Access Across America Initiative

The Access Across America Initiative focuses on creating economic empowerment through credit union access into neighborhoods and communities lacking access to low-cost financial services. Different aspects of this initiative are described in subsequent sections of this report and are listed below:

- *Public and Private Partnerships.* The Office of Credit Union Development (OCUD) and regional offices have been facilitating partnerships between organizations and credit unions. The program is designed to partner with key federal departments and agencies to counter the growing predatory lending problem in America as well as broaden access to affordable financial services to underserved communities. There are both governmental and non-governmental resources for credit unions. These resources include nonmember deposits, capital grants, loans, secondary capital, loan guarantees, networking opportunities, and various other types of technical assistance. Resources available for credit unions are outlined in the quarterly newsletter published by the OCUD and maintained at: http://www.ncua.gov/org/orgchart/ocud/newsletters.html.

- *Field of Membership Expansions into Underserved Areas.* Many federal credit unions are seeking new membership groups to serve. In response to this need and to facilitate outreach to underserved communities, the NCUA Board approved flexible policies to make expansion into investment (underserved) areas less burdensome. Investment areas can be found in both rural and urban areas. Any federal credit union may include in its field of membership, regardless of size, location, or charter type, communities satisfying the definition for serving underserved (investment) areas in the Federal Credit Union Act. Today over 90 million Americans reside in investment areas. Over 9.1 million residents of underserved areas were added to credit union field of memberships during the first six months of 2002.

- *Small Credit Union Program.* The purpose of this program is to facilitate the NCUA Board's goals of promoting the development of financially healthy small and low-income designated credit unions, and encourage the formation of newly chartered credit unions. As of June 30, 2002, credit unions participating in regional on-site assistance programs totals 813. In addition, more than 500 credit unions have participated in regional workshops during the first six months of 2002.

- *Low Income Credit Union (LICU) Program.* OCUD administers the Community Development Revolving Loan Fund (Fund). The Fund's objective is to foster community development through the improvement of credit union operations and service to members and community. The Fund is a source of low interest loans and technical assistance (TA) grants to low-income designated credit unions. LICUs financial accomplishments are outlined in this report. Credit unions can either contact their regional office or OCUD for more information regarding receiving a low-income designation. Income derived from the loans and congressional appropriations fund the TA program. Congress appropriated an additional $350,000 for TA and $650,000 for loans to be used in 2002.

Partnerships
OCUD and the regional offices have facilitated several partnerships during 2002. Examples of partnership activities that have been fostered include:

Department of Agriculture: Credit unions can participate in the USDA Rural Housing Service, Rural Business—Cooperative Service and the Rural Community Development Initiative.

Community Development Financial Institutions: CDFI has provided 25 credit unions with over $4 million in awards. The list of the 100 certified credit unions are displayed at: www.cdfifund.gov/docs/2002_certification_byorgtype.pdf. There are a total of 553 CDFIs.

Department of Housing and Urban Development: HUD has programs for community and economic development ideal for credit union-community partnerships to provide financial literacy, first-time home buying, home improvement, and home ownership counseling programs.

Internal Revenue Service: IRS has embarked on a nationwide partnership initiative to help families with low- to moderate-income build assets and increase financial literacy. This partnership is in conjunction with the IRS' well-established Voluntary Income Tax Assistance (VITA) Program initiative.

Neighborhood Reinvestment Corporation: NRC is a network of community-based organizations that facilitates community-revitalization initiatives. Information can be found at www.nw.org.

Small Business Administration: The SBA provides guarantees for business loans. Twenty-five credit unions have been added since an NCUA partnership program started in 2000. To date, SBA has certified 67 credit unions. Information regarding SBA programs can be found at www.sba.gov.

Department of the Treasury: In 2002, the Treasury provided $2.8 million to credit unions through the First Accounts Grant Assistance Program. These grants were provided to institutions that offered low-cost electronic checking or other types of accounts to low- and moderate-income individuals not being served by a financial institution.

Field of Membership (FOM) – Underserved Areas Expansions
NCUA's staff continues to provide information relating to FOM expansion into underserved areas during the examination process and during workshops. The FOM underserved areas expansion activity for the last 2½ years is listed below by region in Figure 1. It appears that additions of potential members due to expansions in 2002 will surpass 2001 totals based on the mid-year total.

NCUA will continue to highlight the need to bring credit union service to underserved communities through the *Access Across America* initiative.

Figure 1

Period	**1/1/00 to 12/31/00**	**1/1/01 to 12/31/01**	**1/1/02 to 6/30/02**
Region	# of Potential Members	# of Potential Members	# of Potential Members
I	154,615	754,458	421,284
II	222,586	1,440,625	2,890,767
III	665,245	4,283,816	1,194,339
IV	217,358	1,766,971	2,069,636
V	948,534	5,650,892	1,782,622
VI	161,437	2,229,875	765,981
Total	**2,369,775**	**16,126,637**	**9,124,629**

Small Credit Union Program
The NCUA Board approved a national Small Credit Union Program (SCUP) in 1999. The purpose of the SCUP is to facilitate the Board's goals of promoting the development of financially healthy

small and low-income designated credit unions, and encourage the formation of newly chartered credit unions.

This program was designed to provide assistance to credit unions that fall within the following criteria:

1. credit unions with assets under $5 million;
2. newly chartered credit unions in operation less than 10 years and with assets under $10 million; and
3. low income designated credit unions.

Credit unions that fall within the SCUP criteria (refer to prior paragraph) can participate in the program and can contact their regional office to request assistance. There is no obligation for credit unions to participate in this program, but the program does provide the unique opportunity for those smaller credit unions to obtain advice and/or assistance in areas where they may need to strengthen their expertise.

Figure 2 shows the total number of all federally insured credit unions that are eligible and those credit unions that are participating in the regional SCUP as of June 30, 2002.

Figure 2

	Eligible to Participate in SCUP	Participating in SCUP
Total at Dec-01[1]	4,381	721
Total[2] at Jun-02	3,878	813

[1] Eligible federally insured credit unions' numbers were produced using June 30, 2002, call report data.
[2] Eligible federally insured credit unions' numbers were produced using June 30, 2002, call report data.

The number of credit unions participating in the SCUP has increased by 92 during the first six months of 2002.

Assistance is also provided to groups interested in chartering a credit union. Due to these efforts, there was one credit union chartered in May 2002.

Specialized Assistance
The NCUA has 77 specialized field staff, located throughout the nation, to assist credit unions participating in SCUP and to facilitate regional SCUP workshops.

SCUP Workshops
The regions completed 11 workshops that were attended ***by more than 500 credit union representatives***. These workshops were targeted toward assisting credit unions to reverse adverse trends caused by the current economy and to correct safety and soundness issues that if left unresolved can result in the cancellation of the charter, reduction of the CAMEL composite code, and/or reduction of the net worth ratio.

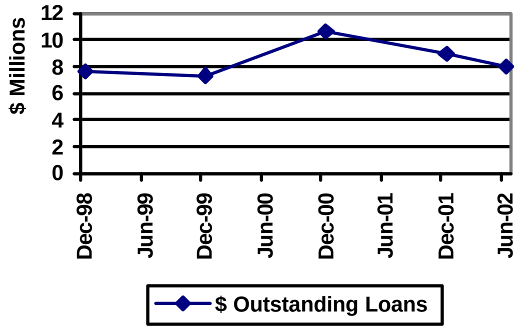
Community Development Revolving Loan Fund

The OCUD administers the Community Development Revolving Loan Fund (Fund). The Fund is a source of low interest loans and technical assistance grants to low-income designated credit unions. The Fund's objective is to foster community development through the improvement of credit union operations and service to members and community.

Loan Program
The Fund granted 14 loans totaling $1,380,000 during the first six months of 2002. The Fund's loan portfolio at June 30, 2002, had 76 loans with outstanding balances totaling $8,050,484. Economic factors have impacted credit unions' liquidity levels

and ability to arbitrage the loan funds; therefore current loan demand is low. Figure 3 shows the amount of loans outstanding since 1998.

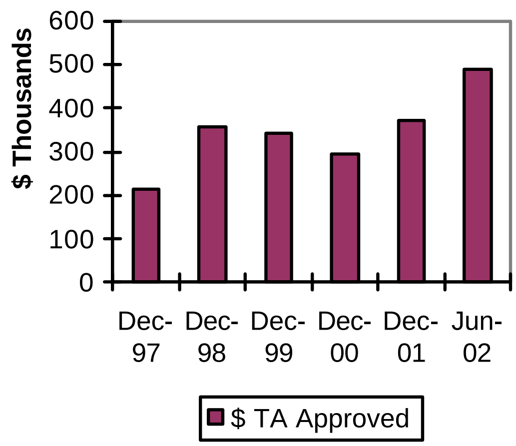
Figure 3



Technical Assistance Grant Program

The Fund's Technical Assistance (TA) Grant Program provides operational funding for training, marketing, audits, strategic planning and other needed items during 2002. During the first six months of 2002, the TA program received 179 requests, totaling $996,717. In all, 145 grants were approved totaling $487,715 during 2002. Figure 4 shows the amount of grants awarded credit unions since 1997.

Figure 4



<u>Low Income</u>

"Low-income" (LI) is an official NCUA designation granted to a credit union that serves a membership of which more than half its members earn less than 80 percent of the average for all wage earners or those members whose annual household income falls at or below 80 percent of the median household income for the nation. These income measurement standards can be obtained from OCUD. Credit unions with this designation are measured against the same standards of financial soundness and operational professionalism as other credit unions, and are granted these benefits:

1. *Nonmember Deposits.* Greater authority to accept deposits from nonmembers.
2. *Participation in the Community Development Revolving Loan Fund (Fund).* Access to low-interest loans, deposits, and technical assistance from the Fund.
3. *Special Field of Membership Rules.* Flexibility in defining FOM.
4. *Secondary Capital*. Ability to include this account (as outlined in the NCUA Rules and Regulations Part 701.34 and 702) in the credit union's net worth.
5. *Member Business Loans*. Exception to the aggregate loan limit for business loans.

The number of LI designated credit unions (LICUs) increased by 75 during the first six months of 2002. As of June 30, 2002, the number of LI designated credit unions was 864. Figure 5 illustrates the growth of the number of LI designated credit unions. A list of LI designated credit unions can be found at http://www.ncua.gov/org/orgchart/ocud/lowincome.

Figure 5

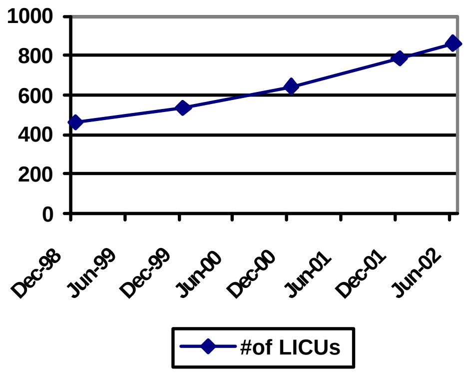


Figure 6 illustrates the growth of LICUs by region.

Figure 6

Region	Dec 99	Dec 00	Dec 01	Jun 02
I	58	64	62	62
II	54	69	122	132
III	103	145	171	190
IV	58	65	98	134
V	178	205	223	229
VI	87	97	113	117
Total LICUs	**538**	**645**	**789**	**864**

Financial Growth

Figure 7 displays how LICUs compared to all federally insured credit unions in various growth rate areas at June 30, 2002[3].

Of special note is the sharp increase of potential members added to credit unions' charters. As stated in previous section, credit unions have added underserved areas to their membership (refer to Figure 1).

[3] The information displayed in this table and subsequent charts and graphs reflects data from the June 30, 2002, Financial Performance Reports.

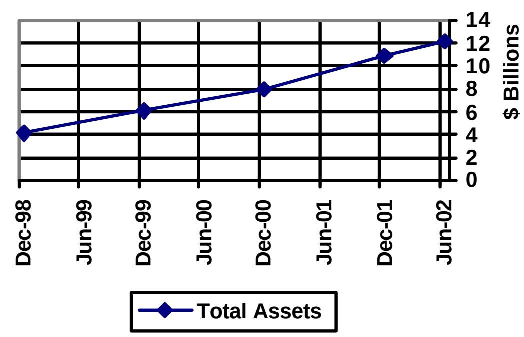
Figure 7

Growth % Rates (Annualized)		
	LICUs	**All Credit Unions[4]**
Share Growth	13	15
Net Worth Growth	4	9
Loan Growth	6	7
Asset Growth	12	15
Investment Growth	16	31
Current Member Growth	4	2
Potential Mbr. Growth	22	42

Asset Growth

Credit unions with the LI designation had combined assets of $12.1 billion as of June 30, 2002. Figure 8 illustrates a $1.2 billion growth in total assets of LICUs during 2002 with $0.5 billion of the growth attributed to the LI designation of 75 credit unions.

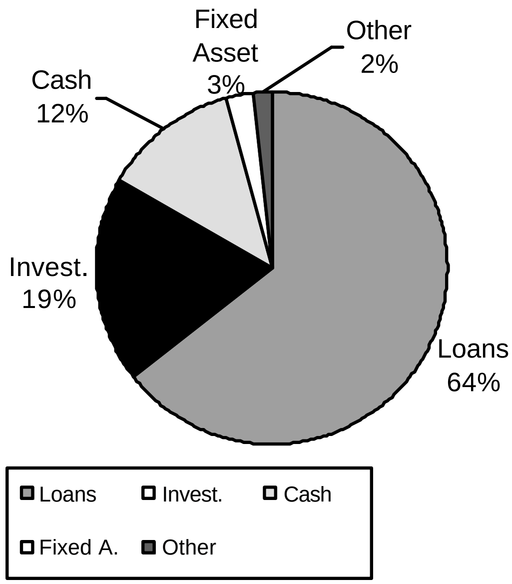
Figure 8



The asset structure for all LICUs is shown in Figure 9. LICUs have a loans to assets ratio of 64 percent, which compares to the 62 percent ratio of all federally insured credit unions.

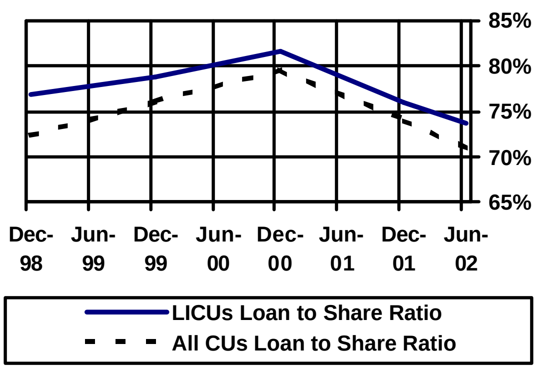
[4] All federally insured credit unions

Figure 9



All credit unions primarily fund loan programs with member deposits. Figure 10 illustrates the loan to share ratio trend for LICUs and all federally insured credit unions. The LICUs historically have higher loan to share ratios than all federally insured credit unions.

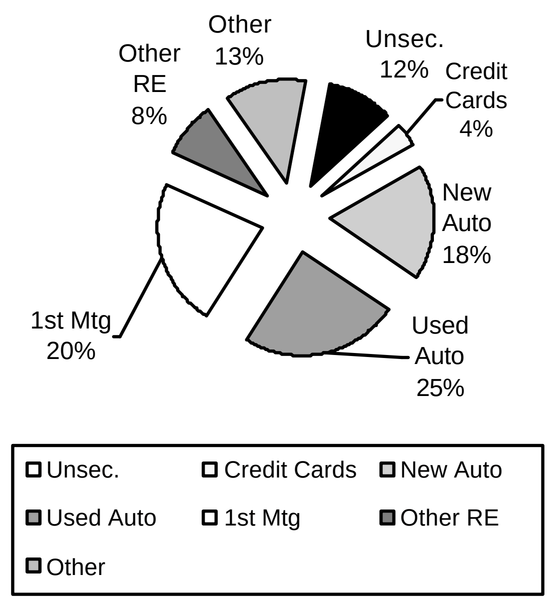
Figure 10



Loans

LICUs reported holding $7.9 billion in loans as of June 30, 2002. Their loan portfolio mix for June 2002 is illustrated in Figure 11. There were no changes to the portfolio mix during the last 6 months.

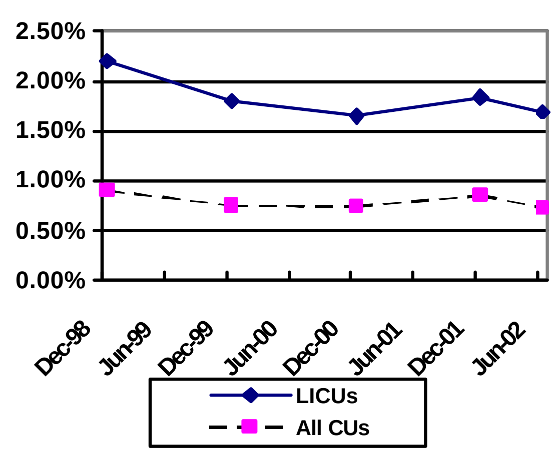
Figure 11



Loan Quality

The June 30, 2002, delinquent loan to total loans ratio for LICUs is 1.69 percent. The delinquency ratio for LICUs has historically been one percent higher than the ratio for all federally insured credit unions as shown in Figure 12.

Figure 12



Reasons for the higher delinquency ratio found in LICUs appear to be:

- The LICU's loan portfolio mix consists of four percent more in the unsecured credit category (e.g., unsecured and credit cards) and four percent more in the used auto loan category than all credit unions. In addition, the LICU's loan portfolio mix consists of 15 percent less in the real estate loans category.
- The LICUs members' income levels are lower which restricts the liquid funds of members that are used for loan repayments.

The delinquency ratios of both the low-income and all federally insured credit unions declined by at least 0.10 percent. The LICU delinquency ratio in all delinquency ranges declined. The most substantial decrease was in the 2-6 month category. Delinquency declined by 0.10 percent in that category. Figure 13 lists the June 30, 2002, delinquency ratios for each range.

Figure 13

Delinquency Range	LI Credit Unions	All Credit Unions
2 to 6 months	1.09	0.49
6 to 12 months	0.39	0.17
12 months and more	0.21	0.07
Total Delinquency	1.69	0.73

The charge-off ratios for both LICUs and federally insured credit unions are shown in Figure 14. The LICUs net charge-offs ratio is comparable with the ratio of all federally insured credit unions even though the delinquency ratio for LICUs is one percent higher.

Figure 14

	Percentage of Average Loans			
	Dec 01 LICU	**Jun 02 LICU**	**Dec 01 All CUs**	**Jun 02 All CUs**
Charge-off ratio	0.81	0.79	0.54	0.58
Recoveries ratio	0.15	0.13	0.08	0.09
Net Charge-off ratio	0.66	0.67	0.46	0.49

Investments

The June 30, 2002, combined financials for LICUs indicate that the investment portfolio tends to be more liquid (refer to Figure 15 for investment mix) than the portfolio held by all federally insured credit unions.

Figure 15

Maturity or Repricing Period	Percentage of Total Investments Jun-02	
	LICUs	**All CUs**
<1 year	45.6%	38.1%
1 to 3 years	39.7%	42.9%
3 to 10 years	13.0%	17.6%
> 10 years	1.6%	1.4%

LICUs reported $2.3 billion in investments at June 30, 2002. Changes in the investment portfolio mix during 2002 included a one percent movement from the banks/S&Ls to corporate credit unions category. The portfolio mix for LICUs is illustrated in Figure 16.

Figure 16

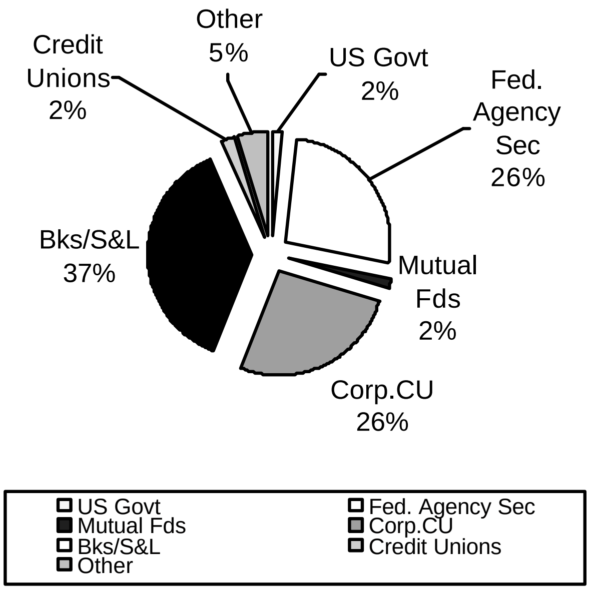
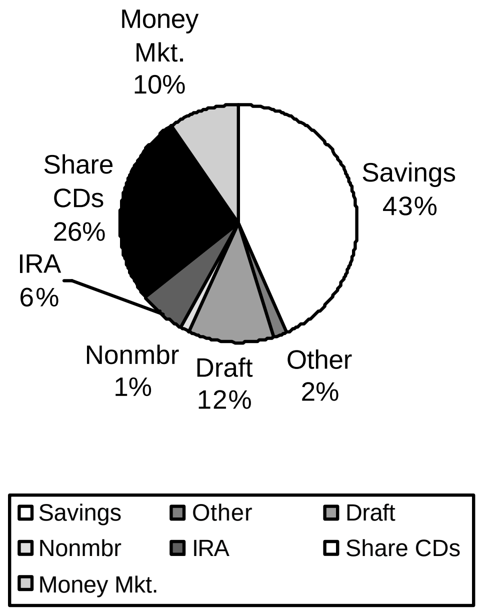


Figure 17



The LICU's investment portfolio mix differs from all federally insured credit unions as follows:

- Investments in banks/S&Ls are 20 percent higher in LICUs than all credit unions.
- Investments in Federal Agency Securities are 26 percent lower in LICUs than all credit unions.
- Investments in corporate credit unions are eight percent higher in LICUs than all credit unions.

Shares

LICUs promote their savings programs among their membership. As of June 30, 2002, LICUs report over $10.7 billion in savings and deposits. Another source of deposits can be obtained from nonmembers. Changes in the share portfolio mix during 2002 included a four percent movement from share certificates that was divided into the following share categories: two percent increase in regular savings category, one percent increase in drafts category, and a one percent increase in the money market category. Figure 17 shows the share portfolio mix for LICUs.

Notable differences in the share portfolio mix between the LICUs and all credit unions include:

- The LICUs portfolio has seven percent less in the money market category than all credit unions.
- The LICUs portfolio has eight percent more in the regular share category than all credit unions.
- The LICUs portfolio has two percent more in the share certificates category than all credit unions.

Net Worth

Low-income credit unions as a group are well capitalized with a net worth ratio of 10.9 percent. Figure 18 displays net worth[5] to assets ratios. LICUs net worth ratios continue to be at the same level as all credit unions; however the net worth ratio for LICUs includes the secondary capital account. The total amount of secondary capital accounts increased by 21 percent (not annualized) during 2002. The year-end secondary capital account balances over the past three periods are shown in Figure 19.

Figure 18

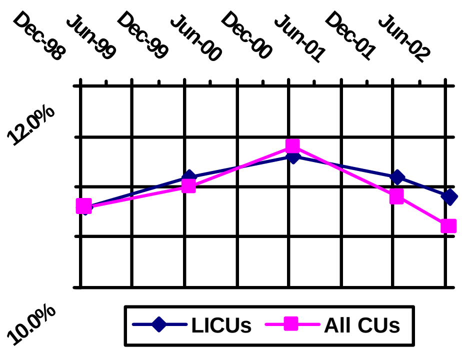


Figure 19

	Dec –00	Dec-01	Jun-02
Secondary Capital $	7,965,840	8,860,506	10,741,560

Earnings

The combined semi-annual 2002 return on average assets (ROA) ratio for all LICUs was 0.8 percent. This compares to the one percent ROA recorded by the combined federally insured credit unions. Figure 20 illustrates the composition of the ROA. Refer to subsequent topic headings for more detail.

Figure 20

	Percentage of Average Assets				
	Dec 00 LICU	**Dec 01 LICU**	**Jun 02 LICU**	**Dec 01 All CUs**	**Jun 02 All CUs**
Gross Income	9.9%	8.5%	7.5%	8.0%	7.0%
Provision for Loan Loss Expenses	0.6%	0.5%	0.5%	0.3%	0.4%
Cost of Funds Expenses	3.7%	3.2%	2.3%	3.3%	2.4%
Operating Expenses	4.7%	4.0%	3.9%	3.4%	3.2%
ROA	0.9%	0.8%	0.8%	1.0%	1.0%

Gross Income

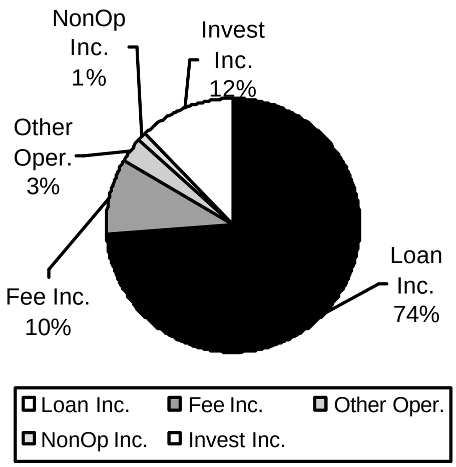
LICUs gross income to average assets ratio declined by one percent since 2001. Figure 21 illustrates the breakdown of the elements that compose LICUs' gross income. Changes in the income portfolio mix in 2002 included a three percent movement from the investment income to the following categories: one percent increase to fee income category and two percent increase to loan income category.

Notable differences in the income mix between the LICUs and all credit unions include:

- The LICUs income from investments is five percent lower than all credit unions. Whereas, their loan income is five percent higher than all credit unions.
- The LICUs fee income is one percent higher than in all credit unions.

[5] Net worth includes the retained earnings balance of the credit union at quarter end as determined by generally accepted accounting principles. For LICUs, net worth also includes secondary capital accounts that are uninsured and subordinate to all other claims, including claims of creditors, shareholders, and the NCUSIF.

Figure 21



Expenses

Figure 22 shows the breakdown of expenses for LICUs. Most of their ratios are comparable with all federally insured credit unions except the Provision for Loan Losses expense. There had been historically a higher percentage in the Provision for Loan Losses (PLL) expense category for LICUs than all federally insured credit unions. The PLL expense is used to record the periodic charge(s) to operating expense necessary to maintain a reasonable Allowance for Loan Losses (ALL) account. The ALL account balance represents a valuation allowance showing management's judgment as to probable losses that have been incurred in the normal payoff of outstanding loans, both current and delinquent. LICUs historically have carried a higher percentage of delinquent loans than all credit unions; therefore the percentage of the PLL expense to their total expenses ratio is higher to cover the additional probable losses from delinquent loans.

Figure 22

Expenses to Total Expenses Ratio	LI CUs Dec-01	LI CUs Jun-02	All CUs Dec-01	All CUs Jun-02
Employee Comp & Benefits	44.3	44.4	44.9	44.8
Travel & Conference	1.5	1.4	1.3	1.3
Office Occupancy	5.7	5.7	5.9	5.9
Office Operation	19.2	19.0	20.2	19.7
Education & Promotion	2.8	2.7	3.0	3.0
Loan Servicing	3.2	3.3	4.7	4.8
Professional & Outside Services	6.7	6.6	6.7	6.6
Provision for Loan Losses	11.3	11.5	9.0	10.0
Member Insurance	1.8	1.7	0.9	0.9
Operating	0.6	0.6	0.5	0.5
Misc.	2.8	3.2	2.7	2.7

Cost of Funds

The LICUs 2001 cost of funds to average assets ratio is comparable with all federally insured credit unions (refer to Figure 20).

Summary

The Access Across America Initiative is furthering partnerships between credit unions and key federal agencies and other organizations to provide access to affordable financial services especially to underserved and low-income communities and to foster business development of credit unions.

Credit unions continue to expand into underserved areas with more than 9.1 million potential members being added from these areas this year.

One program that promotes credit union development is the Small Credit Union Program (SCUP). As of June 30, 2002, there are 813 credit unions participating in this program. Credit unions that participate in the program receive assistance through on-site assistance contacts or regional workshops. As of June 30, 2002, the regions completed 11 workshops that were attended by more than 500 credit union representatives. Credit unions can contact the NCUA regional offices for more information regarding the SCUP.

The number of LI designated credit unions (LICUs) increased by 75 during the first six months of 2002, to 864. Credit unions receiving this designation can participate in the benefits described on page 3 of this report. Credit unions can contact the NCUA regional offices for more information regarding attaining a low-income designation.

Financial highlights for low-income designated credit unions (LICUs) are as following:

- Asset growth of 12 percent - comparable to the 15 percent reported by all federally insured credit unions.
- Current member growth of four percent – all credit unions reported a two percent growth.
- An average loans to assets ratio of 64 percent – all credit unions reported a ratio of 62 percent.
- A delinquency ratio of 1.69 percent – all credit unions reported a ratio of 0.73 percent. The delinquency ratio for LICUs has historically been one percent higher than all credit unions.
- A charge-off ratio of 0.67 percent – comparable to the 0.49 percent reported by all credit unions.
- A net worth ratio of 10.9 percent – comparable to the 10.6 percent reported by all credit unions.
- A return on average assets ratio of 0.8 percent – all credit unions reported a one percent ratio.

The Community Development Revolving Loan Fund Program (Fund) approved grants totaling $487,715 and loans totaling $1.3 million during the first six months of 2002.

For more information regarding the programs outlined in this report, contact your NCUA regional office or the Office of Credit Union Development.