

CUEG
CREDIT UNION ECONOMICS GROUP

BRUCE BEAUDETTE
President/CEO
Sunmark FCU
1 Broadway Center, 8th Floor
Schenectady, NY 12305

NEWS RELEASE

Credit Union Economics Group (CUEG)

www.cueg.org

STEVE BREWER
Chief Financial Officer
Macomb Schools & Government
CU
40400 Garfield Road
Clinton Township, MI 48038

Contact:

Jack Eich, CUNA Mutual Group, (608) 232-6539, jack.eich@cunamutual.com

Jill Stockham, US Central, (913) 227-6357, jstockham@uscentral.org

BOB BURRELL
EVP/Chief Investment Officer
Western Corporate FCU
924 Overland Court
San Dimas, CA 91773

January 31, 2006

ECONOMISTS CAUTIOUSLY OPTIMISTIC FOR 2006

Credit Union Economics Group More Upbeat Than Fall's Post-Hurricane Outlook

DAVE COLBY
Chief Economist
CUNA Mutual
5910 Mineral Point Road
Madison, WI 53705

Despite a post-hurricane economic hit suffered last fall, a number of leading credit union industry economists predict credit union loan growth will remain healthy and share growth should accelerate in 2006 according to their quarterly Consensus Forecast.

DAVE DICKENS
SVP/Asset & Liability Mgt.
US Central
9701 Renner Blvd., Suite 100
Lenexa, KS 66219

In its just released forecast for 2006, the Credit Union Economics Group (CUEG) is cautiously optimistic about the U.S. economy in 2006, yet more optimistic compared to its fall outlook shortly after the devastating hurricane season. In addition, 2006 will present its own set of challenges, according to the group. Slower economic growth, higher interest rates and reduced consumer borrowing highlight the current outlook.

BRUCE FOX
SVP/Senior Investment Officer
Southwest Corporate FCU
7920 Belt Line Rd., Suite 1100
Dallas, TX 75254

Dave Colby, CUNA Mutual Group chief economist said while overall loan demand will decline, credit unions would have opportunities to help members refinance existing adjustable rate debt. "Credit unions should prepare for slower loan growth in 2006 as higher interest rates reduce the affordability of new debt and increase the cost of servicing existing adjustable rate debt," Colby said.

KENDRICK SMITH
VP/Chief Investment Officer
Eastern Financial Florida CU
3700 Lakeside Drive
Miramar, FL 33027

Credit union loan portfolios are forecast to expand 8.2 percent, down from an 11 percent pace in 2005, but still a sound number. Share growth, while not at the pace of loan growth, should accelerate to 5.7 percent. Member "nest egg" rebuilding and more aggressive deposit pricing will drive this modest growth rebound.

JEFFRY TAYLOR
Senior Economist
NAFCU
3138 10th Street North
Arlington, VA 22201

"With both the loan-to-share and loan-to-asset ratios at high levels, it is prudent at this time for credit unions to review their liquidity contingency plans," said Tun Wai, NAFCU's director of research and chief economist.

TUN WAI
Director of Research/Chief
Economist
NAFCU
3138 10th Street North
Arlington, VA 22201

CUEG's forecast calls for moderately slower home sales and a reduction in new vehicle sales volumes. Affordability is the big issue driving declines in the housing market. For credit unions, the "wildcard" in the auto-lending arena is what approach will manufacturers take in 2006 with incentives? More "buy like an employee" promotions will benefit credit union results.

CUEG CREDIT UNION ECONOMICS GROUP

“The Federal Open Market Committee (FOMC) will likely stop its tightening cycle by the third quarter, with the Fed Funds rate ending 2006 at approximately 4.75 percent,” said Jeff Taylor, NAFCU’s senior economist. This is consistent with the group’s moderate inflation forecast of 2.7 percent for 2006.

CUEG members include:

- Bruce Beaudette, President/CEO, Sunmark FCU, Schenectady, NY
- Steve Brewer, CFO, Macomb Schools and Government CU, Clinton Township, MI
- Bob Burrell, Exec. V.P./CIO, Western Corporate FCU (WesCorp), San Dimas, CA
- Dave Colby, Assistant V.P./Chief Economist, CUNA Mutual Group, Madison, WI
- Dave Dickens, Sr. V.P., Asset/Liability Management, U.S. Central CU, Lenexa, KS
- Bruce Fox, Sr. V.P., Senior Investment Officer, Southwest Corporate FCU, Dallas, TX
- Kendrick Smith, V.P./CIO, Eastern Financial Florida CU, Miramar, FL
- Jeff Taylor, Senior Economist, NAFCU, Arlington, VA
- Tun Wai, Director of Research and Chief Economist, NAFCU, Arlington, VA

The Credit Union Economics Group (CUEG) is a working group of geographically dispersed credit union officials 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 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.

#