expenses and a long range goal of 4% of assets.

Financial Highlights
Central Liquidity Facility

	1990	1989
OPERATING RESULTS		
Net Income	$ 35,397,000	$ 35,330,000
Dividends	$ 34,711,000	$ 34,651,000
Addition to Retained Earnings	$ 686,000	$ 679,000
AT FISCAL YEAR END		
Total Assets	$533,005,000	$565,637,000
Total Equity	$460,715,000	$438,908,000
Total Loans to Members	$ 66,590,000	$112,172,000
Total Employees	4	4
Total Members: via Agents (Credit Unions)	42(14,500)	42(15,000)
Direct Members	196	218

Equity Capital Trends



Dividends

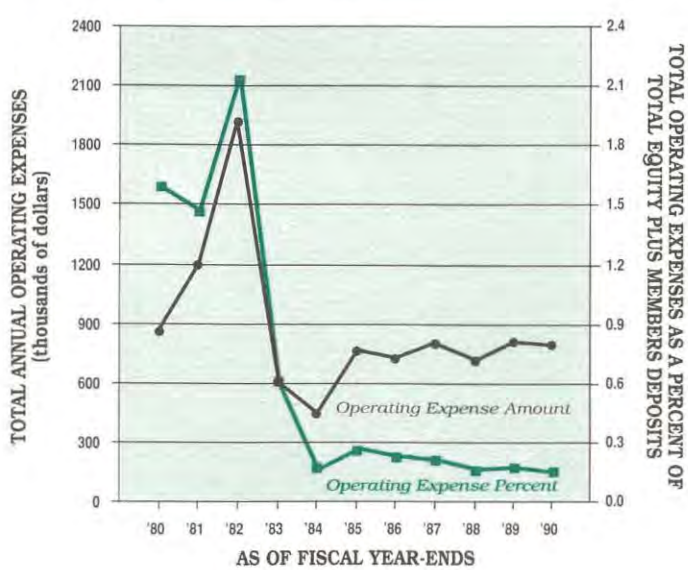
Dividends on members' capital stock and deposits of $35.3 million resulted in an average return of 7.91% for the fiscal year.

The distribution of net earnings in dividends after all operating expenses exceeded 98% of available net income. The per annum dividend rate paid per quarter on shares for the past two years and the average 90-day T-Bill rate for the current year are shown on the right.

The practice of the CLF is to pay dividends as close to the 90-day T-Bill rate as earnings permit. For the past eight years this objective has been met.

	CLF Dividend		90 Day T-Bill Rate
Quarter Ending	**1990**	**1989**	**1990**
1st Quarter - 12/31	7.88%	7.86%	7.88%
2nd Quarter - 3/31	7.94	8.73	8.01
3rd Quarter - 6/30	8.04	8.62	8.11
4th Quarter - 9/30	7.76	8.12	7.83
Fiscal Year Average	**7.91%**	**8.33%**	**7.96%**

Operating Expense History



Loan Portfolio Spread

The CLF loan portfolio spread for the fiscal year was 16 basis points. The average outstanding loan balance for the year was $81.3 million, a decrease of $33.9 million from the previous fiscal year. Overall the loan portfolio contributed $173,000 to net income during the year.

CLF tailors its lending rate to meet the situational lending needs of credit unions. Special loan programs, such as the Investment Liquidity Lending Program, are extended on a case-by-case basis and set at a rate that would provide the maximum benefit to these "208 type" credit unions. These loans are consistent with CLF's overall statutory purpose "to improve the general financial stability" of the credit union system.

Investments

Title III of the Federal Credit Union Act permits the CLF to invest in U.S. Government and Agency obligations, place deposits in federally insured financial institutions, and make investments in shares or deposits with credit unions. CLF's investment objectives are first to meet liquidity needs by holding in daily accounts sufficient funds to meet sudden loan demand, withdrawals from liquidity and clearing accounts, and any membership refunds, and then make authorized investments at various maturities to maximize yield. During 1990, all funds were placed in investments at maturities not exceeding six months.

Investments at September 30, 1990, stood at $457.3 million, an increase of $13.6 million from the previous year. The investments consist of two separate portfolios: the $400.2 million redeposit in U.S. Central, and $57.1 million invested in Eurodollar deposits and daily accounts. The reinvestment at U.S. Central is at an "administered" rate set quarterly. The income from this managed spread when combined with all of CLF's other earnings is sufficient to pay CLF's entire operating and reserving costs, as well as the projected dividend. During fiscal year 1990, the yield on the redeposit was 7.96%.

The average maturity of the portfolio, excluding the redeposit, was 55 days at fiscal year-end, compared to 80 days at the beginning of the fiscal year. The average yield on the managed portfolio was 8.48% during the year. The comparative rates for three month Eurodollar Certificates of Deposit and 90-day T-Bills were 8.23% and 7.96%, respectively. Including the yield on the redeposit in the corporate system, the overall return on CLF's investments was 8.06% for fiscal year 1990.

CLF Investment Portfolio
at September 30, 1990

Investment	Amount	% of Total Portfolio	Yield
Eurodollar Time Deposits	$ 35,000,000	7.7%	8.26%
U.S. Central Daily Account	22,104,583	4.8	8.34
U.S. Central Redeposit	400,230,700	87.5	7.65
TOTAL	**$457,335,283**	**100.0%**	**7.73%[1]**

[1]Weighted Average Yield for September.

Maturity Schedule of CLF Investment Portfolio
at September 30, 1990

Month	Eurodollar Time Deposits	U.S. Central Daily Account	U.S. Central Redeposit	Total
October	$10,000,000	$22,104,583	$400,230,700 *	$432,335,283
November	10,000,000			10,000,000
December	10,000,000			10,000,000
February	5,000,000			5,000,000
TOTAL	**$35,000,000**	**$22,104,583**	$400,230,700	**$457,335,283**

*See note 8 to the financial statements on page 11.

Operating Fund Report and Financial Statements for the Years Ended September 30, 1990 and 1989

Report of Independent Accountants

To the Board of the National Credit Union Administration
and the National Credit Union Administration
Central Liquidity Facility

In our opinion, the accompanying balance sheets and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility at September 30, 1990 and 1989, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration Central Liquidity Facility management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, DC
November 5, 1990

Balance Sheets

(Expressed in thousands of dollars)

	September 30, 1990	September 30, 1989
ASSETS		
Cash	$ 7	$ 6
Investments	457,335	443,715
Loans to members	66,590	112,172
Accrued interest receivable	9,073	9,744
Total assets	**$533,005**	**$565,637**
LIABILITIES AND EQUITY		
Liabilities		
Notes payable	$ 56,581	$ 111,410
Member deposits	14,880	14,297
Accrued interest payable	663	853
Accounts payable and other liabilities	166	169
Total liabilities	**72,290**	**126,729**
Equity		
Capital stock-required	451,719	430,598
Retained earnings	8,996	8,310
Total equity	**460,715**	**438,908**
Commitments		
Total liabilities and equity	**$533,005**	**$565,637**

The accompanying notes are an integral part of these financial statements.

Statements of Operations and Retained Earnings
(Expressed in thousands of dollars)

	Year Ended September 30, 1990	1989
INCOME		
Income from investments	$ 36,549	$ 36,331
Interest on loans	6,703	9,945
Other	34	34
Total income	**43,286**	**46,310**
EXPENSES		
Agent commitment fee	377	377
Personnel services	238	235
Other services	55	82
Rent, communications and utilities	39	47
Supplies and materials	27	18
Personnel benefits	26	29
Printing and reproduction	13	8
Employee travel	11	16
Shipping and delivery	9	0
Total operating expenses	**795**	**812**
Interest		
Federal Financing Bank	6,530	9,607
Member deposits	564	561
Total expenses	**7,889**	**10,980**
Net income	**35,397**	**35,330**
Dividends to members	34,711	34,651
Addition to retained earnings	686	679
Retained earnings at beginning of period	8,310	7,631
Retained earnings at end of period	$ 8,996	$ 8,310

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
(Expressed in thousands of dollars)

	Year Ended September 30, 1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	$ 6,903	$ 10,208
Income from investments	37,020	34,798
Other income received	34	34
Cash paid for operating expenses	(798)	(783)
Interest paid on borrowings	(6,720)	(9,871)
Net cash provided by operating activities	**36,439**	**34,386**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment maturities	240,592	402,964
Loan principal repayments	74,159	194,012
Purchase of investments	(254,212)	(434,928)
Loan disbursements	(28,577)	(185,744)
Net cash provided by (used in) investing activities	**31,962**	**(23,696)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of required capital stock	22,106	33,311
Addition to member deposits	192	457
Proceeds from borrowings	23,171	62,410
Redemption of required capital stock	(985)	(3,525)
Withdrawal of member deposits	(34,884)	(34,195)
Borrowing repayments	(78,000)	(69,148)
Net cash used in financing activities	**(68,400)**	**(10,690)**
Net increase in cash	1	
Cash at beginning of year	6	6
Cash at end of year	$ 7	$ 6

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows (continued)
(Expressed in thousands of dollars)

	Year Ended September 30, 1990	1989
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	$ 35,397	$ 35,330
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease (increase) in accrued investment income receivable	471	(1,533)
Decrease in accrued loan interest receivable	200	263
Decrease in accrued interest payable	(190)	(264)
(Decrease) increase in accounts payable and other liabilities	(3)	29
Interest deposited in member deposits	564	561
Total adjustments	**1,042**	**(944)**
Net cash provided by operating activities	**$ 36,439**	**$ 34,386**
SUPPLEMENTARY DISCLOSURE OF NON-CASH TRANSACTIONS		
Rollovers		
Loans	$576,374	$438,092
Borrowings	$448,875	$458,537
Dividends added to member deposits	**$ 34,711**	**$ 34,651**

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements September 30, 1990 and 1989

Note 1— Organization and Purpose

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the National Credit Union Administration (NCUA) and is managed by the National Credit Union Administration Board. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax-exempt organization under Section 501(c) of the Internal Revenue Code.

Note 2— Significant Accounting Policies

Basis of Accounting

The CLF maintains its accounting records on the accrual basis of accounting.

Allowance for Loan Losses

Loans to members are made on both a short-term and long-term basis. For all loans the CLF either obtains a security interest in the assets of the borrower or in some cases receives the guarantee of the NCUA Share Insurance Fund.

The CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

No allowance for loan losses was considered necessary at September 30, 1990 and 1989.

Investments

The CLF invests in members' share accounts (see Notes 5 and 8). All of the CLF's other investments are short-term with no maturities in excess of one year. These investments are recorded at cost, which approximates market value.

Note 3—Government Regulations

The CLF was created by the Act and is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in federally insured financial institutions and shares and deposits in credit unions. Borrowing is Congressionally limited to twelve times equity and capital subscriptions on-call. However, the CLF has internally imposed a $600 million limitation on its borrowings. At September 30, 1990 and 1989, the CLF was in compliance with these limitations.

Note 4—Loans to Members

During 1990 loans were made only to member credit unions. These loans carry interest rates which ranged from 7.79% to 8.17% at September 30, 1990 (8.25% to 9.87% at September 30, 1989). The loans outstanding at September 30, 1990 are scheduled to mature during fiscal year 1991 (the loans outstanding at September 30, 1989 matured during fiscal year 1990). Included in loans to members at September 30, 1990 and 1989 are loans to U.S. Central Credit Union in its capacity as agent of the CLF (see Note 8) in the amount $66,590,000 and $65,772,000, respectively.

The CLF also provides members with extended loan commitments and lines of credit. There were $49,000,000 in outstanding commitments or lines of credit at September 30, 1990.

The CLF provides lines of credit for state insurance corporations. Advances against these lines are non-revolving and fully secured by a senior perfected security interest in negotiable, marketable securities acceptable to the CLF. As of September 30, 1990, no advances had been made against the lines and all existing lines expired on that date. Subsequent to September 30, 1990, lines of credit totaling $13.5 million have been authorized. Each line of credit calls for a commitment fee of 1/4 of 1 percent per annum.

Note 5—Investments

Funds not currently required for operations are invested as follows (dollars in thousands):

	September 30, 1990	September 30, 1989
U.S. Central (see Note 8)		
Redeposits	$400,231	$377,600
Share accounts	22,104	26,115
Time deposits	35,000	40,000
	$457,335	$443,715

Note 6—Notes Payable

All of the CLF's borrowings have been from the Federal Financing Bank. The interest rates on these obligations are fixed and range from 7.59% to 8.044% at September 30, 1990 (8.121% to 8.405% at September 30, 1989). Interest is generally payable upon maturity. The notes outstanding at September 30, 1990 are scheduled to mature during fiscal year 1991 (the notes outstanding at September 30, 1989 matured during fiscal year 1990).

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, President Reagan signed PL 97-101 which provided $100 million of permanent indefinite borrowing authority which may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions.

Note 7—Capital Stock and Member Deposits

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which amount is required to be remitted to the CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which amount is required to be remitted to the CLF. In both cases the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

Note 8—Membership Increase

During the year ended September 30, 1984, the CLF accepted a membership request from U.S. Central Credit Union (USC) on behalf of 29 of its corporate credit union members. At September 30, 1990 and 1989, $423,980,407 and $402,956,000, respectively, of the required portion of subscribed capital stock was on deposit with the CLF by USC on behalf of its member credit unions.

In addition, by accepting this membership request, the CLF is initially committed to reinvest all but $50,000,000 of its total share capital in USC at market rates of interest. At September 30, 1990 and 1989, $422,335,000 and $403,715,000, respectively, were invested in USC share accounts at approximately 7.75% and 8.11% respective yields.

Note 9—Services Provided by the National Credit Union Administration

The National Credit Union Administration provides the CLF with miscellaneous services, data processing services, and supplies. In addition, the National Credit Union Administration pays CLF employee salaries as well as CLF's portion of monthly lease payments. The CLF reimburses the National Credit Union Administration on a monthly basis for these items.

Total reimbursements for the years ended September 30, 1990 and 1989 amounted to approximately $318,000 and $277,000, respectively.

Note 10—Pension Plan

The employees of the CLF are participants in the Civil Service

Retirement and Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit plans covering all of the employees of CLF. FERS is comprised of a Social Security Benefits Plan, a Basic Plan and a Savings Plan and is mandatory for all employees hired on or after January 1, 1984. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between one and ten percent of their gross pay and the CLF will match up to five percent of the employee elected contributions. CLF's contributions to the plans for the years ended September 30, 1990 and 1989 were approximately $14,000 and $16,000, respectively.

CLF does not account for the assets of the above plans nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers such as CLF.

Note 11—Lease

The CLF leases office space jointly with the National Credit Union Administration under a non-cancellable operating lease expiring in 1998. The agreement provides for annual rent adjustments based on increases in the consumer price index. Under the terms of this lease, the CLF and the National Credit Union Administration are jointly and severally liable for future minimum lease payments as of September 30, 1990, as follows (dollars in thousands):

Year ended September 30,	
1991	$1,141
1992	1,141
1993	1,141
1994	1,141
	$4,564

The CLF's portion of these lease payments (rent expense) for each of the years ended September 30, 1990 and 1989 was approximately $39,000 and $34,000, respectively.

SELECTED FINANCIAL RATIOS

	1990	1989	1988	1987	1986
OPERATING RATIOS					
Total Operating Expenses/Total Income	1.8%	1.8%	2.1%	3.1%	2.2%
Interest Expense/Total Income (FFB)	15.1	20.7	21.7	22.1	38.6
Dividends/Total Income	80.2	74.8	72.0	69.8	54.1
Dividends/Net Income	98.1	98.1	96.6	96.8	94.7
Net Income After Dividends/Total Income	1.6	1.5	2.5	2.3	3.0
BALANCE SHEET USING FISCAL YEAR END DATA					
Total Equity/Total Assets	86.4%	77.6%	75.5%	73.6%	70.3%
Total Liabilities/Total Assets	13.6	22.4	24.5	26.4	29.7
Loans/Total Assets	12.5	19.8	22.3	23.2	25.8
Investments/Total Assets	85.8	78.4	76.2	75.4	73.1
Investments/Stock and Deposit Liabilities	98.0	99.7	99.5	100.4	100.3
Total Borrowings/Total Equity	12.3	25.4	28.9	31.4	36.2
Loans/Total Equity	14.5	25.6	29.5	31.5	36.7
PERFORMANCE RATIOS USING AVERAGE BALANCES					
Yield on Average Investments	8.0%	8.5%	6.7%	6.0%	6.8%
Yield on Average Loans	8.2	8.6	6.4	5.4	7.8
Yield on Total Average Earning Assets	8.1	8.5	6.6	5.9	7.2
Average Borrowing Rate	8.0	8.5	6.4	5.9	6.3
Average Dividend Rate	7.9	8.3	6.4	5.7	6.6

AGENT MEMBERS

U.S. Central Agent Group

U.S. Central Credit Union
(Agent Group Representative)
Alabama Corporate CU
Capital Corporate FCU (MD)
Central Corporate CU (MI)
Colorado Corporate FCU
Constitution State Corporate CU, Inc. (CT)
Corporate CU of Arizona
Corporate Central CU of Utah
Corporate One CU
Eastern Corporate FCU (MASS)
Empire Corporate FCU (NY)
First Carolina Corporate CU (NC)
Garden State Corporate Central CU (NJ)
Georgia Central CU
Idaho Corporate CU, Inc.
Indiana Corporate FCU
Iowa League Corporate Central CU
Kansas Corporate CU
Kentucky Corporate FCU
Louisiana Corporate CU
Mid-Atlantic Corporate FCU (PA)
Mid-States Corporate FCU (IL)
Minnesota Corporate CU
Missouri League Corporate CU
Nebraska Corporate Central FCU
North Dakota Central CU
Oklahoma Corporate CU
Oregon Corporate Central CU
Pacific Corporate FCU (HI)
Puerto Rico Corporate CU
RICUL Corporate CU (RI)
South Dakota Corporate Central FCU
Southeast Corporate FCU (FL)
Southwest Corporate FCU (TX)
The Carolina Corporate CU (SC)
Treasure State Corporate Central CU (MT)
Tricorp FCU (ME)
Volunteer Corporate CU (TN)
Virginia League Corporate FCU
Washington Corporate Central CU
Western Corporate FCU (CA)
West Virginia Corporate CU
Wisconsin Corporate Central CU

DIRECT MEMBERS

Alabama

Redstone FCU
Sloss FCU

Alaska

Alaska USA FCU
Eielson Employees FCU
Fedalaska FCU
Matanuska Valley FCU
Ward Cove FCU

Arkansas

College Station Community FCU

California

Aerospace FCU
American Electronics Association
(S.F. Council) CU
Carlsbad City Employees FCU
Chaffey District Employees FCU
Continental FCU
Electrical Workers CU
Fiscal Employees FCU
Fort Ord FCU
Fresno Grangers FCU
Hughes Aircraft Employees FCU
Long Beach Community CU
Marquardt FCU
National School District Employees FCU
Naval Weapons Center FCU
Northrop Employees FCU
NSC Employees FCU
Pacific IBM Employees FCU
Russian American CU
Safeamerica FCU
Santa Barbara Teachers FCU
Sea Air FCU
Southern Baptist CU
TRW Systems FCU

CALIFORNIA (continued)

Union Oil Oleum FCU
USEIT FCU
Vallejo City Employees FCU

Connecticut

Sikorsky FCU
St. Boniface Parish FCU
West Haven Teachers FCU

District of Columbia

Bank-Fund Staff FCU
Geicos FCU
OAS Staff FCU
Tacomis FCU
Wright Patman Congressional FCU

Florida

Agrico FCU
Gainesville Florida Campus FCU
Suncoast Schools FCU
Tampa Bay FCU

Georgia

Augusta Industrial FCU
Augusta Seaboard Systems FCU
CSRA FCU
Fort Gordon FCU
Georgia State University FCU
Texaco Employees FCU
The Federal Employees CU

Guam

NAVMAR FCU

Idaho

Boise Telco FCU
Pocatello Teachers FCU
Potlatch No. 1 FCU
United Family FCU

Illinois

Chicago Fireman's Association CU
Pacesetter FCU

ILLINOIS (continued)

St. James Hospital Medical Center
Employees FCU
West Suburban FCU

Indiana

Deaconess Hospital Employees FCU
JET CU

Kansas

Panhandle FCU
SM Postal FCU

Kentucky

Louchem FCU
Members First FCU
Owensboro Employees FCU
Rural Cooperatives CU Inc.

Louisana

Aneca FCU
National Heritage FCU

Maryland

National Institutes of Health FCU

Massachusetts

PCU FCU
Worcester Central FCU

Michigan

ABD FCU
ACM Employees CU
Communications Family CU
Dearborn FCU
Detroit Teachers CU
DT & I Employees CU
East Central Upper Peninsula Employees CU
East Detroit School Employees CU
Hamtramck Community FCU
Kramer Homes FCU
Livonia Parishes FCU
Portland FCU
Shaw Box Employees FCU

MICHIGAN (continued)

State Employees CU
T&C FCU
VIP CU
Wayne Out County Teachers CU

Minnesota

Northern Pacific Duluth FCU
State Farm North Central FCU
Workmen's Circle CU

Missouri

B.M.A. CU
Sears Kansas City Employees FCU

Montana

Valley FCU of Montana

Nebraska

Nebraska State Employees CU

New Hampshire

St. Mary's Bank CU

New Jersey

Atlantic City Electric Company
Employees FCU
East Bergen Teachers FCU
H.L.R. FCU
Manville Area FCU
Metuchen Assemblers FCU
Mobil Research No. 1166 FCU
Portuguese Continental FCU
South Jersey FCU
Union County Teachers FCU
Wenewark FCU

New Mexico

Espanola School Employees FCU
Los Alamos CU

New York

BCT FCU
Brighton School Employees FCU

NEW YORK (continued)

Buffalo Police FCU
IBM Interstate Employees FCU
Italo-American FCU
MSBA Employees FCU
Municipal CU
N M P Northern Area FCU
North Rockland Educational FCU
Oneida Ltd Employees FCU
Orchard Park Central School FCU
Plattsburg Air Force Base FCU
School Employees of CNY FCU
U.S. Employees FCU
WCS FCU
W.C.T.A. FCU

North Carolina

Rowan-Iredell Area CU
TWIU Local 192 FCU

Ohio

Auto Accessories CU
Bellevue FCU
Celina Reynoco Employees FCU
Cincinnati Central CU
Cincinnati Postal Employees CU, Inc.
Daymon Employees FCU
Dinner Bell Employees FCU
East Ohio Gas Cleveland Operating Employees FCU
Emery Employees FCU
Fremont FCU
Golden Circle CU
Ironton DMI Employees FCU
LAN-FAIR FCU
Merrell Dow Employees FCU
O'Neil's-Strouss FCU
Parmauto FCU
St Saviour Rossmoyne FCU
State Transportation Employees CU

OHIO (continued)

Sun FCU
T&C CU, Inc.
United Services FCU
Whiting FCU
Wittenberg University FCU
Yellow Springs Community FCU

Oklahoma

Phillipps O C District FCU
Riverwest FCU
Space Age Tulsa FCU

Oregon

Clackamas FCU
Coos Curry Teachers FCU
Federal Metals Central CU
Northwest Farmers Insurance Group FCU
Oregon Central CU
Rockwood Industrial FCU

Pennsylvania

Cal Ed FCU
Dauco FCU
Elliot Employees No. 1 FCU
Erie General Electric Employees FCU
Erie School Employees FCU
NE PA School Employees FCU
Nor-Car School Employees FCU
People First FCU
The United FCU
University of Pittsburgh FCU
Westmoreland Federal Employees FCU

Rhode Island

Credit Union Central Falls
Fairlawn CU
Twin City CU
Wood Lawn CU

South Dakota

Services Center FCU

Tennessee

Memphis Buckeye FCU
Oak Ridge Government FCU

Texas

Lubbock Teachers FCU
South Texas Healthcare FCU

Utah

Family First FCU
Tooele FCU

Virginia

Apple FCU
Norfolk Municipal Employees FCU
Reymet FCU
Sperry Marine Employees FCU
Waynesboro Dupont Employees CU

Washington

Alva FCU
Walla Walla Engineers FCU
Weyerhaeuser Pulp Employees FCU

West Virginia

Huntington West Virginia Firemen's FCU
Steel Works Community FCU

Wisconsin

Heritage FCU

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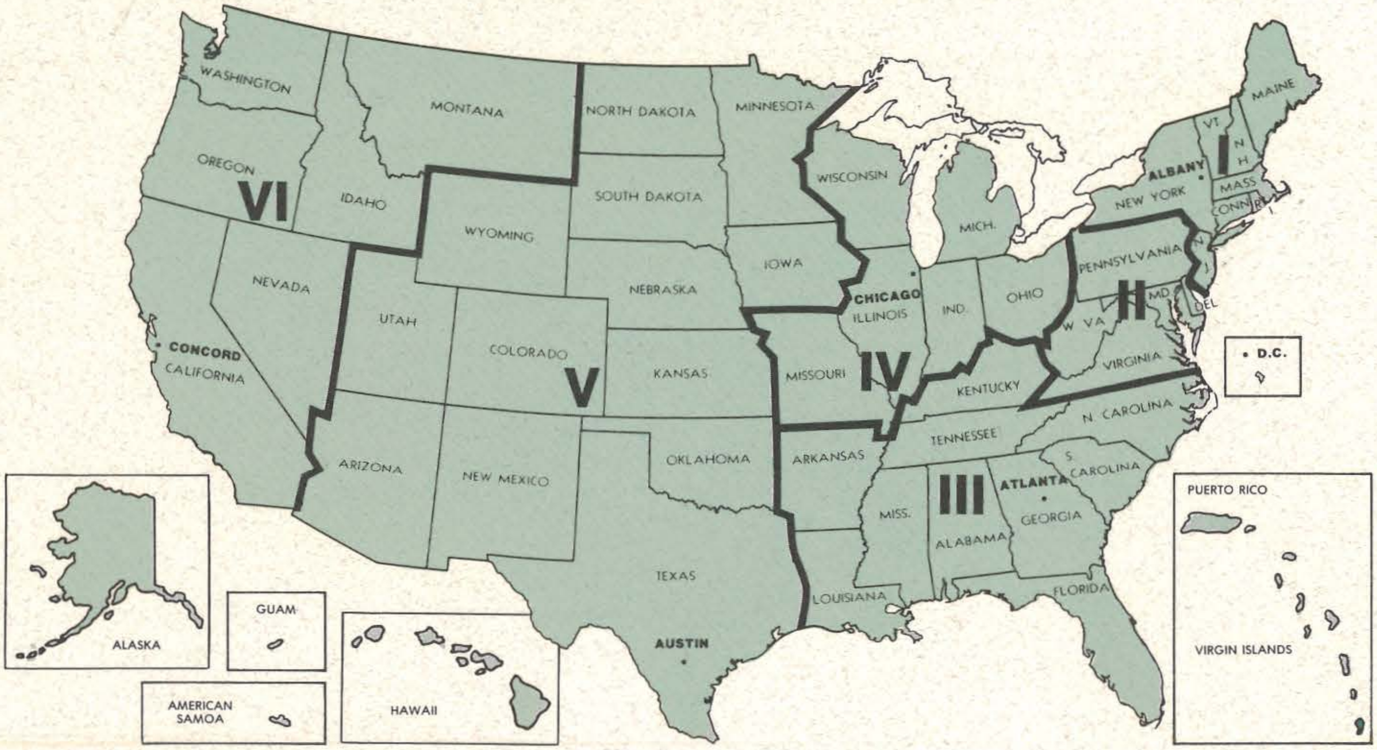

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