

MANAGER'S EFFECTIVE COMMENTS

Capital Adequacy

The term “capital,” as used in this report, includes regular reserves, allowance for loan losses, undivided earnings and current earnings. The term “net worth,” as used in this report, consists of regular reserves, undivided earnings and current earnings. Both are used to measure the credit union’s financial strength and its ability to respond to changing financial conditions.

The credit union capital position remains strong. Capital was increased by \$85,797 to \$1,302,822 during the past 12-month period since our prior examination, an increase of 7.05%.

Capital represents 19.39% of total assets, and the net capital (equity after estimated loan losses) to total assets ratio is 19.01%. The solvency ratio, which is the relative worth of a dollar in members’ savings after adjusting for known and probable losses, is 123.34%. All these ratios indicate a strong capital position, which compare favorably to the peer group ratios for credit unions of similar asset size, which show capital and net capital ratios of 14.82% and 13.99%, respectively for the rating period.

The credit union’s net worth ratio is 18.21%. Based on this ratio, the credit union is considered

Use “credit union” less. Try “you” now and then.

I’ve underlined passive verbs, all avoidable. For “was conducted,” try “We conducted.” Check Google for passive voice lessons.

Omit ¶, add rating to top heading. Main messages go early.

We teach managers how to guide more and rewrite less—to help writers grow

to be a “well capitalized” credit union in the context of meeting minimum federal risk-based requirements for net worth.

A review of the Allowance for Loan and Lease Losses (ALLL) account was conducted and revealed over-funding in the account balance by \$54,014. The examination further disclosed that management did not perform any ALLL adequacy calculations during the examination period. A method of calculating the adequacy of the ALLL account must be developed in accordance with generally accepted accounting principles.

Based on the foregoing, the credit union has been assigned a CAMEL component rating of “1” for Capital Adequacy.

Renaldo, the section is organized. Now make it visibly so.

Consider defining “capital” and “net capital” later, where you discuss each—to group related ideas

Add Capital heading >

Yes! ¶ generalizes and then explains.

Bullet the three ratios. End all on % for easy comparison.

Break long sentence

Net Worth heading >



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