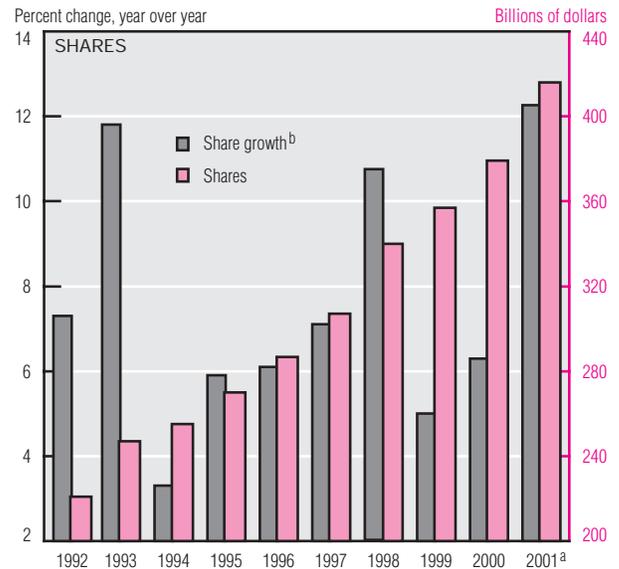
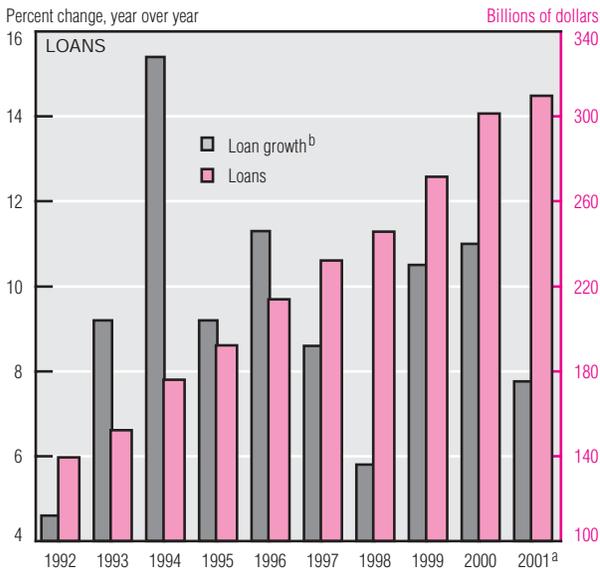
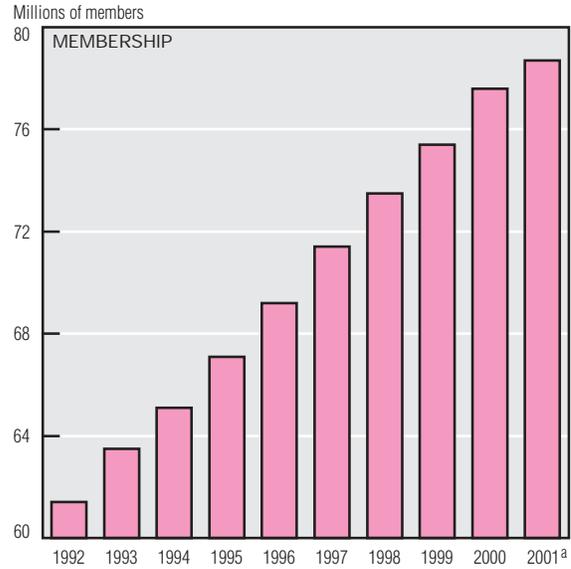
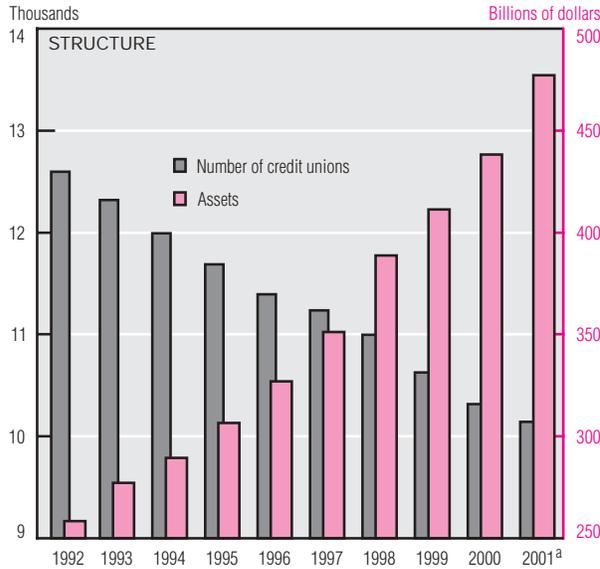


Credit Unions



a. Through June 2001.

b. Growth for 2001 is the percent change from June 2000 to June 2001.

SOURCES: National Credit Union Administration, *Year-End Statistics for Federally Insured Credit Unions and Mid-Year Statistics for Federally Insured Credit Unions*, various issues.

Credit unions are mutually organized depository institutions that provide financial services to their members. Like banks and savings associations, credit unions are consolidating. Their numbers fell from 12,596 in 1992 to 10,145 at mid-2001. However, their total assets rose nearly 85% over the same period, from \$258.4 billion to \$477.2 billion. The number of credit union members also increased steadily from 61.4 million in 1992 to 78.7 million at the end of 2001:IIQ.

Credit unions' asset growth was fueled by positive loan growth throughout the period. Loans rose

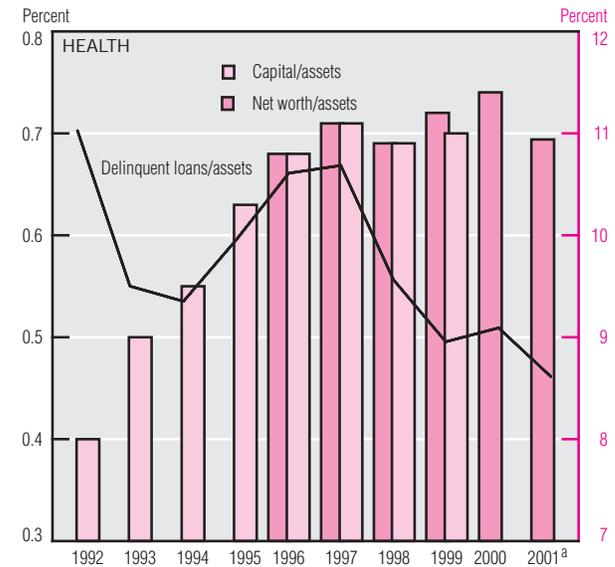
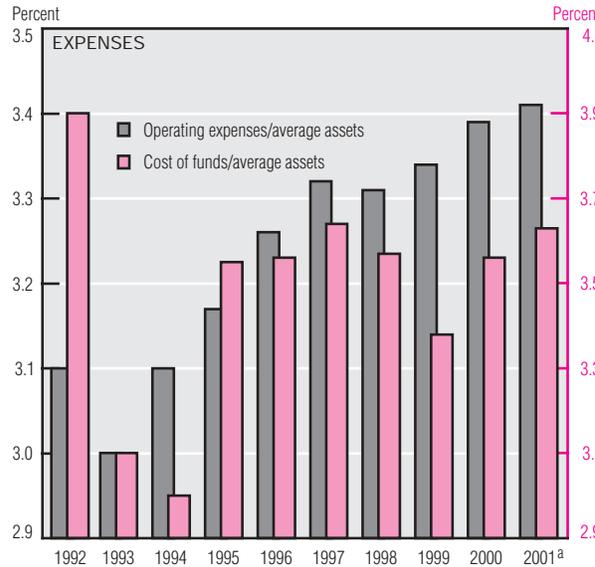
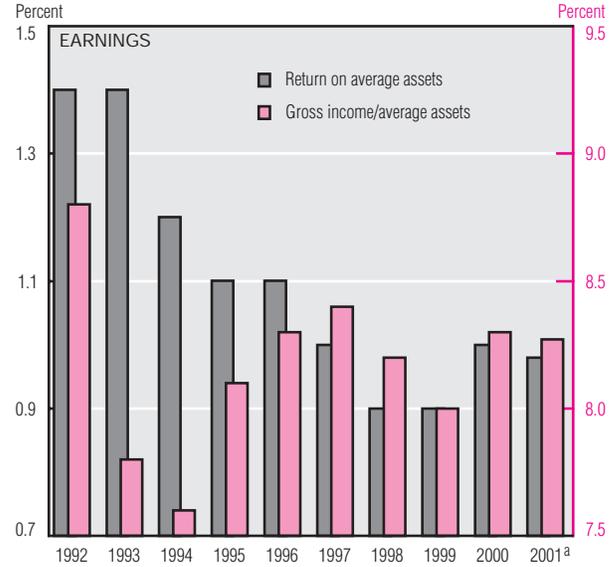
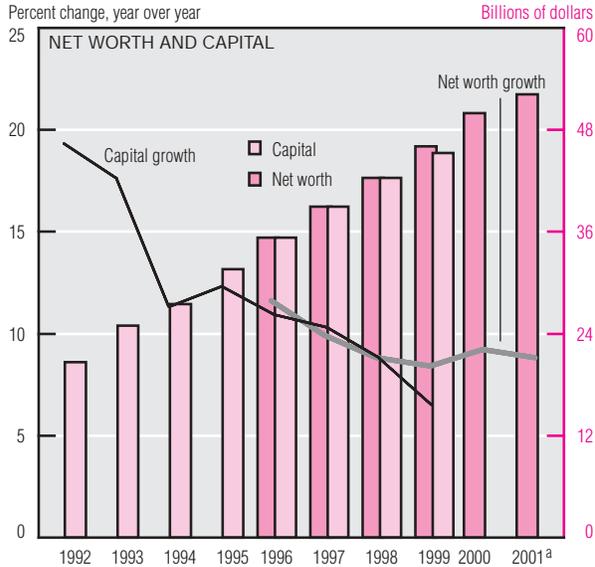
from \$139.5 billion at the end of 1992 to \$309.7 billion through June 2001; loans as a share of assets grew from 54% to 65% over the same period. Loan growth was remarkably strong in the early 1990s but tapered off in the middle of the decade. The return to high growth rates in 1999 and 2000 was short-lived, and the rate fell back to 7.8% for the 12 months ending in June 2001. This rate is still higher than the 4.2% loan growth rate of commercial banks over the same period.

Credit union shares (the equivalent of deposits in banks and savings associations) have also risen steadily

since 1992. Shares are credit unions' primary source of funds, accounting for roughly 87% of total funds. Share growth increased every year from 1994 to 1998, when it peaked at 10.7%. It fell in 1999, perhaps as the result of high stock market returns in 1998 and 1999. With the weakening of the market, however, shares grew at the 10-year-high rate of 12.3% from June 2000 to June 2001. The largest increase in share dollars occurred in share draft, regular share, and money market accounts, which mature in less than one year.

(continued on next page)

Credit Unions (cont.)



a. Through June 2001.

b. Growth for 2001 is the percent change from June 2000 to June 2001.

SOURCES: National Credit Union Administration, *Year-End Statistics for Federally Insured Credit Unions and Mid-Year Statistics for Federally Insured Credit Unions*, various issues.

Credit unions continued to accumulate capital from the end of 1992 through mid-2001, more than doubling it over the period. However, the rate of capital growth fell from 19.3% in 1992, using the standard capital growth measure, to 8.8% at the end of 2001:IIQ, using the new "net worth growth" measure. These measures differ in the treatment of allowances for loan, lease, and investment losses. Given the capital growth rate's past ups and downs, it is difficult to tell whether it has stabilized.

Because retained earnings are credit unions' only source of capital,

the pace of capital accumulation since 1995 has matched the decline in return on assets. Return on assets fell from a high of 1.4% in 1992 to 0.9% at the end of 1999, then rose to 1% in mid-2001. The decline in credit unions' profitability during most of the 1990s resulted partly from a persistent increase in operating expenses per dollar of assets after 1993 and a sharp rise in the cost of funds in 1995 due to rising market interest rates.

Overall, the credit union industry is healthy. Net worth as a percent of assets has averaged around 11%

since 1996; it stood at 10.9% at mid-2001. Moreover, delinquent loans as a percent of assets fell from 0.7% in 1992 to less than 0.5% at mid-2001. In other words, at the end of 2001:IIQ, credit unions held approximately \$24 of net worth for every \$1 of delinquent loans.

Credit unions have remained viable despite intense competition from commercial banks and savings associations, which provide some of the same services as credit unions (consumer loans, checking accounts, and savings accounts).