SUPPLEMENTAL CAPITAL AND CREDIT UNIONS

Data as of March 31, 2015

What Is Supplemental Capital?

Natural person credit unions increase primary capital solely by retaining earnings.

Asset growth can outpace retained earnings growth, so even healthy growth can decrease credit unions' capital ratio.

Subordinated debt is a form of supplemental capital that low-income credit unions may use to improve their capital ratios.

Source: NASCUS & NAFCU

Who Has Access To Supplemental Capital?

✓ Banks & Thrifts

✓ Corporate Credit Unions

✓ Low-Income Designated Credit Unions

✗ Natural Person Credit Unions Without Low Income Designations

Natural person credit unions without low income designations are the only U.S. financial institutions that do not have access to capital sources beyond retained earnings.

Supplemental Capital At Credit Unions

$217.4 Million = 0.02% of industry assets; 0.17% of industry reserves

As of March 31, 2015, 78 natural person credit unions reported $217.4 million in supplemental capital, down from $229.5 million one year ago.

Source: Peer-to-Peer Analytics by Callahan & Associates

3 Ways Credit Unions Can Benefit From Supplemental Capital

1. It enhances the safety and soundness of the credit union system by buffering operating losses for individual institutions, thereby allowing them to react quickly and efficiently during economic downturns.

2. It helps credit unions expand their membership, take on more deposits, make more loans, expand service offerings, and stimulate the economy.

3. It provides regulatory flexibility to adjust capital requirements when the economic environment changes.

Source: Coalition For Credit Union Access

30 YEARS EST. 1985 CALLAHAN & ASSOCIATES the credit union company