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NCUA Media Release

Credit Union Industry Financials Remain Relatively Stable in Second Quarter

Net Income Continues Upward Trend; Net Worth Ratio Rebounds; Participation in Short-Term Loan Products Grows

ALEXANDRIA, Va. (Sept. 1, 2011) – Key financial indicators generally show stabilization and continued improvement in the second quarter of 2011, while economic conditions persist in posing challenges for the system, according to Call Reports submitted by the nation's 7,239 federally insured credit unions to the National Credit Union Administration (NCUA).

"The second quarter financials demonstrate the continued resilience of the credit union industry," NCUA Board Chairman Debbie Matz said. "Specifically, I am pleased to see that net income has risen significantly since 2010, and that lending has grown for the first time in four quarters. NCUA's 2010 rule providing for short-term or payday loan alternatives has contributed to the recent growth. In the latest quarter, credit unions made 52 percent more of these alternative short-term loans."

Net Worth Ratio Rebounds, Net Income Rises, and ROA Continues Upward Trend

Credit unions' second quarter 2011 net worth ratio bounced back, as return on average assets (ROA) continued to rise and quarterly net income moved higher. The aggregate net worth ratio increased from 9.97 percent last quarter to 10.14 percent this quarter. With relatively static operating expenses and provision for loan losses, the industry's net income totaled $1.88 billion in the second quarter, slightly higher than first quarter results.

The year-to-date ROA ratio grew slightly to 77 basis points, up from 74 basis points in the first quarter. The industry considers ROA one of the most important indicators of performance. The move from 51 basis points at year-end 2010 to the current 77 basis points could be construed as a positive sign that credit unions are on the road to recovery from the recent recession.

Membership and Asset Growth Continues

Credit union membership increased during the second quarter, growing to 91 million members, up from 90.8 million, despite a slight decline in the number of credit unions. Credit union total shares and assets also continued to increase, albeit not as fast as growth in the first quarter, standing at $812.2 billion and $942.5 billion, respectively, on June 30.

Delinquencies and Charge-Off Ratios Decline, but Bankruptcy Challenges Remain

Delinquencies remain near historically high levels, but they continue to trend downward. In the second quarter, credit unions reported a loan delinquency ratio of 1.58 percent, a 5 basis point improvement from the prior quarter. Similarly, the net charge-off ratio declined to 0.95 percent in the second quarter, a drop of 5 basis points from the end of March.

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Credit unions also reported 76,720 members filing bankruptcy in the second quarter, a 13.1 percent drop compared to first quarter filings. The percentage of loans charged off due to bankruptcy rose slightly to 24.17 percent through June 30, while the change in outstanding loans subject to bankruptcy dropped by 30.9 percent since the prior quarter-end.

Deposits Remain Steady, Loans Grow for First Time in Four Quarters

Credit union shares and deposits remained relatively flat, expanding 0.1 percent during the second quarter. Share certificates and share drafts fell slightly, but regular shares and money market shares rose somewhat.

Total loans grew 0.7 percent to $564.0 billion during the second quarter. Despite the sluggish loan growth, second quarter results represent a reversal of the three previous quarters of declining loan volumes.

New auto loans and other real estate loans dropped, while used vehicle loans, unsecured loans, including credit cards, and first mortgage real estate loans remain popular. Mortgage lending, however, could pose increased interest rate risk, as assets are tied up in the long term.

One positive improvement is the significant uptake in short-term, small loans. The demand for these consumer-friendly alternatives to predatory payday loans rose 52 percent in the second quarter, after declining 32.8 percent in the first quarter. NCUA finalized a short-term, small loan rule for credit unions in September 2010.

Key Indicators Remain Relatively Flat

With rounding, key balance sheet and income statement data from federally insured credit unions representing growth rates through the second quarter of 2011 follow:

- Net income increased 10.7 percent from last quarter, totaling $3.58 billion for 2011 to date;
- Net worth increased 2.0 percent this quarter to $95.6 billion from $93.7 billion;
- Assets increased 0.3 percent to $942.5 billion from $939.3 billion;
- Shares increased 0.1 percent to $812.2 billion from $811.7 billion;
- Investments, not including cash on deposit or cash equivalents, increased 0.8 percent in the second quarter to $255.8 billion from $253.7 billion; and
- Loans rose 0.7 percent to $564.0 billion from $559.9 billion.

NCUA makes the complete details of June 2011 Call Report data available online in an Aggregate Financial Performance Report as well as a Call Report Fact Summary at: click here.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 91 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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