

# **2008 Annual Report**

**Tennessee Department of Financial Institutions  
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Nashville, Tennessee 37219  
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[www.tennessee.gov/tdfi](http://www.tennessee.gov/tdfi)**

## CREDIT UNION DIVISION

**CREDIT UNION DIVISION**

This Division is responsible for the supervision and examination of each state-chartered credit union and one corporate credit union. Credit Union Examiners perform safety and soundness examinations of each state-chartered credit union and Volunteer Corporate Credit Union to determine compliance with governing laws and regulations. Credit union examiners perform evaluations of each credit union's assets, liabilities, income, and expenses in order to assess the solvency of the credit union. They also perform investigations as a result of complaints filed with the Department's Consumer Resources Division.

The financial health of Tennessee's credit union industry remains strong and is insured by the NCUSIF. Collectively, the 111 natural person credit unions regulated by the Credit Union Division have assets of approximately \$6.7 billion and assets grew 6.5% during the past 12 months. Capitalization remains excellent, with net worth totaling 13.01% of assets. Delinquency and charge-offs remain manageable and the return on assets was 0.78%. Individually, the institutions present a vast array of asset sizes, fields of membership and services. From the \$2.0 billion Eastman Credit Union in Kingsport to the \$50,000 Langston Bag Company Employees Savings Association in Memphis - all across the State, Tennessee's consumers receive valuable service from member-owned cooperatives.

Volunteer Corporate Credit Union continues to meet the financial services needs of our State's natural person credit unions (both State and Federal). This \$1.1 billion corporate credit union serves over 250 member credit unions. Primary offerings include traditional correspondent services such as investments, item processing, security safekeeping, consulting services, and web design.

With each examination mailed out, the Credit Union Division includes a voluntary survey to be completed at the conclusion of each examination. This is done to measure the overall efficiency and effectiveness of the examination and to determine the adequacy of communication skills. To ensure the confidentiality and the integrity of this process, completed surveys are mailed to an independent third-party who then handles accumulation of data and prepares a summary report. The results of the survey reveal that credit unions agree that the examination process continues to meet its goals.

The Credit Union Division remains accredited by the National Association of State Credit Union Supervisors (NASCUS). The NASCUS accreditation was recertified during 2005 (for another five-year period). Additionally, eligible Division examiners and supervisors have met the comprehensive criteria for NASCUS examination certifications. This Certification Program provides recognition to superior State credit union examiners and encourages continued professional development through the certification's required continuing education hours.

CREDIT UNION DIVISION

CREDIT UNION DIVISION PERSONNEL

(As of December 31, 2008)

*Headquarters-Nashville*

Trevor R. Williams, Assistant Commissioner  
 Vickie Young, Safety and Soundness Manager  
 Alica C. Owen, Financial Analyst  
 Kayce Cawthon-Stoker, Executive  
 Administrative Assistant

*Examination Personnel*

*West Tennessee District*

Randall Means, CSCUES, V, Supervisor  
 Dana R. Owen, CFE, CEIC, CISE, IV

*Middle Tennessee District*

Steve Eddings, CFE, CSCUE, CEIC, V,  
 Supervisor  
 Thomas Harper, CSCUE, IV  
 Harry P. Murphy, CFE, CSCUE, IV

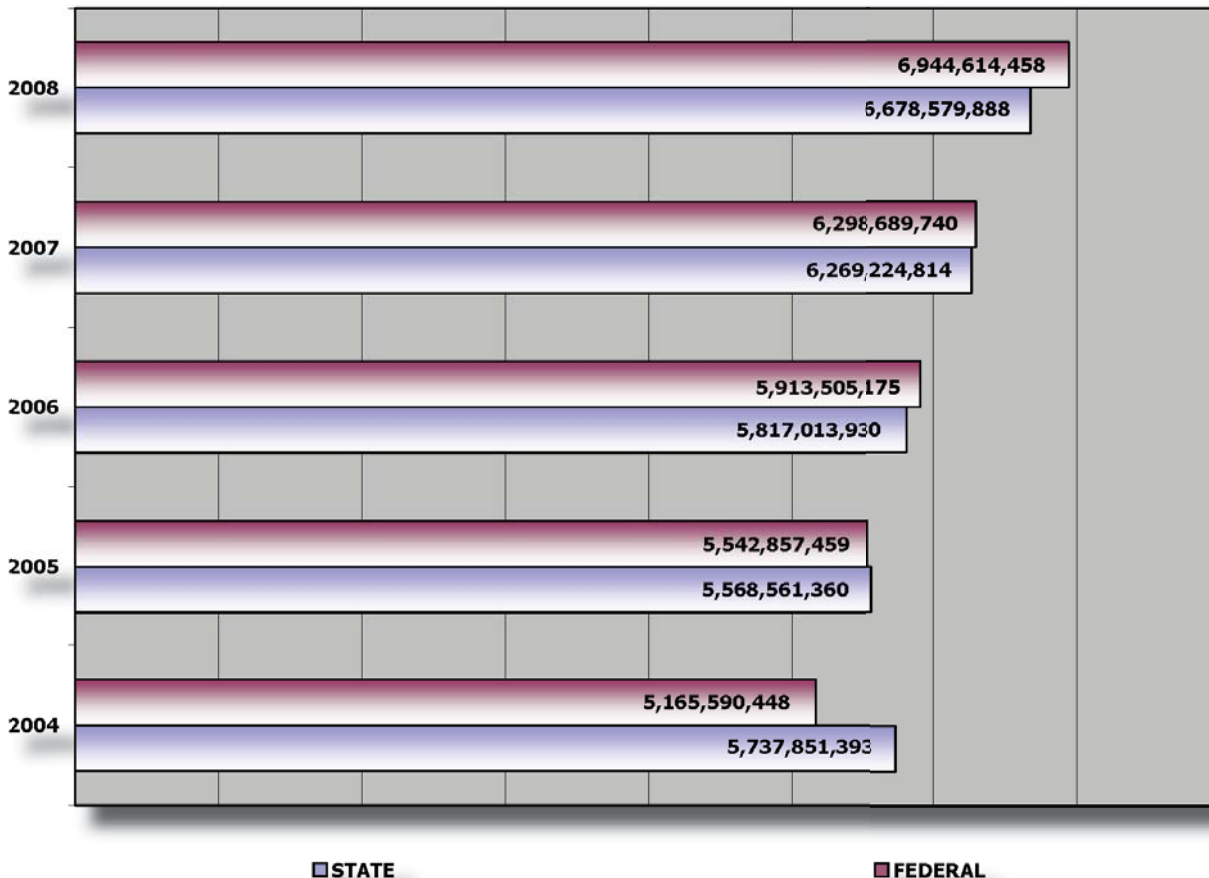
*East Tennessee District*

John R. Shires, CSCUES, V, Supervisor  
 William Cave, CFE, CEIC, CSCUE, IV  
 Lance Hogelin, CFE, CSCUE, IV  
 Shane Hardin, CFE, CSCUE, IV  
 Dwight Ward, IV

Examination Personnel Designation

“CEIC” Certified Examiner-in-Charge;  
 “CFE” Certified Financial Examiner;  
 “CISE” Certified Information Systems Examiner;  
 “CSCUE” Certified State Credit Union Examiner,  
 “CSCUES” Certified State Credit Union Examiner Supervisor.  
 Roman Numerals denote field examiner level.

Credit Union Assets (in Millions)



## CREDIT UNION DIVISION

*Corporate Reorganizations*

July 1, 2007 - June 30, 2008

*Mergers*

08/03/2007 Tennessee Paper Mills Credit Union, Chattanooga, TN, merged with and into Allied Printers/IBEW 846 Credit Union, Chattanooga, TN.

01/08/2008 League Central Credit Union, Chattanooga, TN, merged with and into Southeast Financial Federal Credit Union, Nashville, TN.

*Name Changes*

08/03/2007 Allied Printers/IBEW 846 Credit Union, Chattanooga, TN, changed its name to River City United Credit Union.

08/03/2007 AFG Employees Credit Union, Kingsport, TN, changed its name to AGC Credit Union.

11/29/2007 Medical Center Credit Union, Johnson City, TN, changed its name to Mountain States Credit Union.

*Charter Conversions*

01/22/2008 Covenant Health Credit Union, Knoxville, TN, converted to a Federal charter.



CREDIT UNION DIVISION

*Voluntary Liquidations*

01/28/2008 Bristol Tennessee Electric System Credit Union, Bristol, TN.

*Field of Membership Expansions*

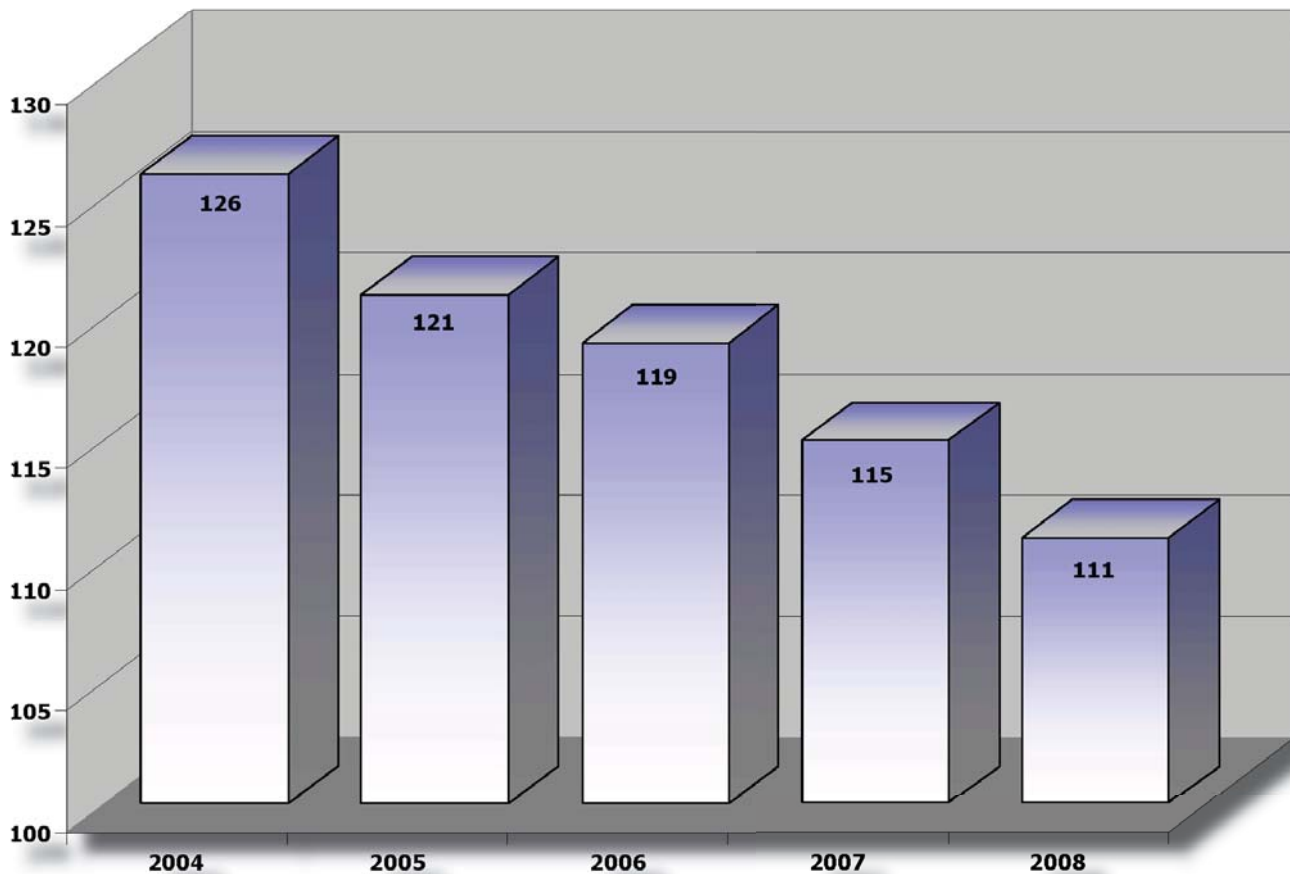
8/14/2007 American Savings Credit Union, Memphis, TN, added specific census tracts as an expanded underserved area in Crittenden, Arkansas and Tunica County, Mississippi.

9/13/2007 Knoxville TVA Credit Union, Knoxville, TN, added Johnson City, TN, to their existing community field of membership.

09/25/2007 Cornerstone Financial Credit Union, Nashville, TN, added Storico Industries, Nashville, TN.

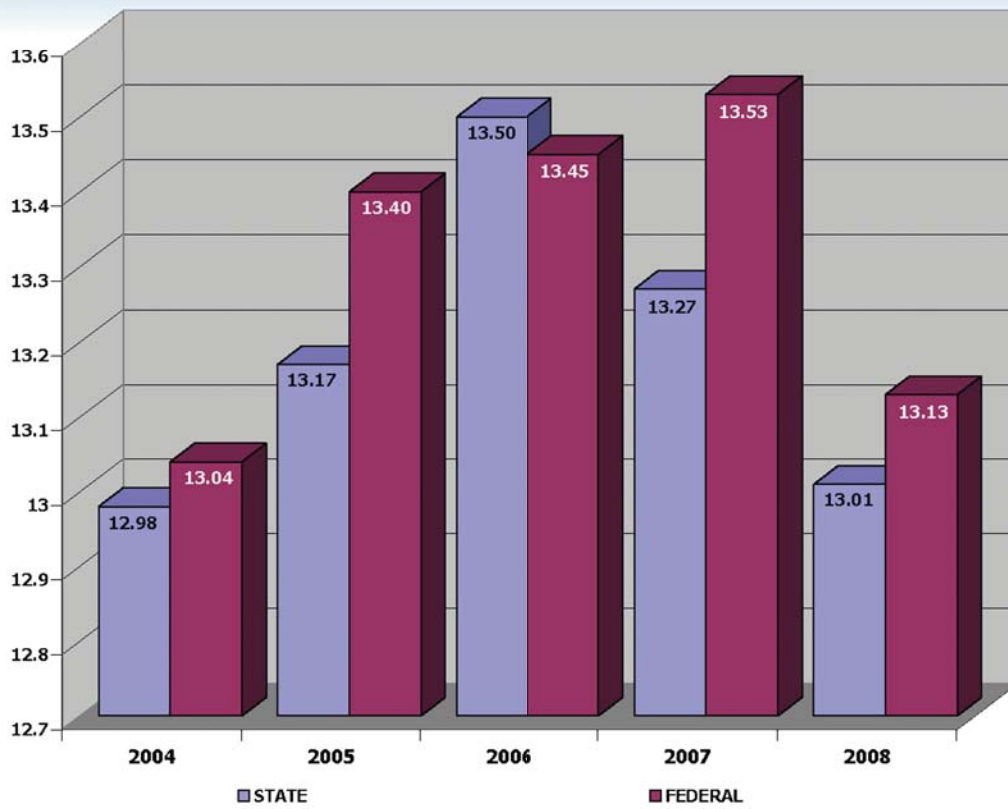
05/31/2008 Leaders Credit Union, Jackson, TN, added specific census tracts as an expanded underserved area of the City of Jackson in Madison County, TN.

**Number of State-Chartered Credit Unions in Tennessee (as June 30, 2008)**

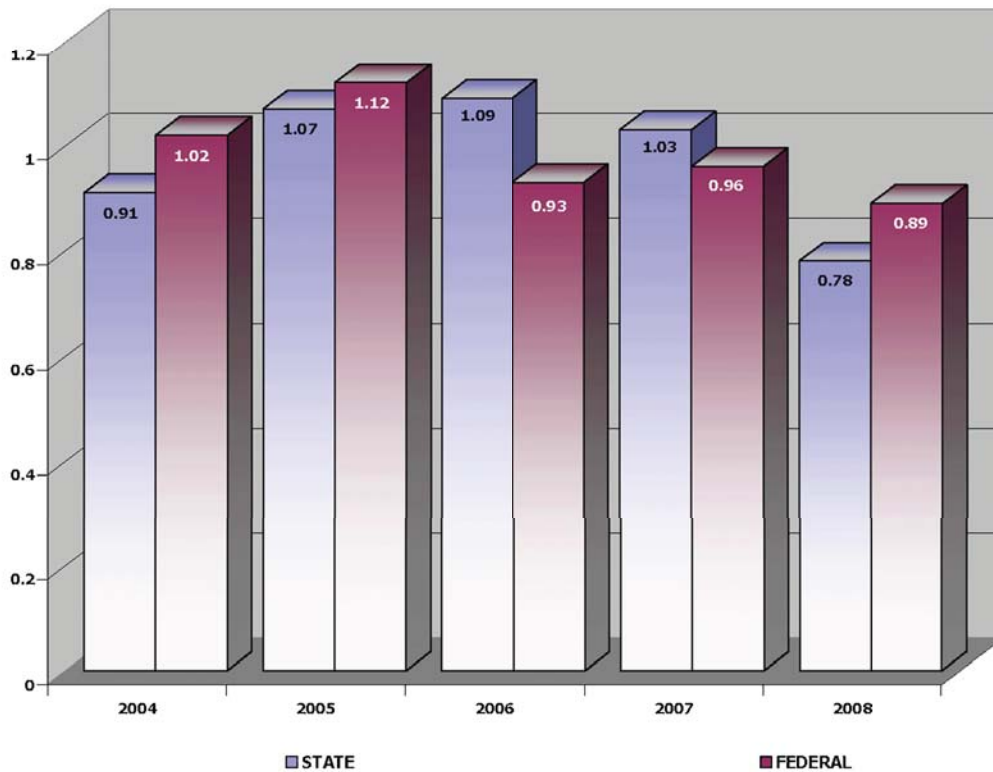


CREDIT UNION DIVISION

NET WORTH RATIOS (As of June 30, 2008)



CREDIT UNION RETURN ON ASSETS (As of June 30, 2008)



## CREDIT UNION DIVISION

### Tennessee State-Chartered Credit Unions Consolidated Balance Sheet

	June 2008	June 2007	% Change
<b>ASSETS</b>			
<b>CASH:</b>			
Cash on Hand	69,153,483	65,644,175	5.35%
Cash on Deposit	451,174,598	448,985,665	0.49%
Cash Equivalents	94,680,949	66,669,497	42.02%
<b>Total Cash</b>	<b>\$615,009,030</b>	<b>\$581,299,337</b>	<b>5.80%</b>
<b>INVESTMENTS:</b>			
Trading Securities	29,030,564	0	N/A
Available for Sale Securities	407,686,430	493,935,356	-17.46%
Held-to-Maturity Securities	180,328,402	298,125,877	-39.51%
Deposits in Commercial Banks, S & Ls, Savings Banks	436,439,833	202,596,236	115.42%
Loans to, Deposits in, & Investments in Natural Person Credit Unions	16,856,237	13,094,804	28.72%
Total MCS D and PIC in Corporate	30,333,969	28,285,075	7.24%
All Other Investments in Corporate Credit Unions	361,099,061	333,933,131	8.14%
All Other Investments	31,197,351	20,945,190	48.95%
<b>Total Investments</b>	<b>\$1,492,971,847</b>	<b>\$1,390,915,669</b>	<b>7.34%</b>
<b>LOANS HELD FOR SALE</b>	<b>\$0</b>	<b>\$93,575</b>	<b>N/A</b>
<b>LOANS AND LEASES:</b>			
Unsecured Credit Card Loans	125,917,875	117,685,945	6.99%
All Other Unsecured loans	275,953,905	274,774,103	0.43%
New Auto Loans	662,467,866	664,435,986	-0.30%
Used Auto Loans	1,007,499,190	951,347,347	5.90%
First Mortgage Real Estate Loans	1,686,618,693	1,469,788,797	14.75%
Other Real Estate Loans	370,782,723	376,754,217	-1.58%
Leases Receivable	1,540,968	2,127,104	-27.56%
Other Member Loans	186,770,662	203,491,294	-8.22%
<b>Total Loans</b>	<b>\$4,317,551,882</b>	<b>\$4,060,404,793</b>	<b>6.33%</b>
<b>ALLOWANCE FOR LOAN &amp; LEASE LOSSES</b>	<b>(38,479,278)</b>	<b>(31,693,593)</b>	<b>21.41%</b>

## CREDIT UNION DIVISION

*Tennessee State-Chartered Credit Unions Consolidated Balance Sheet (cont.)*

	June 2008	June 2007	% Change
<b>ASSETS</b>			
Foreclosed and Repossessed Assets	3,904,253	3,368,948	15.89%
Land and Building (Net of Depreciation)	133,355,971	120,340,968	10.82%
Other Fixed Assets	32,381,999	29,786,296	8.71%
Share Insurance Capitalization Deposit	45,918,904	44,143,153	4.02%
Total Other Assets	75,965,280	70,565,668	7.65%
<b>Total Assets</b>	<b>\$6,678,579,888</b>	<b>\$6,269,224,814</b>	<b>6.53%</b>
<b>TOTAL CREDIT UNIONS</b>	<b>111</b>	<b>115</b>	<b>-3.48%</b>
<b>LIABILITIES, SHARES AND EQUITY</b>			
Liabilities:			
Promissory and Other Notes Payable	123,624,246	158,996,303	-22.25%
Borrowing Repurchase Transactions	0	0	N/A
Uninsured Second Capital	0	0	N/A
Dividend and Interest Payable	6,527,120	7,202,609	-9.38%
Accounts Payable and Liabilities	57,055,499	46,153,165	23.62%
<b>Total Liabilities</b>	<b>\$187,206,865</b>	<b>\$212,352,077</b>	<b>-11.84%</b>
<b>SAVINGS/DEPOSITS:</b>			
Share Drafts	615,172,713	614,116,206	0.17%
Regular Shares	1,401,332,250	1,394,695,024	0.48%
All Other Shares and Deposits	3,610,006,312	3,223,216,587	12.00%
<b>Total Savings/Deposits</b>	<b>\$5,626,511,275</b>	<b>\$5,232,027,817</b>	<b>7.54%</b>

## CREDIT UNION DIVISION

*Tennessee State-Chartered Credit Unions Consolidated Balance Sheet (cont.)*

	June 2008	June 2007	% Change
<b>EQUITY:</b>			
Undivided Earnings	596,698,952	564,668,254	5.67%
Regular Reserves	238,020,255	228,467,795	4.18%
Appropriations for Non-Conforming Investments	0	0	N/A
Other Reserves	28,381,466	26,962,913	5.26%
Miscellaneous Equity	51,865	2,800	1752.32%
Unrealized Gains/Losses Average For Sale Securities	(-1,549,000)	(-7,207,892)	-78.51%
Other Comprehensive Income	(-2,778,751)	16,559	16880.91%
Net Income	6,036,961	1,934,491	-49.42%
<b>EQUITY TOTAL</b>	<b>\$864,861,748</b>	<b>\$824,844,920</b>	<b>4.85%</b>
<b>TOTAL SAVINGS/EQUITY</b>	<b>\$6,491,373,023</b>	<b>\$6,056,872,737</b>	<b>7.17%</b>
<b>TOTAL LIABILITIES/SAVINGS/EQUITY</b>	<b>\$6,678,579,888</b>	<b>\$6,269,224,814</b>	<b>6.53%</b>
<b>NATIONAL CREDIT UNION ADMINISTRATION INSURED SAVINGS:</b>			
Uninsured Shares	761,340,828	631,284,344	20.60%
Uninsured Non-Member Deposits	621,058	549,239	13.08%
Total Uninsured Shares and Deposits	761,961,886	631,833,583	20.60%
Insured Shares and Deposits	4,864,549,389	4,600,194,234	5.75%



## CREDIT UNION DIVISION

## KEY RATIOS FOR TENNESSEE STATE-CHARTERED CREDIT UNIONS

Ratio Description	June 2008	June 2007
<b>CAPITAL ADEQUACY</b>		
Net Worth/Total Assets	13.01	13.27
Net Worth/Total Assets—		
Incl. Optional Total Assets Election (if used)	13.03	13.28
GAAP Equity/Total Assets	12.95	13.16
Total Delinquent Loans / Net Worth	3.76	3.11
Solvency Evaluation (Estimated)	115.37	115.77
Classified Assets (Estimated) / Net Worth	4.43	3.81
<b>ASSET QUALITY</b>		
Delinquent Loans / Total Loans	0.76	0.64
*Net Charge-Offs / Average Loans	0.61	0.44
Fair (Market) HTM Investments Value/ Book Value HTM Investments	103.37	98.95
Accumulated Unreal G/L on AFS/Cost of AFS	-0.38	-1.44
Delinquent Loans / Assets	0.49	0.41
<b>EARNINGS</b>		
*Return on Average Assets	0.78	1.03
*Gross Income/Average Assets	7.16	7.37
*Yield on Average Loans	7.12	7.07
*Yield on Average Investments	3.78	4.65
* Fee & Other Operation Income / Average Assets	1.39	1.37
*Cost of Funds / Average Assets	2.50	2.58
*Net Margin / Average Assets	4.67	4.79
*Operating Expenses / Average Assets	3.43	3.45
*Provision for Loan and Lease Losses / Average Assets	0.49	0.31
*Net Interest Margin/Average. Assets	3.28	3.42
Operating Expenses./Gross Income	47.87	46.85
Fixed Assets & Foreclosed & Repossessed Assets / Total Assets	2.60	2.45
*Net Operating Expenses /Average Assets	2.38	2.40

*Key Ratios for Tennessee State-Chartered Credit Unions (cont.)*

	June 2008	June 2007
<b>ASSET / LIABILITY MANAGEMENT</b>		
Net Long-Term Assets / Total Assets	29.88	29.57
Regular Shares / Total Shares & Borrowings	24.37	25.87
Total Loans / Total Shares	76.74	77.61
Total Loans / Total Assets	64.65	64.77
Cash + Short-Term Investments / Assets	19.38	19.73
Total Shares, Deposits and Borrowings / Earning Assets	90.46	90.35
Regular Shares and Share Drafts / Total Shares and Borrowings	35.07	37.26
Borrowings / Total Shares and Net Worth	1.90	2.62
<b>PRODUCTIVITY</b>		
Members / Potential Members	9.10	8.60
Borrowers / Members	47.51	46.78
Members / Full-Time Employees	340.43	345.96
Average Shares per Member	\$7,068	\$6,598
Average Loan Balance	\$11,415	\$10,947
* Salary and Benefits / Full-Time Employees	\$50,167	\$48,843
<b>OTHER RATIOS</b>		
* Net Worth Growth	5.87	7.28
* Market (Share) Growth	14.02	9.32
* Loan Growth	6.30	6.06
* Asset Growth	10.71	8.49
* Investment Growth	21.96	14.09
* Membership Growth	3.71	3.33

\* Annualized figures