

# NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION  
1775 Duke Street, Alexandria, VA**

**DATE: July 2001**

**LETTER NO.: 01-CU-07**

**TO: Federally Insured Credit Unions**

**SUBJ: Office of Credit Union Development  
Program & Activity Report**

**DEAR BOARD OF DIRECTORS:**

Enclosed is the program and activity report for the Office of Credit Union Development, formerly the Office of Community Development Credit Unions, for the calendar year 2000. The NCUA Board is strongly committed to developing and strengthening credit unions throughout the country, including an ongoing emphasis on assisting small and low-income credit unions. The attached report highlights the agency's commitment to small and low-income credit unions. I encourage your participation in these programs.

For the National Credit Union Administration Board,

/s/

Dennis Dollar  
Acting Chairman

Enclosure

## INTRODUCTION

The Office of Credit Union Development, formerly the Office of Community Development Credit Unions, administers programs fostering credit union development by:

- providing a cooperative supervisory effort to help identify and assure the viability and successful operation of credit unions;
- providing guidance and education needed for the delivery of financial services; and

- facilitating the expansion of credit union services through the chartering of new credit unions and field of membership expansions.

The NCUA, collaborating with other government agencies and credit union trade associations, sustained proactive efforts during 2000 to increase the visibility and relevance of small, low-income designated, and community development credit unions in the financial marketplace.

## SMALL CREDIT UNION PROGRAM (SCUP)

### Introduction

The NCUA, with monitoring from the Office of Credit Union Development, and implementation in the regions, promotes credit union development through the SCUP program. The NCUA offers specialized assistance to eligible credit unions that volunteer to participate in the SCUP. There are nearly 500 credit unions currently participating in SCUP. The program's paradigm is three sided: *safety and soundness, education and expansion*.

The SCUP is designed to provide:

- technical and financial assistance to eligible credit unions;
- guidance to credit unions seeking to expand services to underserved and investment areas;
- assistance to groups seeking to charter new credit unions; and,
- specialized NCUA staff training.

You are encouraged to contact your NCUA regional office for more information and eligibility information.

Table 1 shows the distribution of federal and state charters participating in the SCUP as of December 31, 2000.

Table 1 Credit Unions Participating in SCUP

Region	Federal Credit Unions	Federally Insured State CU's	Total Eligible to Participate	CUs in SCUP 12/31/2000
I	475	99	574	61
II	722	83	805	46
III	561	255	816	127
IV	472	620	1092	85
V	409	382	791	76
VI	316	101	417	96
<b>Total</b>	<b>2955</b>	<b>1540</b>	<b>4495</b>	<b>493</b>

<sup>1</sup> Eligible credit union numbers were produced using 12/31/2000 call report raw data.

## Specialized Assistance

The NCUA has committed 74 specialized field staff, located throughout the nation, to assist credit unions participating in the SCUP. These specialists focus on enhancing safety and soundness, increasing access to credit union services and credit union development through training and mentor relationships.

## SCUP Workshops

Workshops offer the opportunity for credit union officials to network with others and receive specific guidance and education needed for enhancing safety and soundness while improving the delivery of financial services. Nearly 1,500 attendees representing 729 credit unions participated in workshops during calendar year 2000.

The workshops provide hands-on training in such topics as:

- business planning,
- record keeping,
- loan underwriting,
- field of membership expansion,
- grants,
- budgeting, and
- audits.

Each region hosted at least three workshops during 2000.

Contact your NCUA regional office for information about the dates and locations of upcoming workshops near you.

## Expansions

Recent statutory and regulatory changes have enabled and expanded the ability of credit unions to bring credit union service to underserved areas. Table 2 shows the number of expansions into underserved and investments areas during the year 2000.

Table 2 Numbers of Expansions into Underserved and Investment Areas

Region	I	II	III	IV	V	VI	TOTAL
Expansions	4	4	14	5	15	6	48

New charters are emphasized under the SCUP. Renewed efforts are underway to work with trade organizations and other interested parties in starting new credit unions. Six of the twelve new charters issued during 2000 were designated low-income.

## LOW-INCOME DESIGNATION PROGRAM

### Introduction

Low-income designated credit unions are helping shape the infrastructure of their communities. They are the incubators of empowerment – moving members along the personal financial path -- from transactors, to savers, to borrowers, to owners of homes and small business.

The Office of Credit Union Development oversees the NCUA Low-Income (LI) Designation Program. Participation in the program opens a host of development opportunities to any federal and state chartered credit union that serves predominantly low-income members.

For information and assistance in qualifying for the LI designation, contact your NCUA regional office.

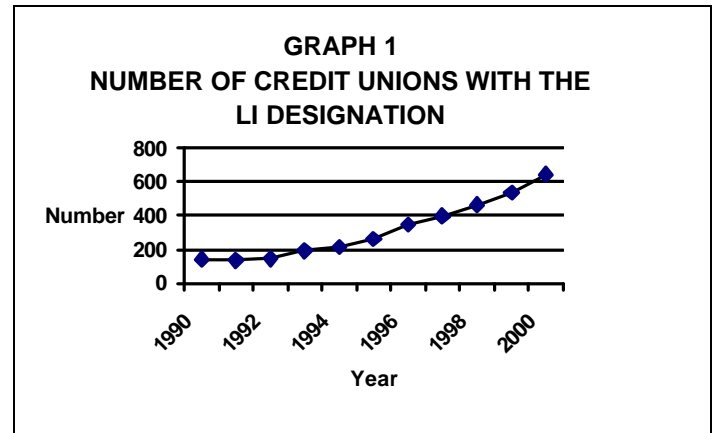
### Designation Benefits

LI designated credit unions are measured against the same standards of financial soundness and operational professionalism as other credit unions, and are granted:

- ❑ Non-member Deposits - greater authority to accept deposits from nonmembers;
- ❑ Participation in the Community Development Revolving Loan Fund - access to low-interest loans, deposits, and technical assistance from the CDRLP; *(Student credit unions are not eligible for loans or assistance)*
- ❑ Special Field of Membership Rules;
- ❑ Secondary Capital - exclusive authorization to include secondary capital accounts in the determination of net worth;
- ❑ Member Business Loans - low-income designated credit unions are provided an exception to the aggregate loan limit for business loans.

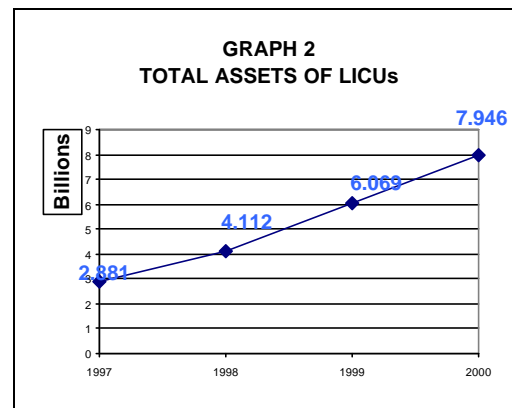
The number of credit unions participating in NCUA's LI Designation Program has grown dramatically over the last decade, expanding from 141 credit unions a decade ago to 645 credit unions as of December 31, 2000. During the year 2000, an additional 107 credit unions joined the LI Designation Program. Much of the growth in the number of low-income designations is attributable to the increased efforts on the part of regional economic development and small credit union specialists assisting credit unions in the qualifying process. Graph 1 shows the

growth in the number of credit unions with the LI designation.

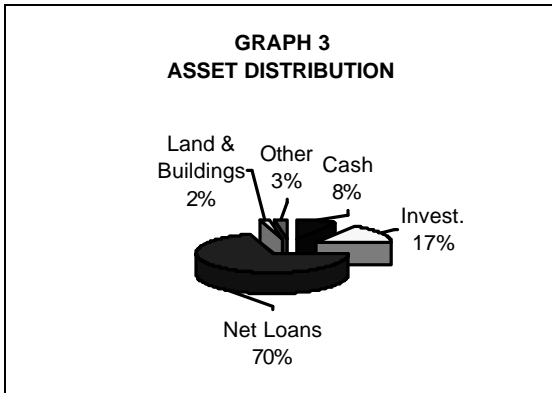


### Assets

Credit unions with the LI designation provide financial services to over 2.1 million members with combined assets of \$7.9 billion. Graph 2 shows the assets held by credit unions participating in NCUA's LI program since 1997.



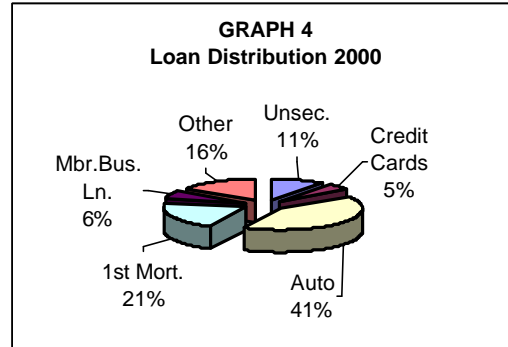
The asset structure of the combined balance sheet for all credit unions with the LI designation is shown in graph 3. The amount of outstanding loans reflects that credit unions are meeting their members' credit and cash needs.



### Loans

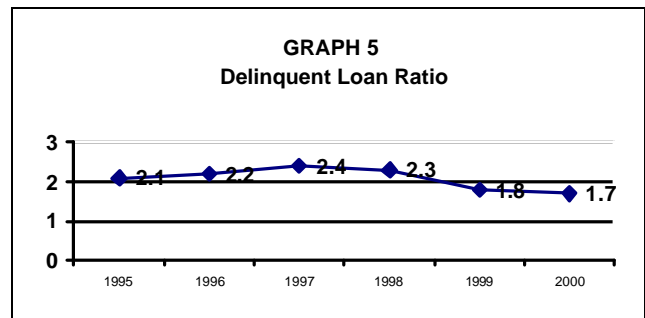
Credit unions with the LI designation reported holding nearly \$5.7 billion in loans to members at December 31, 2000. Loans account for 70 percent of all assets held. Transportation, and home and business ownership, account for 68 percent of the loans granted. Credit unions with the LI designation continue to empower and strengthen their members and communities by providing a viable source of credit for infrastructure development.

Graph 4 shows the makeup of the loan portfolio for all credit unions participation in the LI program on December 31, 2000.



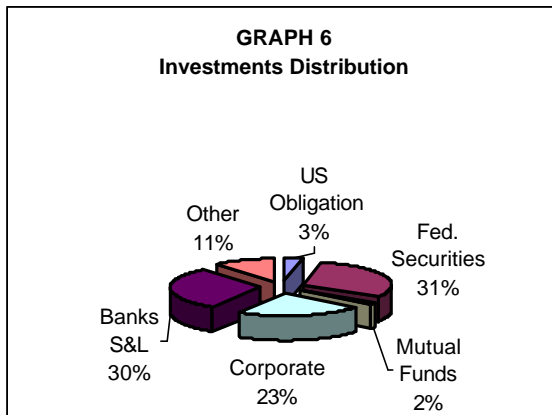
### Loan Quality

Loan quality measured by the ratio of delinquent loans to total loans outstanding shows that credit unions with the LI designation are exercising prudent risk management while extending credit in predominately low-income underserved and investment areas. Graph 5 shows the percentage of delinquent loans reported by credit unions with the LI designation since 1995. The statistics reflect continued improvement since the high-water mark of 1997. This suggests, that despite the increase in overall lending, credit union managers are vigilant about the quality of their loan portfolios.



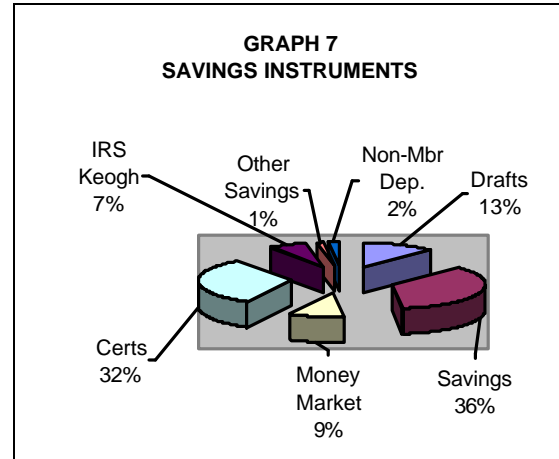
## Investments

Credit unions with the LI designation reported \$1.3 billion in investments at yearend 2000. Total investments represent nearly 17 percent of total assets. Short-term investments represent 80 percent of the investment portfolio. Graph 6 shows where the \$1.3 billion in funds is invested.



## Shares

Credit unions participating in the LI program promote thrift and savings among their members while attracting and holding monies in their local communities. They report nearly \$3.2 million saving accounts with total savings and deposits amounting to over \$6.9 billion. Graph 7 shows the types of saving instruments used by their members.



## Net Worth

Credit unions with the LI designation overall are well capitalized with an average net worth ratio of 11.3 percent. Table 3 shows the operating and net worth ratios for the period 1997 through 2000.

Table 3 Operating and Net Worth Ratios

YEAR	1997	1998	1999	2000
GROSS INCOME/AVG ASSETS	9.9%	10.2%	10.1%	9.9%
PLL/AVG ASSETS	0.7%	0.7%	0.6%	0.6%
COF/AVG ASSETS	3.4%	3.7%	3.7%	3.7%
OPER.EXP./AVG ASSETS	4.8%	4.9%	4.9%	4.7%
RETURN ON AVG ASSETS	1.0%	0.9%	0.9%	0.9%
<b>NET WORTH</b>	<b>11.1%</b>	<b>10.8%</b>	<b>11.2%</b>	<b>11.3%</b>

# COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

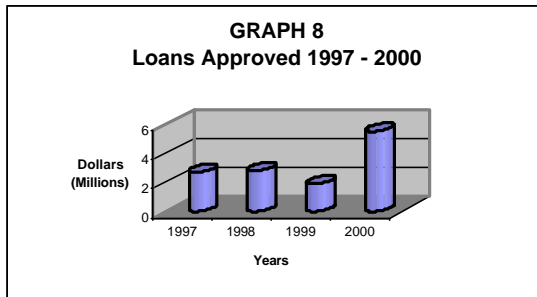
## Introduction

The Office of Credit Union Development administers the Community Development Revolving Loan Fund (CDRLF). The CDRLF administers two programs: a loan program and a technical assistance grant program. The CDRLF's objective is to foster community development through the improvement of credit union operations and service to members and community. The CDRLF loan program is a source for below-market rate loans.

## CDRLF Loan Program

Program loans help participating credit unions achieve business plan objectives. The Loan program made 25 loans totaling \$5,583,000 during 2000. The CDRLF's loan portfolio at yearend had 82 loans with outstanding balances totaling \$10,632,703.

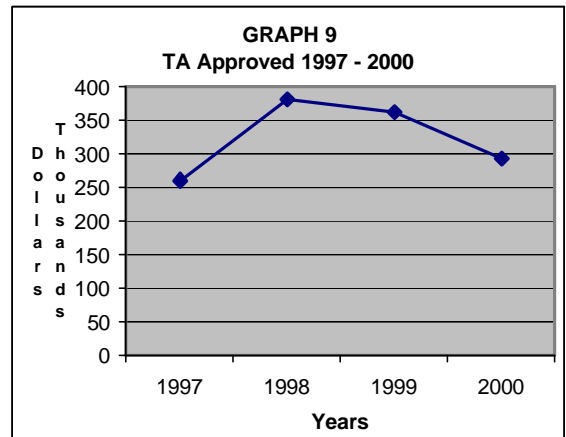
Graph 8 shows the amount of loans approved since 1997.



## CDRLF Technical Assistance Grant Program

The CDRLF's Technical Assistance Grant Program helps participating credit unions improve service to members and strengthen safety and soundness, improving the sustainability of the credit union.

The Technical Assistance grant program funded 116 grant requests during 2000 for \$292,729. Technical assistance provided funding for training, community outreach, fixed assets, audits and other operational needs. Graph 9 shows the amount of grants awarded credit unions since 1997. The graph reflects the extraordinary efforts to help needy credit unions address their Y2K issues prior to 2000.



For more information about the CDRLF and its programs, contact your nearest NCUA regional office.

# STUDENT INTERNSHIP PROGRAM

## Introduction

The NCUA introduced the 12-week summer Student Internship Program in 1998. The program is a stipend grant-assisted program. The program encourages collaboration and coordination between credit unions, colleges and universities, and recruiting college student summer interns.

The Student Internship Program has been well received. During the summer of 2000, 58 credit unions – 29 host credit unions and 29 partner credit unions – participated in the program. The Community Development Revolving Loan Fund's Technical Assistance Program awarded \$70,000 in college internship stipend grants.

## Program Objectives

The program has three objectives:

- ❑ introduce colleges, universities, and their students to credit union philosophy and to possible career opportunities in credit union;
- ❑ foster credit union development through the sharing of operational methods and best practices; and,
- ❑ improve the safety and soundness of credit unions.

## Program Requirements

The general requirement for participation in this program is: the student must be a business, finance, economic or accounting major attending a college or university full-time and the host credit union must be participating in NCUA's Low-Income Designation Program.

For additional details and qualification criteria, contact your nearest NCUA regional office.



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