



State of Wisconsin Department of Financial Institutions Credit Union Bulletin

Mid-Year 1999

Tommy G. Thompson
Governor

Richard L. Dean
Secretary

Director's Comments

The mid-year statistics for Wisconsin's 353 state-chartered credit unions continue to reflect solid financial performance. The industry strength is noted by a capital to asset ratio in excess of 11 percent, solid growth ratios and sound asset quality. Loan delinquency and net charge-off ratios have both declined from year-end 1998.

Assets grew 5.4 percent during the first half of the year, resulting in total assets of \$8.6 billion as of June 30, 1999. Savings growth exceeded loan growth resulting in a slight decline in the loan to savings ratio. The loan to savings ratio declined to 84.4 percent from the 1998 year-end ratio of 86 percent.

While the operating expense and cost of funds annualized

(Cont. on p. 2)



This document is available at our website at: www.wdfi.org

Year 2000 Update

Member communication, continued review and validation of contingency plans, and monitoring liquidity needs should be the focus for the remaining months of 1999 in preparation for the Year 2000.

Your contingency plans have been designed to minimize any service disruptions and should be

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Member Privacy Concerns

The relationship between credit unions and their members is built on the pervasive assumption of members that their credit union will maintain the confidentiality of that relationship. While technological advances and the demands of a competitive marketplace have placed a premium on the availability of personal information, the way in which credit unions respond to these pressures is of importance. If credit unions fail to honor member expectations that personal information will be

kept in confidence, they will impair the trust of their members.

Confidentiality of member records is not just an important consumer issue, it is a regulatory issue. Chapter 186, Wis. Stats., requires directors, officers, committee members and employees to keep confidential the records and accounts of the credit union and to sign an oath of office to that effect. It is expected that all credit unions will ensure that their activities are in compliance with this requirement.

Director's Comments

continued

ratios reflect a decrease when compared to 1998, the net income ratio also reflects a decrease primarily due to a decline in gross income.

This financial information is intended to keep you apprised of current conditions and trends in the Wisconsin credit union indus-

try. It can be used as comparative data with which to evaluate the financial performance of your credit union.

Ginger Larson, Director
Office of Credit Unions

reviewed on a regular basis, updated as needed and revalidated. Plans and strategies may need to be altered rapidly based on new and changing issues.

Member communication cannot be emphasized enough. Board members, management and staff all share an

important role in communicating the facts regarding the Year 2000. Communicate with your members to put them at ease about their credit union's readiness for the century date change. Remind your members to base their financial decisions on solid information and to be on guard against Y2K scams.

Investment Products Vs. Insured Deposit Accounts

Members must clearly understand the difference between insured deposit accounts and uninsured securities investments and that securities products are sold by a broker-dealer not the credit union. The securities rules interpret the definition of "transacting business" to include not only effecting the securities transactions, but also soliciting persons to become customers of a broker-dealer. This applies whether the soliciting is done by media advertising, direct mail or in person. The securities law also defines an "agent" as any person who effects or attempts to effect transactions in securities. This would, therefore, include anyone who solicits persons to become customers of a broker-dealer in the definition of "agent," and would require the individual to be licensed with the Division of Securities.

The Division of Securities has applied these definitions to include providing any unsolicited information about the availability of securities services at a financial institution, information about the services provided, and especially information about particular types of securities. Credit union employees should never discuss any securities, including generically discussing a class of securities like mutual funds. This could be construed as giving a recommendation of that type of security. If a member picks up informational materials on brokerage services made available at the credit union and begins to ask questions of a credit union employee about the products, unless the employee is a licensed agent, the member should be directed to the appropriate licensed sales person.

Comparison Statements of Condition Wisconsin Credit Unions June 30, 1999 and December 31, 1998

COMPARISON STATEMENTS OF CONDITION OF WISCONSIN CREDIT UNIONS JUNE 30, 1999 and DECEMBER 31, 1998

	June 30, 1999		December 31, 1998		Increase or Decrease	% Change
<u>Number of Credit Unions</u>	353		358		-5	-1.4%
	<u>AMOUNT</u>	<u>% OF ASSETS</u>	<u>AMOUNT</u>	<u>% OF ASSETS</u>		
<u>ASSETS</u>						
Personal Loans	3,524,110,029	40.8%	3,418,261,278	41.7%	105,848,751	3.1%
Real Estate Loans	2,902,741,328	33.6%	2,784,416,069	34.0%	118,325,259	4.2%
Total Loans	<u>6,426,851,357</u>	74.4%	<u>6,202,677,347</u>	75.7%	<u>224,174,010</u>	3.6%
Allowance for Loan Losses	<u>39,406,978</u>	0.5%	<u>37,880,379</u>	0.5%	<u>1,526,599</u>	4.0%
Net Loans	<u>6,387,444,379</u>	73.9%	<u>6,164,796,968</u>	75.3%	<u>222,647,411</u>	3.6%
Cash	195,287,788	2.3%	200,412,778	2.4%	-5,124,990	-2.6%
Investments	1,738,621,174	20.1%	1,524,613,791	18.6%	214,007,383	14.0%
Fixed Assets	222,508,531	2.6%	213,836,083	2.6%	8,672,448	4.1%
Other Assets	<u>94,178,153</u>	1.1%	<u>88,740,724</u>	1.1%	<u>5,437,429</u>	6.1%
TOTAL ASSETS	<u><u>8,638,040,025</u></u>	100.0%	<u><u>8,192,400,344</u></u>	100.0%	<u><u>445,639,681</u></u>	5.4%
<u>LIABILITIES</u>						
Regular Shares	2,694,129,071	31.2%	2,432,243,927	29.7%	261,885,144	10.8%
Share Drafts	938,554,840	10.9%	1,006,457,344	12.3%	-67,902,504	-6.7%
Other Shares & Deposits	<u>3,980,275,410</u>	46.1%	<u>3,784,887,413</u>	46.2%	<u>195,387,997</u>	5.2%
Total Savings	<u>7,612,959,321</u>	88.1%	<u>7,223,588,684</u>	88.2%	<u>389,370,637</u>	5.4%
Notes and Accounts Pay.	102,722,532	1.2%	80,056,511	1.0%	22,666,021	28.3%
Regular Reserve	441,119,136	5.1%	434,067,911	5.3%	7,051,225	1.6%
Other Reserves	<u>481,239,036</u>	5.6%	<u>454,687,238</u>	5.6%	<u>26,551,798</u>	5.8%
TOTAL LIABILITIES	<u><u>8,638,040,025</u></u>	100.0%	<u><u>8,192,400,344</u></u>	100.0%	<u><u>445,639,681</u></u>	5.4%

Please note: small statistical errors may exist due to rounding.

**Statement of Income
Wisconsin Credit Unions
For the Period Ending June 30, 1999**

**STATEMENT OF INCOME
FOR WISCONSIN CREDIT UNIONS
FOR THE PERIOD ENDING JUNE 30, 1999**

INCOME	AMOUNT	% OF GROSS INCOME	% OF AVERAGE ASSETS
Interest on Loans	258,586,712	75.85%	6.15%
Less: Interest Refunds	49,994	0.01%	0.00%
Net Interest Income	258,536,718	75.83%	6.14%
Income on Investments	41,535,761	12.18%	0.99%
Other Income	40,854,276	11.98%	0.97%
TOTAL OPERATING INCOME	340,926,755	100.00%	8.10%
ADMINISTRATIVE EXPENSES			
Employee Costs	77,798,219	22.82%	1.85%
Travel and Conference	2,377,168	0.70%	0.06%
Office Occupancy	10,334,137	3.03%	0.25%
General Operations	33,183,725	9.73%	0.79%
Education and Promotion	5,730,295	1.68%	0.14%
Loan Servicing	7,445,632	2.18%	0.18%
Professional Services	8,953,893	2.63%	0.21%
Member Insurance	2,297,490	0.67%	0.05%
Operating Fees	855,406	0.25%	0.02%
Other Operational Expenses	3,893,225	1.14%	0.09%
TOTAL ADMINISTRATIVE	152,869,190	44.84%	3.63%
Provision for Loan Loss	8,401,053	2.46%	0.20%
TOTAL OPERATING EXPENSES	161,270,243	47.30%	3.83%
COST OF ACQUISITION OF FUNDS			
Dividends Paid on Savings	143,137,338	41.98%	3.40%
Interest on Borrowed Funds	677,720	0.20%	0.02%
TOTAL COST OF FUNDS	143,815,058	42.18%	3.42%
TOTAL EXPENSES	305,085,301	89.49%	7.25%
NET OPERATING INCOME	35,841,454	10.51%	0.85%
NON-OPERATING INCOME	1,349,156	0.40%	0.03%
NET INCOME	37,190,610	10.91%	0.88%

Please note: small statistical errors may exist due to rounding.

Significant Operational Ratios For the Period Ending June 30, 1999

SIGNIFICANT OPERATIONAL RATIOS FOR THE PERIOD ENDING JUNE 30, 1999

Peer Groups by Assets	\$ 500,001- < \$500,000	\$ 2,000,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	> \$50,000,000	TOTAL
Number of Credit Unions	40	68	106	98	41	353
<u>CAPITAL ADEQUACY</u>						
Net Capital/Total Assets	17.16%	17.14%	13.13%	11.66%	9.92%	10.66%
Capital/Total Assets	19.16%	18.10%	13.59%	12.08%	10.40%	11.13%
Total Delinquency/Capital	8.76%	9.62%	7.87%	5.42%	6.32%	6.24%
Solvency Evaluation	120.78%	120.80%	115.24%	113.36%	111.23%	112.13%
Classified Assets/Capital	10.45%	5.27%	3.37%	3.52%	4.62%	4.23%
<u>ASSET QUALITY</u>						
Delinquent Loans/Loans	2.83%	2.75%	1.60%	0.94%	0.85%	0.93%
Net Charge Offs/Avg. Loans*	0.53%	0.20%	0.29%	0.19%	0.25%	0.24%
<u>EARNINGS (to Average Assets)</u>						
Return on Average Assets*	0.54%	0.51%	0.64%	0.75%	0.97%	0.88%
Net Operating Expense*	4.13%	3.66%	3.65%	3.31%	2.88%	3.05%
Fixed Assets+ OREO/Assets	0.24%	0.45%	1.87%	2.48%	2.72%	2.58%
Gross Income*	7.46%	7.42%	7.81%	7.89%	8.23%	8.10%
Cost of Funds*	2.50%	3.00%	3.02%	3.22%	3.54%	3.42%
Operating Exp. (less PLL)*	4.17%	3.70%	4.01%	3.78%	3.54%	3.63%
Net Interest Margin*	4.83%	4.25%	4.24%	3.90%	3.58%	3.71%
PLL*	0.33%	0.24%	0.17%	0.17%	0.22%	0.20%
<u>LIQUIDITY</u>						
Net Long Term Assets/Assets	2.08%	4.71%	13.59%	19.94%	25.03%	22.74%
Shares/Savings+ Borrowings	99.43%	81.02%	60.93%	42.86%	29.17%	35.26%
Loans/Savings	71.86%	76.94%	77.43%	79.94%	86.97%	84.43%
Loans/Assets	59.34%	63.30%	66.68%	70.03%	77.08%	74.40%
Cash + ST Invest./Assets	39.85%	33.14%	27.33%	21.33%	13.71%	16.80%
<u>OTHER RATIOS</u>						
Savings Growth*	8.67%	10.47%	13.47%	12.37%	9.92%	10.78%
Capital Growth*	2.65%	3.45%	4.47%	6.09%	8.81%	7.58%
Loan Growth*	2.97%	3.30%	4.19%	6.19%	7.92%	7.23%
Asset Growth*	6.85%	8.98%	12.46%	11.46%	10.53%	10.88%
Investments/Assets	36.33%	33.59%	28.14%	23.81%	16.45%	19.33%
Employee Cost/Gross Inc.	21.36%	22.63%	25.58%	23.78%	22.21%	22.82%
Employee Cost/ Avg. Assets*	1.59%	1.68%	2.00%	1.88%	1.83%	1.85%
Average Loan Balance	\$3,380	\$5,113	\$5,693	\$6,859	\$6,803	\$6,717
Average Savings Balance	\$1,114	\$1,705	\$1,885	\$2,267	\$2,552	\$2,405

*Annualized Ratio

Please note: small statistical errors may exist due to rounding.

Statement of Loan Delinquency For the Period Ending June 30, 1999

LOAN DELINQUENCY PERIOD ENDING JUNE 30, 1999

Peer Groups by Assets	< \$500,000	\$ 500,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	> \$50,000,000	TOTAL
Number of Credit Unions	40	68	106	98	41	353
<u>Loan Delinquency Ratios</u>						
2 - 6 Months Delinquent	1.38%	1.67%	1.11%	0.54%	0.52%	0.57%
6 - 12 Months Delinquent	0.52%	0.63%	0.29%	0.24%	0.22%	0.23%
Over 12 Months Delinquent	<u>0.93%</u>	<u>0.44%</u>	<u>0.21%</u>	<u>0.15%</u>	<u>0.11%</u>	<u>0.13%</u>
Total Delinquent Loans	2.83%	2.75%	1.60%	0.94%	0.85%	0.93%
<u>Loan Loss Ratio*</u>	0.53%	0.20%	0.29%	0.19%	0.25%	0.24%

*Annualized Ratio

ANALYSIS OF LOANS BY TYPE PERIOD ENDING JUNE 30, 1999

Number of Credit Unions	40	68	106	98	41	353
<u>Loan Types</u>						
Credit Card Loans	0.00%	0.00%	1.75%	2.85%	4.54%	3.92%
Unsecured Loans	24.64%	12.67%	7.56%	3.77%	3.29%	3.75%
New Auto Loans	15.53%	27.08%	17.01%	11.51%	9.70%	10.71%
Used Auto Loans	45.42%	44.10%	35.33%	26.37%	22.84%	24.62%
First Mortgages	1.01%	1.19%	14.58%	32.36%	35.20%	33.01%
Other Real Estate	0.34%	5.99%	12.47%	11.35%	12.51%	12.16%
All Other Loans	<u>13.06%</u>	<u>8.98%</u>	<u>11.30%</u>	<u>11.80%</u>	<u>11.92%</u>	<u>11.83%</u>
Total Loans	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<u>Real Estate Loan Detail</u> (As a percent of loans)						
First Mortgage - Fixed	1.01%	0.68%	11.01%	20.57%	18.43%	18.38%
First Mortgage - Variable	0.00%	0.51%	3.57%	11.79%	16.77%	14.63%
Other - Closed End Fixed	0.00%	3.66%	9.68%	7.16%	7.19%	7.29%
Other - Closed End Adj.	0.34%	2.18%	1.57%	1.22%	1.61%	1.51%
Other - Open End Adj.	0.00%	0.15%	0.94%	2.81%	3.69%	3.28%
Other - Miscellaneous	<u>0.00%</u>	<u>0.00%</u>	<u>0.28%</u>	<u>0.16%</u>	<u>0.02%</u>	<u>0.07%</u>
Total Real Estate (As a percent of loans)	1.35%	7.18%	27.05%	43.71%	47.71%	45.17%
Total Real Estate (As a percent of assets)	0.80%	4.54%	18.04%	30.61%	36.77%	33.60%

Please note: small statistical errors may exist due to rounding.

Statement of Loan Delinquency For the Period Ending June 30, 1999

LOAN DELINQUENCY PERIOD ENDING JUNE 30, 1999

Peer Groups by Assets	< \$500,000	\$ 500,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	> \$50,000,000	TOTAL
Number of Credit Unions	40	68	106	98	41	353
<u>Loan Delinquency Ratios</u>						
2 - 6 Months Delinquent	1.38%	1.67%	1.11%	0.54%	0.52%	0.57%
6 - 12 Months Delinquent	0.52%	0.63%	0.29%	0.24%	0.22%	0.23%
Over 12 Months Delinquent	<u>0.93%</u>	<u>0.44%</u>	<u>0.21%</u>	<u>0.15%</u>	<u>0.11%</u>	<u>0.13%</u>
Total Delinquent Loans	2.83%	2.75%	1.60%	0.94%	0.85%	0.93%
<u>Loan Loss Ratio*</u>	0.53%	0.20%	0.29%	0.19%	0.25%	0.24%

* Annualized Ratio

ANALYSIS OF LOANS BY TYPE PERIOD ENDING JUNE 30, 1999

Number of Credit Unions	40	68	106	98	41	353
<u>Loan Types</u>						
Credit Card Loans	0.00%	0.00%	1.75%	2.85%	4.54%	3.92%
Unsecured Loans	24.64%	12.67%	7.56%	3.77%	3.29%	3.75%
New Auto Loans	15.53%	27.08%	17.01%	11.51%	9.70%	10.71%
Used Auto Loans	45.42%	44.10%	35.33%	26.37%	22.84%	24.62%
First Mortgages	1.01%	1.19%	14.58%	32.36%	35.20%	33.01%
Other Real Estate	0.34%	5.99%	12.47%	11.35%	12.51%	12.16%
All Other Loans	<u>13.06%</u>	<u>8.98%</u>	<u>11.30%</u>	<u>11.80%</u>	<u>11.92%</u>	<u>11.83%</u>
Total Loans	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<u>Real Estate Loan Detail</u> (As a percent of loans)						
First Mortgage - Fixed	1.01%	0.68%	11.01%	20.57%	18.43%	18.38%
First Mortgage - Variable	0.00%	0.51%	3.57%	11.79%	16.77%	14.63%
Other - Closed End Fixed	0.00%	3.66%	9.68%	7.16%	7.19%	7.29%
Other - Closed End Adj.	0.34%	2.18%	1.57%	1.22%	1.61%	1.51%
Other - Open End Adj.	0.00%	0.15%	0.94%	2.81%	3.69%	3.28%
Other - Miscellaneous	<u>0.00%</u>	<u>0.00%</u>	<u>0.28%</u>	<u>0.16%</u>	<u>0.02%</u>	<u>0.07%</u>
Total Real Estate (As a percent of loans)	1.35%	7.18%	27.05%	43.71%	47.71%	45.17%
Total Real Estate (As a percent of assets)	0.80%	4.54%	18.04%	30.61%	36.77%	33.60%

Please note: small statistical errors may exist due to rounding.

Analysis of Savings By Type for the Period Ending June 30, 1999

ANALYSIS OF SAVINGS BY TYPE PERIOD ENDING JUNE 30, 1999

Peer Groups by Assets	< \$500,000	\$ 500,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	> \$50,000,000	TOTAL
Number of Credit Unions	40	68	106	98	41	353
Share Drafts	0.00%	2.88%	8.64%	12.00%	12.95%	12.33%
Regular Shares	99.98%	81.04%	60.74%	42.90%	29.33%	35.39%
Money Market Shares	0.00%	1.31%	2.25%	11.03%	18.99%	15.68%
Share Certificates	0.02%	11.48%	22.58%	24.83%	30.56%	28.35%
IRA Accounts	0.00%	3.10%	5.43%	9.23%	8.15%	8.21%
All Other Shares	<u>0.00%</u>	<u>0.20%</u>	<u>0.36%</u>	<u>0.01%</u>	<u>0.02%</u>	<u>0.04%</u>
Total Shares	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

ANALYSIS OF INVESTMENTS BY TYPE PERIOD ENDING JUNE 30, 1999

Peer Groups by Assets	< \$500,000	\$ 500,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	> \$50,000,000	TOTAL
Number of Credit Unions	40	68	106	98	41	353
U.S. Government Obligations	0.04%	0.28%	0.02%	0.33%	1.48%	0.95%
Federal Agency Securities	0.00%	0.00%	0.58%	6.27%	26.45%	17.08%
Mutual Funds & Common Trust	3.06%	1.07%	0.09%	0.67%	0.17%	0.35%
Corporate Credit Unions	69.01%	67.16%	61.82%	52.85%	50.80%	52.78%
Commercial Banks, S&L's, and Mutual Savings Banks	25.12%	20.03%	30.22%	34.16%	15.33%	22.87%
Credit Unions	0.30%	8.76%	2.88%	1.35%	0.15%	0.92%
NCUSIF Capitalization Deposit	2.14%	2.26%	2.76%	3.26%	4.65%	3.98%
Other Investments	0.33%	0.43%	1.63%	1.13%	0.97%	1.07%
Total Investments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Please note: small statistical errors may exist due to rounding.

**STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
OFFICE OF CREDIT UNIONS
PO BOX 14137
MADISON WI 53714-0137**

**Bulk Rate
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