



## ***DCU BULLETIN***

*Division of Credit Unions*

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### **Rating Credit Union Earnings**

The purpose of this Bulletin is to remind credit unions that the Division and NCUA rely on NCUA's Letter to Credit Unions No. 161 when determining the CAMEL component for a credit union's earnings. The following page sets forth the earnings matrix from Letter 161.

According to the matrix, a credit union with over \$50 million in assets and a ROAA of 40 basis points should receive a "3" rating in earnings.

The Division will not vary from the matrix unless there is a compelling reason to do so.

Letter 161 may be found at: **<http://www.ncua.gov/ref/letters/e-let161.html>**

Letter 161 was last revised in December 1994. We expect the NCUA to revise Letter 161 in the near future to be consistent with the newly-adopted PCA rules. We are not aware whether the earnings portion of Letter 161 will change.

## Letter 161 Earnings Matrix

### Credit unions with assets of \$2 million or less

	1 Rating	2 Rating	3 Rating
ROAA	>1.25%	.9 - 1.25%	.4 - <.9%

	4 Rating	5 Rating
ROAA	.2 - <.4%	<.2%

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### Credit unions with assets of \$2 - \$10 million

	1 Rating	2 Rating	3 Rating
ROAA	>1%	.8 - 1%	.35 - <.8%

	4 Rating	5 Rating
ROAA	.15 - <.35%	<.15%

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### Credit unions with assets of \$10 - \$50 million

	1 Rating	2 Rating	3 Rating
ROAA	>1%	.8 - 1%	.35 - <.8%

	4 Rating	5 Rating
ROAA	.2 - <.35%	<.2%

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### Credit unions with assets of \$50 million or more

	1 Rating	2 Rating	3 Rating
ROAA	>1%	.8 - 1%	.35 - <.8%

	4 Rating	5 Rating
ROAA	.2 - <.35%	<.2%