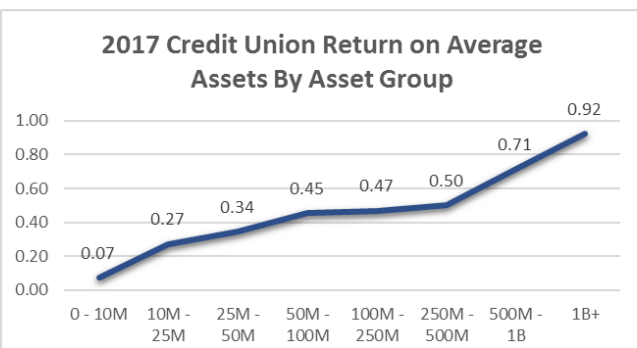
April 2018

Economic Update

The Fed increased rates 25 basis points at its March meeting, set at 1.50% – 1.75%. This is the fourth increase over the last twelve months, “The economic outlook has strengthened in recent months,” the committee said. The national unemployment rate remained at 4.1% for March, with average hourly earnings increasing 2.7% year over year.

Big vs Small: Credit Union Growth & Profitability

NCUA released the year-end data summary obtained from call reports submitted by federally insured credit unions (FICU’s) in March. Credit unions with assets greater than $1 billion are the most profitable; through economies of scale they enjoy a competitive advantage the other 95% of credit unions only dream of. But that’s not the whole story – how the Big Boys earn and spend their money tells us why they are so successful.



A comprehensive margin analysis of 2017 credit union performance by asset size revealed some interesting trends in both income generation and spending habits among the different asset groups.

Besides profitability, growth is another factor that varies substantially from one asset group to another. In one sentence, the big are getting bigger and the small are going away. 5% of credit unions – those with assets greater than $1 billion - represent 64% of the total assets of all federally insured credit unions. Meanwhile, 53% of the credit unions that exited the industry in 2017, mostly by merging into another credit union, were credit unions with assets less than $10 million. The challenges and resources available to these two groups of credit unions are vastly different. But does it have to be this way?

Read the Full Report: *http://www.cucfo.com/BigVsSmall.pdf*

NCUA Declares a Dividend

Following the closure of the Temporary Corporate Credit Union Stabilization Fund, NCUA declared an equity fund distribution to eligible credit unions, to be paid in the third quarter of 2018. While most credit unions never expected to receive a “refund” of the assessments paid from 2009 to 2013, the dividend represents only 5.8% of the amount assessed. Per ASC 942-325-25, credit unions should recognize this as other operating income on their ***March 31, 2018 Call Reports****. The preliminary pro rata factor is 0.00085897013052 multiplied by average insured shares for the 36 quarters ending December 31, 2017. As a practical matter, taking the year-end insured shares from 2009 to 2017 is a sufficient estimate.*

Read More: *https://www.ncua.gov/services/Pages/share-insurance/Documents/share-insurance-accounting-equity-distribution-faq.pdf*

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Debra Taylor Templin, CPA has more than 25 years’ experience within the credit union industry, including ten years as Chief Financial Officer and seven years as Chief Executive Officer. As a virtual CFO, Debra is able to deliver high level results that blend traditional values with progressive needs.