



Louisiana Credit Union League

September 7, 2011

eNews is a weekly publication provided by the Louisiana Credit Union League.

Headline News

CU industry financials remain relatively stable in second quarter

Net income continues upward trend; net worth ratio rebounds; participation in short-term loan products grows

Key financial indicators generally show stabilization and continued improvement in the second quarter of 2011, while economic conditions persist in posing challenges for the system, according to Call Reports submitted by the nation's 7,239 federally insured credit unions to the National Credit Union Administration (NCUA).

"The second quarter financials demonstrate the continued resilience of the credit union industry," NCUA Board Chairman Debbie Matz said. "Specifically, I am pleased to see that net income has risen significantly since 2010, and that lending has grown for the first time in four quarters. NCUA's 2010 rule providing for short-term or payday loan alternatives has contributed to the recent growth. In the latest quarter, credit unions made 52 percent more of these alternative short-term loans."

Net Worth Ratio Rebounds, Net Income Rises, and ROA Continues Upward Trend

Credit unions' second quarter 2011 net worth ratio bounced back, as return on average assets (ROA) continued to rise and quarterly net income moved higher. The aggregate net worth ratio increased from 9.97 percent last quarter to 10.14 percent this quarter. With relatively static operating expenses and provision for loan losses, the industry's net income totaled \$1.88 billion in the second quarter, slightly higher than first quarter results.

The year-to-date ROA ratio grew slightly to 77 basis points, up from 74 basis points in the first quarter. The industry considers ROA one of the most important indicators of performance. The move from 51 basis points at year-end 2010 to the current 77 basis points could be construed as a positive sign that credit unions are on the road to recovery from the recent recession.

Membership and Asset Growth Continues

Credit union membership increased during the second quarter, growing to 91 million members, up from 90.8 million, despite a slight decline in the number of credit unions. Credit union total shares and assets also continued to increase, albeit not as fast as growth in the first quarter, standing at \$812.2 billion and \$942.5 billion, respectively, on June 30.

Delinquencies and Charge-Off Ratios Decline, but Bankruptcy Challenges Remain

Delinquencies remain near historically high levels, but they continue to trend downward. In the second quarter, credit unions reported a loan delinquency ratio of 1.58 percent, a 5 basis point improvement from the prior quarter. Similarly, the net charge-off ratio declined to 0.95 percent in the second quarter, a drop of 5 basis points from the end of March.

Credit unions also reported 76,720 members filing bankruptcy in the second quarter, a 13.1 percent drop compared to first quarter filings. The percentage of loans charged off due to bankruptcy rose slightly to 24.17 percent through June 30, while the change in outstanding loans subject to bankruptcy dropped by 30.9 percent since the prior quarter-end.

Deposits Remain Steady, Loans Grow for First Time in Four Quarters

Credit union shares and deposits remained relatively flat, expanding 0.1 percent during the second quarter. Share certificates and share drafts fell slightly, but regular shares and money market shares rose somewhat.

Total loans grew 0.7 percent to \$564.0 billion during the second quarter. Despite the sluggish loan growth, second quarter results represent a reversal of the three previous quarters of declining loan volumes.

New auto loans and other real estate loans dropped, while used vehicle loans, unsecured loans, including credit cards, and first mortgage real estate loans remain popular. Mortgage lending, however, could pose increased interest rate risk, as assets are tied up in the long term.

One positive improvement is the significant uptake in short-term, small loans. The demand for these consumer-friendly alternatives to predatory payday loans rose 52 percent in the second quarter, after declining 32.8 percent in the first quarter. NCUA finalized a short-term, small loan rule for credit unions in September 2010.

Key Indicators Remain Relatively Flat

With rounding, key balance sheet and income statement data from federally insured credit unions representing growth rates through the second quarter of 2011 follow:

- Net income increased 10.7 percent from last quarter, totaling \$3.58 billion for 2011 to date;
- Net worth increased 2.0 percent this quarter to \$95.6 billion from \$93.7 billion;
- Assets increased 0.3 percent to \$942.5 billion from \$939.3 billion;
- Shares increased 0.1 percent to \$812.2 billion from \$811.7 billion;
- Investments, not including cash on deposit or cash equivalents, increased 0.8 percent in the second quarter to \$255.8 billion from \$253.7 billion; and
- Loans rose 0.7 percent to \$564.0 billion from \$559.9 billion.

NCUA makes the complete details of June 2011 Call Report data available online in an Aggregate Financial Performance Report as well as a Call Report Fact Summary at:

<http://www.ncua.gov/DataServices/FOIA/foia.aspx#top>.

(source: www.ncua.gov)

Congress is back in session; a busy week ahead

As the House and Senate return to session in Washington this week, both chambers will be busy with a full slate of scheduled hearings and a late week economic address by President Barack Obama.

The House Financial Services Committee subcommittee on capital markets and government sponsored enterprises has scheduled a Wednesday New York City-based field hearing entitled "Facilitating Continued Investor Demand in the U.S. Mortgage Market Without a Government Guarantee."

Bills addressing data security and data breaches are slated for Senate Judiciary Committee markups on Thursday, and the House Financial Services Committee subcommittee on international monetary policy and trade has set its own hearing that day related to the U.S. housing finance system.

Another House Financial Services subcommittee on Thursday will study the future roles of the Federal Housing Administration, the Rural Housing Service, and the Government National Mortgage Association.

The Senate Banking Committee may also take up a bill that would reauthorize the National Flood Insurance Program on Thursday.

The House and Senate are expected to be in session until a week-long break starting on Sept. 26, and both houses of Congress will take separate week-long breaks in October and then return until the Thanksgiving break.

Congress' targeted adjournment date for the year is currently Dec. 9, but the Credit Union National Association (CUNA) notes that Congress could remain in session until Dec. 23.

The first meeting of the Congressional Joint Select Committee on Deficit Reduction is set for Thursday, and that group will meet to make opening statements and to consider proposed committee rules during that meeting. CUNA Vice President of Legislative Affairs Ryan Donovan said CUNA will be following the activity of this joint select committee closely because of the possibility, currently viewed as remote, that the credit union tax status could be discussed.

Congressional committees must make their deficit-cutting recommendations to the committee by Oct. 14, and the deficit reduction committee must vote on its final reduction plan by Nov. 23. The committee's final report on deficit reduction, and related legislation, must be provided by Dec. 2, and that legislation must be voted on by Dec. 23. (source: CUNA's NewsNow 9/7/11)

September Dividend and Loan Pricing guidelines available on LCUL website

The Louisiana Credit Union League is pleased to provide member credit unions with monthly dividend and loan pricing guidelines, as well as Money Market Trends, available via our website at www.lcul.com. Guidelines for September 2011 have just been posted. You can access the page directly by clicking on the following link: http://www.lcul.com/Dividend_Loan_Pricing_Guidelines_149.html.

These guidelines are provided by Dr. Charles R. Idol, ALM Consulting & Research. Dr. Idol can be reached at (423) 212-0690 or cridol@charter.net.

CUNA salary report provides insight to wage rates, non-financial compensation

The prevalence of wage increases among credit unions remains steady, says a new CUNA report. The prevalence of wage freezes, however, is also holding steady.

Roughly 75% of credit unions with \$1 million in assets or more offered a salary/wage increase to at least some of their full-time employees, according to the 2011-2012 Complete Credit Union Staff Salary Survey. A similar percentage expects to provide wage increases to any of their employees in 2011. Average salary/wage increases in 2010 were about 2.25% for both management and non-management employees.

"As the economy slowly improves and business conditions allow it, organizations will provide higher wage increases," said Beth Soltis, senior research analyst for CUNA. "To remain competitive, credit unions will need to regularly assess their ability to do the same."

Many employers, including credit unions, are waiting until the economy stabilizes before increasing their fixed costs. In 2010, 45% of credit unions initiated a wage freeze for at least some of their full-time employees.

"The challenge for credit unions not providing wage increases is to find other ways to reward employees," adds Soltis. "It's critical for credit unions to compensate employees with both monetary and intangible rewards. These two reward types work together to bolster employee morale, staff retention efforts, and the credit union's bottom line."

The survey provides compensation data for 89 full-time and eight part-time positions at credit unions with \$1 million or more in assets, including: base salaries, incentives, bonuses, total cash compensation, and salary ranges. The report—available in print or Adobe PDF format—also contains job descriptions, benchmarks for salary and benefit expenses, base pay increases, and turnover rates.

An electronic version of the survey's data tables is also available for purchase, allowing users to apply formulas and insert the data directly into the credit union's spreadsheets.

Purchasers of the survey report may also buy the Geographic Customized Salary Survey and the Online Peer Comparison. The customized geographic report provides average and median base salaries, in addition to percentile figures, for selected cities or geographic areas. The online peer comparison provides unlimited access to the 2011 salary survey database, which allows users to create customized peer groups using various criteria, such as: credit union name, asset size, number of members, field of membership, number of full-time employees, number of services offered, total loans outstanding, state, and geographic region. Customized report parameters include percentiles and date-specific trending.

CUNA's 2011-2012 Complete Credit Union Staff Salary Survey sells to credit unions for \$349 for the print version or \$329 for the PDF. For more information or to order online, visit buy.cuna.org, and enter stock number 29890 (print) or 29890P (PDF) in the product finder search box. To order by phone, call (800) 356-8010, press 3, and use the stock number as a reference.

Are your members becoming digital junkies? Consumer preferences influence marketing and tech strategies

Nearly 50% of U.S. online consumers are now advanced users of smartphones, social networks, and other emerging tools-up from 32% in 2008, according to research from McKinsey & Company.

McKinsey's research, tracking consumers' digital habits through a series of surveys during 2010, found that advanced multi-digital segments of the population now include:

- **Digital communicators.** Those spending more time on social networks, often women;
- **Digital-media junkies.** The people most likely to be early adopters of new technologies, often younger men; and
- **Video digerati.** Those more likely to consume Internet-based video.

Meanwhile, McKinsey notes a decline in segments focused primarily on one kind of digital use (including e-mail), as well as late adopters whose digital consumption is superficial.

Behind these broad category shifts are meaningful changes in how consumers use core technologies.

Social nets as gateways

For people aged 34 and under, Social networks, particularly Facebook, already are the preferred communications channel, displacing e-mail, texting, and phone calls. Social-network use, growing swiftly among all segments of the survey population, has doubled among those over 55.

In McKinsey's survey 33% of respondents say they use social networks to navigate content on the Web, up from 13% in 2008. Consumers' decisions about what to purchase often reflect interactions with friends and other influencers.

In response, leading marketers are adapting their strategies to reach increasingly networked consumers and placing more stress on tactics such as word-of-mouth marketing and storytelling.

Smartphones do it all

As the use and processing power of smartphones increase along with the rising speed of 3G and 4G data networks, mobile devices are invading the domains of single-purpose gear, including PCs. McKinsey's research shows that:

- One-third of smartphone owners prefer using it for Web browsing or e-mail even when they're near PCs.
- During the past two years, iPhone users have spent 45% more time e-mailing on their smartphones and 15% less time e-mailing on their PCs.
- More than 60% of smartphone users would consider buying goods with it or have already done so.

As the power and functionality of devices grow, the commercial possibilities concerning mobile platforms will continue to improve. Smartphone users, for example, already are more accustomed to paying for digital content and services than are traditional online users.

And as more products are distributed over mobile channels, greater competition will raise the importance of design, ease of use, and new mobile payment options.

These findings are good news for content and service providers that want to see mobile solutions deliver real returns, says McKinsey. The digital revolution, still in its earliest days, will continue to depend on how we interact, entertain ourselves, buy, and work.

(source: http://escan.cuna.org/articles/story.php?doc_id=3142)

Participate in Miracle Jeans Day on September 14

Participation materials available online

September 14 is Miracle Jeans Day, a nationwide initiative benefiting Children's Miracle Network Hospitals through Credit Unions for Kids. Using turnkey campaign materials and marketing materials, credit unions

can encourage members to donate \$1 and employees to donate \$5 to wear jeans on Wednesday, September. 14.

All funds raised go directly to the nearest Children's Miracle Network Hospital. Last year, credit unions raised more than \$8.8 million for Children's Miracle Network Hospitals through Credit Unions for Kids fundraising- an amount topped only by Walmart and Costco.

For more information about Miracle Jeans Day, including participation forms and promotional materials, [click here](#).

EFT

Teleconference: re-entering the card market Tuesday, September 20 at 1:00 p.m.

Presented by: Tim Kolk, TRK Advisors

With loans and earnings harder than ever to come by many credit unions are looking at (re)starting their credit card businesses. Several credit unions which had previously sold their portfolios have already taken made this decision and many more are exploring it. There are many good reasons to consider issuing cards again: a properly built credit card program can generate new loan volumes, diversify revenue sources, provide a positive bottom line, and deepen member relationships. And today's economic environment, where funding costs are low and credit risks seem to be returning to comfortable levels, may be just the time to take this step.

But a new program is not guaranteed to succeed. Competition for card accounts has returned to historic levels, nearly all your members who qualify for a card already have several in their wallets, and proving your product will be a better value can be challenging. This session will bring insights and specific experiences on overcoming these challenges, highlight the tactics and choices any credit union considering this choice must navigate, share information on market pricing and card program design, and provide performance benchmarks from those which have already made this choice.

Attendees can expect to leave with a better understanding of what this very exciting option can bring to their members and credit union as well as critical information for developing their own business cases and implementation plans.

[Click here](#) to register for the teleconference.

Want to get your card program going again? Contact LCUL's EFT Department today at eft@lcul.com.

Chapter News

East & West Orleans Chapters host 3rd Annual Small Credit Union Roundtable

The East & West Orleans Chapters of the Louisiana Credit Union League recognize that small credit unions have unique needs and issues that they are faced with on a daily basis. In order to help small credit unions meet these needs, the chapters have organized their third annual Small Credit Union Roundtable on Wednesday, September 28, 2011 at the UNO Alumni Center in New Orleans.

This program is designed to generate ideas and discussion on key strategies that smaller credit unions must consider not only to survive, but to thrive, as we look towards the future. Topics scheduled for this program include:

- **The Triple Bottom Line: People. Profits. Passion.** Mastering these three areas is the difference between good and great.
- **The Ripple Effect.** Doing the right things, for the right reasons, in the right way, to create a positive ripple. A series of small positive changes that will make a big difference.

- **The Eighth Wonder of the World-Simplicity.** Just saying the word "simplify" makes one feel better... now let's put it into practice. Finally, a program on how to simplify and streamline to save time and money.

This event is fully sponsored by the East and West Orleans Chapters of the Louisiana Credit Union League. There is no charge for management, staff, and volunteers from credit unions in the East & West Orleans Chapters to attend this event. Registration is required. For more information or to register, contact Deborah Varnam, West Orleans Chapter Secretary, at (985) 652-4990 or dvarnam@LOUISIANAFCU.ORG.

Baton Rouge Chapter meeting scheduled for September 14

The Baton Rouge Chapter of the Louisiana Credit Union League will host their meeting on Wednesday, September 14 at Louisiana Lagniappe (9990 Perkins Road). Marcel Dupre will be on hand to discuss 'General Market Conditions and 401K Options'. Networking will begin at 11:30 a.m. and the meeting at 12:00 p.m.

Please contact Kristen Montgomery at Louisiana USA FCU by Friday, September 9. You can reach her by phone at (225) 298-6204 or by email kmontgomery@lausafcu.org.

In the News

Steve Webb selected as i3 innovator

Congratulations to Steve Webb, Chief Operations Officer for Neighbors FCU. Steve was one of sixteen credit union executives selected by the Filene Research Institute to join its i3 (Ideas, Innovation, Implementation) program, which fosters the development of new ideas and innovations for credit unions.

"I'm always extremely impressed by the candidates, but this year was so promising because we're seeing more and more institutional support from the candidates' credit unions," says Denise Gabel, Filene's chief innovation officer. "I think CEOs are realizing that i3 puts not just the participant, but the organization at the forefront of credit union innovation work."

Filene received more than 50 applications from qualified credit union executives. With the help of Professor Murray Barrick of Texas A&M University, each applicant was evaluated based on motivation, leadership, creativity and innovation, teamwork, and other factors, including present position, geography and type of credit union.

Each member will serve a two-year term and participate in semi-annual meetings arranged by Filene.

i3 has helped launch programs such as Save to Win (prize-based savings accounts), nationwide Savings Challenges (reality TV meets wallet improvement), and Debt in Focus (an anonymous, online financial assessment tool), which has improved the way credit unions provide financial guidance to their fields of membership, said Filene.

Educational Opportunities

Last chance: New Laws & Compliance workshop

September 13 & 14

Don't miss this opportunity to attend the New Laws & Compliance Workshop, September 13 & 14 at the Embassy Suites in Baton Rouge.

As you know, keeping abreast of changing developments in regulations continues to be one of the most challenging tasks facing credit unions today. In the continuing effort to bring compliance issues to credit unions in a convenient, economic, and timely manner, our New Laws and Compliance Workshop is designed for credit union Management, Staff, Compliance Officers, Volunteers, and anyone else who is responsible for keeping the credit union in compliance with laws and regulations. To obtain the most benefit from this workshop, your credit union may want to send several attendees.

Featured Sessions:

- What's New With Reg CC? - Debbie Crawford
- Regulatory Reform and Changes in Lending Compliance - Susan Costonis
- Share lien, set-off, or cross collateralization? - Jonathan Kudulis
- NCUA Hot Topics - Jami Weems
- Compliance Hot Topics - Jami Weems
- HR Compliance - Eric Miller

Your educational investment is only \$249 per person to attend the program. Distance learners can attend for only \$229 per person. This investment includes all program materials, handouts, and refreshments at all breaks; also, a light breakfast and buffet lunch will be served on September 14.

Go green and save some green!! For each registrant who elects to receive the handout materials in digital format, your credit union will receive a \$25 discount. Digital handouts will be available for download via an online link, e-mailed to registrants at least 3 days prior to the seminar. Participants who choose to receive digital handouts will not receive a paper handout (binder) on the day of the seminar and will be responsible for bringing their own handouts to the program, in either paper or electronic format. Once handout link has been e-mailed to participant, there will be no refund of registration fees. The \$25 discount applies only to regular and distance learner registration fees.

For more information or to register, go to www.lcul.com.