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NEWS RELEASE

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Editor's note: Photos attached

July 15, 2004

NAFCU ATTENDEES PROVIDED CU-FOCUSED ECONOMIC OUTLOOK ***Credit Union Economics Group Delivers Industry View of Economy***

VANCOUVER, B.C. – A diverse group of the credit union industry's leading economists on Thursday offered an upbeat assessment of the economy, shared their views on regional and consumer finance issues and balance sheet strategies during a breakout session at NAFCU's Annual Conference & Exhibition.

Four members of the Credit Union Economics Group (CUEG) offered their perspectives on strategies and economics relevant to credit unions and their members at the National Association of Federal Credit Unions' 37th annual event. Organized in April of 2003, CUEG provides consensus macroeconomic forecasts and industry trend analyses aimed at helping credit unions with their planning and operations. The panel discussion was moderated by Steven Ravin, chief finance officer of Charter Oaks FCU, Groton, CT.

Leading off the discussion was Tun Wai, NAFCU's chief economist and director of research, who provided the more than 100 in attendance with an optimistic assessment of U.S economic growth for 2004 and 2005. Wai said improving consumer confidence will translate into more consumer spending. "Boosting consumer confidence and spending is a much stronger employment outlook," he said.

With renewed economic expansion, the credit union-focused CUEG economists are forecasting rising interest rates, Wai said. "Our forecast calls for a 75-100 basis-points increase in the Fed Fund rate this year and likely another 100-125 points in 2005. So, we're expecting about a 200-plus basis point increase for the time period." Wai said CUEG expects the Fed Funds rate to end the year between 1.75 percent and 2 percent, climbing to above 3 percent in 2005, and that 30-year mortgage rates are forecast for 6.7 percent by year-end, rising to 7.1 percent late in 2005.

Bob Burrell, executive vice president/CIO, Western Corporate FCU (WesCorp), San Dimas, CA, led the panel's discussion on key balance sheet issues facing credit unions. He began by linking current credit union results back to U.S. economic trends. Burrell

emphasized to the group that managing interest-rate risk liquidity, while minimizing continuing spread compression, will be a key focus for most credit unions.

“Credit unions will need to squeeze every basis point of spread they can out of operations whether it’s by improving loan or investment yields or aggressively managing their expenses and cost of funds,” Burrell said.

Burrell also talked about the critical need for a credit union to know how much interest rate risk it has on its books today and to develop a clearly defined strategy. “Over the longer term, most credit unions will benefit from a strong economy and higher interest rates,” Burrell said. “However, the short term may be painful for credit unions with high concentrations of fixed-rate mortgages.” Burrell added that understanding how the pricing on non-maturity share accounts could evolve will also be a key issue.

CUEG panelist Scott Mainwaring provided credit unions with a regional perspective. Mainwaring, the newly appointed president and CEO of Vystar Financial Group, Jacksonville, FL, compared regional variations in credit unions’ key ratios and growth results.

He encouraged credit union attendees to use the big-picture numbers as a guidepost, “but to drill down to a finer level when benchmarking your credit union’s performance results.” He highlighted a “drill-down” using employment data going from a national level, to state, to a MSA (metropolitan statistical area) level.

“The key message here is that all economics is local, and most importantly, what is impacting your field of membership,” Mainwaring said.

Dave Colby, CUNA Mutual Group’s chief economist, took the discussion to a strategic level by looking at major trends that will affect credit unions and the consumer financial services marketplace in the future. He said the reality of spread compression will continue as loans and deposits become pure commodities and added that competition – ranging from retailers and the capital markets, to traditional providers – will challenge the long-term sustainability of the depository intermediary business model.

“Credit unions will better serve members’ financial needs by redefining and broadening their mission from that of ‘promoting thrift’ to ‘member financial well-being.’ ” He pointed to retirement market opportunities as a means to best help members and their credit unions’ bottom lines. Colby also addressed the challenges credit unions face with rising expense levels and finding replacement borrowers.

CUEG is a geographically dispersed group of some of the nation’s leading credit union economic observers who aim to provide credit unions with a strategic view of the economy, and consumer financial services. Bi-annually, CUEG prepares a regional economic and descriptive credit union trends report, as well as a consensus macroeconomic and industry-trend forecast. Available on the CUEG Web site www.cueg.org. These reports are provided to give credit unions an independent economic view as an environmental backdrop for their planning processes.

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CUEG members include:

- Bruce Beaudette, president/CEO, Sunmark FCU, Schenectady, NY
- 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
- Scott Mainwaring, president/CEO, Vystar Financial Group, Jacksonville, FL
- Brian McVeigh, Sr. V.P./CFO, State Employees CU, Lansing, MI
- Jeff Taylor, senior economist, NAFCU, Arlington, VA
- Tun Wai, director/research and chief economist, NAFCU, Arlington, VA

The Credit Union Economics Group (CUEG) is a working group of 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 regional economic trends by exchanging information with the NCUA, the Federal Reserve Board and the various Federal Reserve District Banks.

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From left to right: Steve Ravin (CFO, Charter Oak FCU, Groton, CT), Tun Wai, Bob Burrell, Scott Mainwaring and Dave Colby

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