

CUEG
CREDIT UNION ECONOMICS GROUP

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NEWS RELEASE

Credit Union Economics Group (CUEG)

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Editor's note: Photo attached

April 13, 2011

**PHILADELPHIA FED OFFICIALS APPRISED ON STATE OF INDUSTRY
BY CREDIT UNION ECONOMICS GROUP**

PHILADELPHIA – A group of the credit union industry's leading economic and financial observers told Federal Reserve Bank of Philadelphia staff Thursday how credit unions are faring in a slowly recovering economy and how they continue to meet consumers' financial needs.

Federal Reserve Bank of Philadelphia staff participating in the meeting with four members of the Credit Union Economics Group (CUEG), included, Charles Plosser, president/CEO; Milissa Tadeo, SVP, corporate affairs; Mitchell Berlin, VP and economist; Luke Tilley, regional economic advisor; Anthony Scafide, AVP, financial institutions relations; Thomas Lombardo, AVP, financial institutions relations and Cynthia Course, AVP, supervision, regulation and credit. This is the ninth year CUEG has met with Federal Reserve Bank officials.

"CUEG appreciates the opportunity to meet with President Plosser, a member of the Federal Open Market Committee, and his staff," said Tun Wai, NAFCU's vice president of research. "With all the changes occurring in the consumer finance arena, it is important the Federal Reserve hears the experience of institutions like credit unions – whose primary mission is to serve member owners."

Wai provided Fed staff with one of several snapshots of the credit union industry. He said credit unions saw lending growth slow significantly, from a positive 1.2 percent in 2009 to a negative 1.3 percent in 2010. Despite this and the slow economy there were improvements in return on assets from 18 to 51 basis points from 2009 to 2010. "This improvement was mainly due to the lower cost of funds and lower loan loss provision expense." Savings and total assets grew at a modest pace of 4.5 percent and 3.4 percent, respectively, in 2010.

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Dave Colby, chief economist for the CUNA Mutual Group, welcomed the frank dialogue on key issues ranging from the need for a vibrant secondary mortgage market to the impact of changing demographics on the evolving consumer financial services arena. “I believe the exchange with President Plosser and key staff members was very productive for CUEG members as well as the Philadelphia Fed.”

“The ability to serve members as a low cost alternative is an important characteristic of credit unions,” said Eli Vazquez, CFO, American Airlines FCU as he outlined how changes in the regulatory landscape continue to affect credit unions’ ability to serve their membership. “If regulatory costs become too burdensome, credit unions will be forced to make difficult decisions about what services they offer and how they are priced,” Vazquez said.

Steve Brewer, CFO, Michigan Schools and Government CU, discussed credit union structure, board governance and regulatory supervision with the FRB staff. The discussion also focused on the cooperative nature of the credit union movement, the people helping people philosophy and the similarities between the credit union and Federal Reserve Bank systems.

The Federal Reserve Bank of Philadelphia is one of 12 Federal Reserve Banks nationwide that, together with the Fed’s Board of Governors in Washington, D.C., serve as the country’s central bank. Philadelphia is part of the Third Federal Reserve District, which covers eastern Pennsylvania, southern New Jersey, and Delaware.

The Credit Union Economics Group is a working group of credit union officials located throughout the country who are dedicated to the current and future financial well being of the credit union movement. 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 national and 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 quarterly consensus macroeconomic and industry-trend forecast, available at www.cueg.org.

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CAPTION: Credit Union Economics Group members on Thursday provided Federal Reserve Bank of Philadelphia staff with a credit union perspective on current consumer financial activities. Left to right are, front row, Eli Vazquez, American Airlines FCU; Federal Reserve Bank of Philadelphia President Charles Plosser; Tun Wai, NAFCU; back row, Dave Colby, CUNA Mutual Group; Steve Brewer, Michigan Schools and Government CU.