ISU Credit Union and the Great Recession: Asset-Liability Management Issues

Robert Tokle, Idaho State University
Joanne Tokle, Idaho State University

SYNOPSIS
Idaho State University Credit Union (ISU CU), despite being a well-managed depository institution, had to deal with the fallout of the worst recession since the Great Depression. As its capital-asset ratio fell precipitously, it successfully restored its capital with three strategies, but in turn these actions lead to increased interest rate risk. A basic measure of interest rate risk is called the “GAP.” This case describes actions by the Asset-Liability Management Committee (ALCO) to respond to these conditions and keep the GAP within acceptable levels, and explains how to perform a GAP analysis and interpret the results.

LEARNING OBJECTIVES
Upon successful completion of this case, student should be able to:

1. Explain how actions intended to increase the capital-asset ratio impacted other aspects of the management of the financial institution.
2. Perform a GAP analysis for a credit union.
3. Identify factors that affect the GAP and analyze their impacts.
4. Evaluate strategies that affect the GAP and assess their impacts.

APPLICATION
This descriptive case is appropriate for a junior/senior level finance, money and banking, and/or financial institutions course.

KEY WORDS
Capital, GAP, Risk, Credit Union

CONTACT
Dr. Robert Tokle, Ph.D.
Department of Economics
921 South 8th Avenue, Stop 8053
Idaho State University
Pocatello, ID 83209-8053
(208)282-3835
toklrobe@isu.edu