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CREDIT UNION ECONOMICS GROUP

NEWS RELEASE

Credit Union Economics Group (CUEG)

www.cueg.org

Contact:

Rick Uhlmann, CUNA Mutual Group, (608) 231-8940

rick.uhlmann@cunamutual.com

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CREDIT UNIONS WEATHERING CURRENT STORM

Economists Tell NAFCU Attendees Strategic Plan for Future is Crucial

SAN DIEGO – Two of the industry’s leading economists on Friday offered a cautiously upbeat assessment of how credit unions are weathering the current economy, but said wise capital management and a strategic approach to serving members are crucial as credit unions map their future direction.

Tun Wai, Director of Research and Chief Economist, NAFCU, and Dave Colby, Chief Economist, CUNA Mutual Group, spoke as members of the Credit Union Economics Group (CUEG) to attendees of NAFCU’s 41st Annual Conference & Exhibition.

“You may have an abundance of capital, but remember, we aren’t out of the woods yet. In this environment, prudent capital management is vitally important to the safety and future of your credit union,” Wai said. “Credit union boards must look strategically at what your members are having to deal with, determine what you can afford, then direct capital to the areas that will help you best serve those members’ needs.”

Wai said credit unions are well positioned to help members in their time of need but determining the best use of that capital requires strategic planning. “Just planning to spend money for service to members isn’t going to cut it. Boards have to give some thought to the growth impacts on capital, earnings and asset accumulation in determining the long-term health of the credit union.”

Colby said credit unions’ loan (7.8 percent) and asset growth (9.2 percent) put them in a strong position to think strategically about the best ways to remain relevant to members five, or even 10 years from now.

“This is likely the most difficult economic environment that any of us have managed through. I have no doubt credit unions will weather this storm as we have previous ones, but we can’t just focus on the cycle we’re currently enduring,” Colby said.

BRUCE BEAUDETTE

President/CEO

Sunmark FCU

*1 Broadway Center, 8th Floor
Schenectady, NY 12305*

STEVE BREWER

Chief Financial Officer

*Macomb Schools & Government
CU*

*40400 Garfield Road
Clinton Township, MI 48038*

DAVE COLBY

Chief Economist

CUNA Mutual

*5910 Mineral Point Road
Madison, WI 53705*

DAVE DICKENS

SVP/Asset & Liability Mgt.

US Central CU

*9701 Renner Blvd., Suite 100
Lenexa, KS 66219*

BRUCE FOX

SVP/Senior Investment Officer

Southwest Corporate FCU

*7920 Belt Line Rd., Suite 1100
Dallas, TX 75254*

TERRIN GRIFFITHS

Economist/Analyst

CA/NV Leagues

*9500 Cleveland Ave. Suite 200
Rancho Cucamonga, CA 91730*

D. SAMUEL INMAN

Chief Financial Officer

Community First CU of Florida

*637 N. Lee St.
Jacksonville, FL 32204*

DWIGHT JOHNSTON

VP/Economic and Market

Research

Western Corporate FCU

*924 Overland Ct.
San Dimas, CA 91773*

ELI VAZQUEZ

SVP/Chief Financial Officer

American Airlines FCU

*4151 Amon Carter Blvd.
Fort Worth, Texas*

TUN WAI

Director of Research/Chief

Economist

NAFCU

*3138 10th Street North
Arlington, VA 22201*

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“Business as usual won’t work. We need to focus on the divergent needs and expectations of the membership. A pure depository intermediation business model isn’t sustainable. Planning for the long-term future is essential.”

Wai and Colby cited Baby Boomers and Gen Y, the two largest and richest generations in U.S. history, as an example of how credit unions must strategically plan for their future in order to remain relevant to members.

“These two generations are crucial to the future of credit unions and cannot be ignored,” Wai said. “They offer tremendous growth opportunities -- by attracting Generation Y before they become loyal to other financial institutions and their Baby Boomer parents before they walk out of your branches forever at retirement.”

“To focus solely on the current economic cycle and not look strategically forward is a recipe for the erosion of a credit union’s relevance and economic viability,” Colby said. “So, business as usual with Gen Y and their parents isn’t enough. If you don’t meet their expectations, someone else will.

“For instance, waiting until Baby Boomers retire won’t work. Partnering with a vendor to offer a product menu during you members’ pre-retirement years is a good way to address these challenges ahead of time,” Colby added.

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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CUTLINE: Members of the Credit Union Economic Group present a panel discussion at last week’s NAFCU Conference. Pictured are (from left) Tun Wai of NAFCU and Dave Colby of CUNA Mutual Group.

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