

NEWS RELEASE

Credit Union Economics Group (CUEG)

www.cueg.org

Contact:

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

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

April 19, 2006

Editor's note: Photo attached.

CU ECONOMISTS MEET WITH ST. LOUIS FED BANK PRESIDENT

Credit Union Economics Group Shares CU Views with William Poole

ST. LOUIS – A group of the credit union industry's leading economic observers met with officials of the Federal Reserve Bank of St. Louis on Tuesday and shared their views on issues and topics affecting credit unions today.

Participating in the meeting with members of the Credit Union Economics Group (CUEG) were: William Poole, president of the Federal Reserve Bank of St. Louis, and members of his staff: Julie Stackhouse, senior vice president/Supervision and Regulation, Bill Emmons, economist, and Joseph Elstner, public affairs officer.

The St. Louis district 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. The eighth district includes all of Arkansas and portions of six other states: Missouri, Mississippi, Tennessee, Kentucky, Indiana and Illinois. The St. Louis Bank serves most of eastern Missouri and southern Illinois.

"CUEG meetings with Federal Reserve Bank officials provide credit unions a special opportunity to have open discussions with important leaders and provide the FRB a credit union perspective on current consumer financial activities," said Tun Wai, CUEG member and director/research and chief economist, NAFCU, who opened Tuesday's discussion with Fed officials.

Among the topics the CUEG economists discussed during the informal, yet interactive session were: affordable lending trends, credit union taxation, mortgage lending, credit union liquidity and the group's economic outlook.

Dave Colby, CUNA Mutual Group chief economist, told Fed staff that historically credit unions are value lenders matching good rates to good credit, and not aggressive lenders looking for the latest gimmick just to get a loan. "Traditionally we find credit unions that match the market do so with a lag. These are generally larger institutions in larger markets where competition dictates a wide selection of lending products. These larger credit unions are sophisticated enough to gauge risks and most have likely moved these loans off their books and into the secondary markets," he said.

Credit union taxation was addressed by Jeff Taylor, NAFCU senior economist. "Taxing credit unions would seriously hinder their ability to build and maintain the capital necessary to conduct business and serve members. Credit unions would be forced to increase the cost of member products and services, reduce dividends, severely decrease the amount of capital they maintain, or some combination of the three."

Real estate lending increased in federally insured credit unions from 2004 to 2005, with first mortgages increasing 11.5 percent, said Bruce Beaudette, President/CEO, Sunmark Federal Credit Union, Schenectady, NY. He said fixed rate mortgages continued to lead the way with 60 percent of all loans last year. "At this point, credit union balance sheets and real estate portfolios look relatively strong, although the trend in real estate quality is declining and will need to be watched closely."

Bob Burrell, executive vice president/CIO of Western Corporate Federal Credit Union, San Dimas, CA, offered CUEG's outlook on the economy and credit union liquidity. "Economic growth will slow, unemployment will remain relatively unchanged and inflation will remain in check and the Fed may start to ease monetary policy as the economy begins to slow," he said. "Liquidity in the credit union system remains strong in spite of two back-to-back years of strong loan growth and below trend share growth."



CUEG Members at the St. Louis Federal Reserve

CUEG'S meeting in St. Louis followed last year's meeting in Kansas City, MO with U.S. Federal Reserve Bank officials.

The Credit Union Economics Group (CUEG) 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.

#