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NEWS RELEASE

Credit Union Economics Group (CUEG)

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LEADING CREDIT UNION ECONOMISTS OFFER CONSERVATIVE ECONOMIC AND LENDING GROWTH OUTLOOK FOR 2007 AND 2008

WASHINGTON, D.C. – The Credit Union Economics Group (CUEG), whose members reflect a geographically diverse source of perspectives, is forecasting a range of variations in key economic indicators for 2007 and 2008.

Overall, the consensus outlook suggests a soft economic landing, with growth for 2007 decreasing from 2006 levels, but indicating 2008 will have reasonable gains.

Dave Colby, CUNA Mutual Group's chief economist, in Madison, WI, noted "While the housing sector is still a drag on U.S. economic growth, it is interesting to see that 1st mortgages are having a strong positive impact on credit union loan growth. To date, credit union 1st mortgage originations are above 2006 results, as is year-to-date portfolio growth."

According to the CUEG forecast, employment figures show a slight improvement in the second quarter of 2007, supporting a solid trend from 2006. However, in 2008 the employment conditions appear to decline modestly. Additionally, inflation is projected to continue its upward trend in 2007 with a modest improvement in 2008.

"As of mid-year, the CUEG members observe an economy still in transition from high energy prices and a sluggish housing market, noted Tun Wai, NAFCU's chief economist and director of research. The group is predicting that the Federal Reserve will not take any action for the remainder of 2007, but is split evenly as to what the next action will be for 2008. Prospects for a continued inverted-yield curve remain high, with credit union savings growth expected to increase at a faster pace than last year."

Eli Vazquez, Senior Vice President and Chief Financial Officer of American Airlines Credit Union, Fort Worth, Texas, noted the ripple effect of a sluggish housing market.

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“The continuing slow down in home sales is expected to further moderate economic growth,” said Vazquez. “Increased expectations of higher inflation, tight labor markets and a modest rebound in 2008 GDP growth, reduce the chances of short-term rate reductions by the Fed. It looks like credit unions will continue to manage to a relatively flat to inverted yield curve.”

The Credit Union Economics Group (CUEG) is a working group of credit union officials located throughout the U.S. who have dedicated themselves to the current and future financial well being of these not-for-profit cooperatives. CUEG's objective is to provide credit unions with consensus macroeconomic forecasts and industry trend analyses that will be helpful in their planning and operations. This independent, non-profit group also provides a credit union perspective on regional economic trends by exchanging information with the NCUA, the Federal Reserve Board and the various Federal Reserve District Banks.

CUEG prepares a regional economic and descriptive credit union trends report bi-annually as well as a consensus macroeconomic and industry-trend forecast, available at www.cueg.org.

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