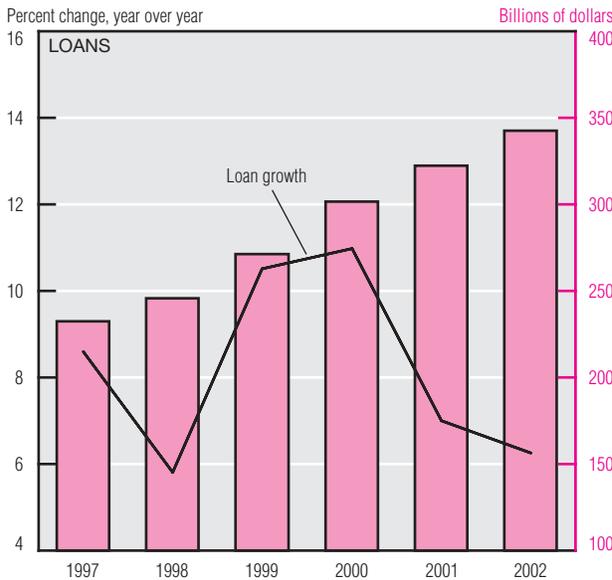
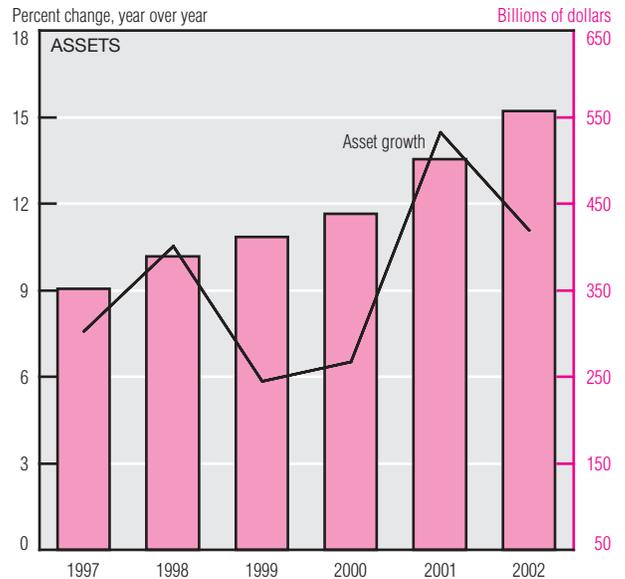
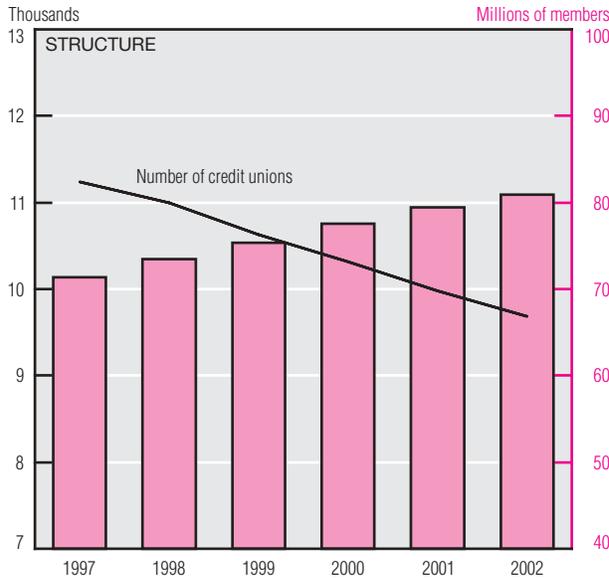


Credit Unions



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

Federal credit unions are mutually organized depository institutions that provide financial services to their members. By pooling their funds, members can lend to one another at reasonable rates. Like banks and savings associations, the credit union industry appears to be consolidating. The number of credit unions fell from 11,238 in 1997 to 9,688 in 2002. During the same period, credit unions'

membership increased steadily from 71.4 million to 80.9 million.

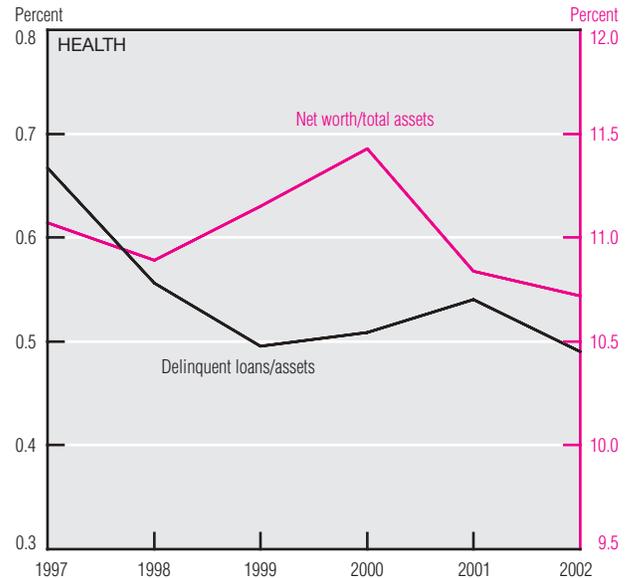
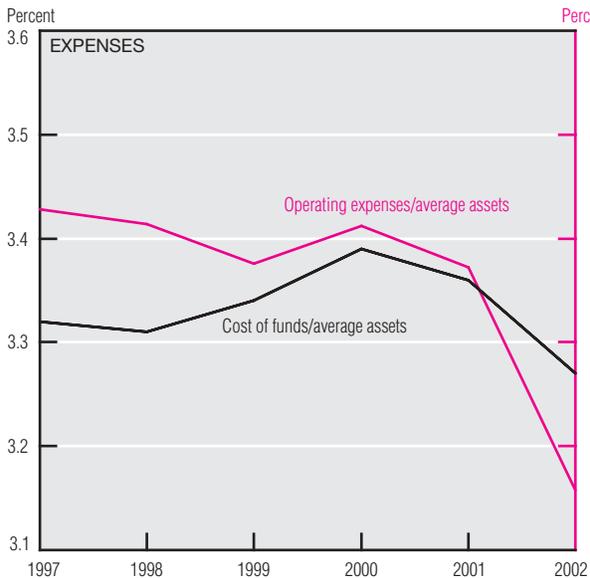
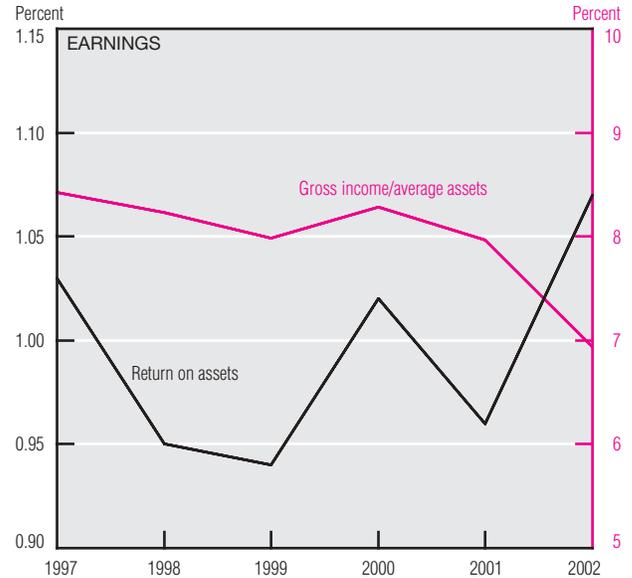
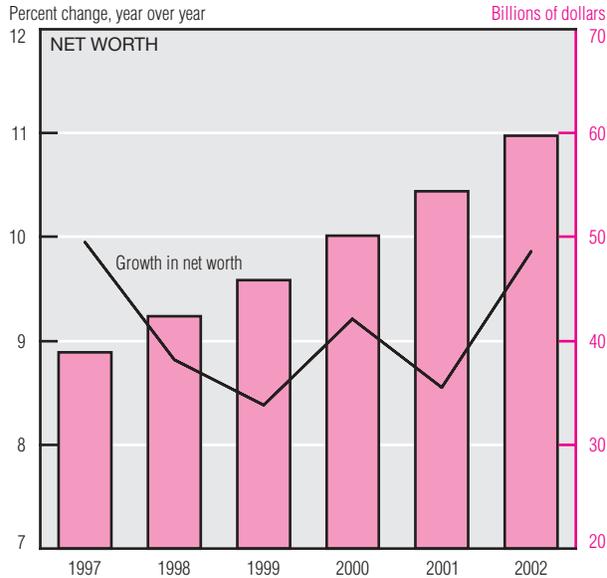
Fueled by positive loan growth of 47.5%, credit unions' assets rose from \$232.3 billion to \$342.6 billion (nominal dollars) between 1997 and 2002. However, total assets rose 58.4% from \$351.7 billion to \$557.1 billion, lowering the ratio of loans to assets from 66.0% to 61.5% over the same period. Loan growth was remarkably strong in the early 1990s, but tapered off in the

middle of the decade. Year-over-year loan growth increased slightly to 6.27% at the end of 2002.

Credit unions' shares have also risen steadily since 1997. After peaking at the end of 2001, shares' growth rate decreased slightly to 10.8% in 2002, compared to a growth rate of 15.3% at the end of 2001. Investors moved their money out of more risky investments into insured credit-union-share accounts.

(continued on next page)

Credit Unions (cont.)



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

An improvement in the economy and increased optimism could encourage investors to take their money back out of share deposits and invest it in the equity market.

Credit unions' net worth continued to increase steadily; it rose 53.4% from \$38.93 billion in 1997 to \$59.72 billion as of 2002. However, the annual growth rate of net worth has been stable, around 8%–9%, in the last couple of years.

Profitability rose slightly as return on assets increased from 0.96% in 2001 to 1.07% in 2002. The ratio of gross income to average assets fell steadily, from 8.28% in 2000 to 7.0% in 2002. The increase in profitability for credit unions resulted from a steady decline in operating expenses per dollar of assets since 2000 and a sharp decline in the cost of funds in 2002.

The ratio of net worth to total assets dropped from 10.84% at the end of

2001 to 10.72% in 2002 because assets grew more rapidly than aggregate net worth. Delinquent loans as a share of assets fell from 0.67% in 1997 to 0.49% in 2002. Overall, credit unions are healthy. They remain a viable alternative to commercial banks and savings associations for basic depository institution services such as consumer loans, checking accounts, and savings accounts.