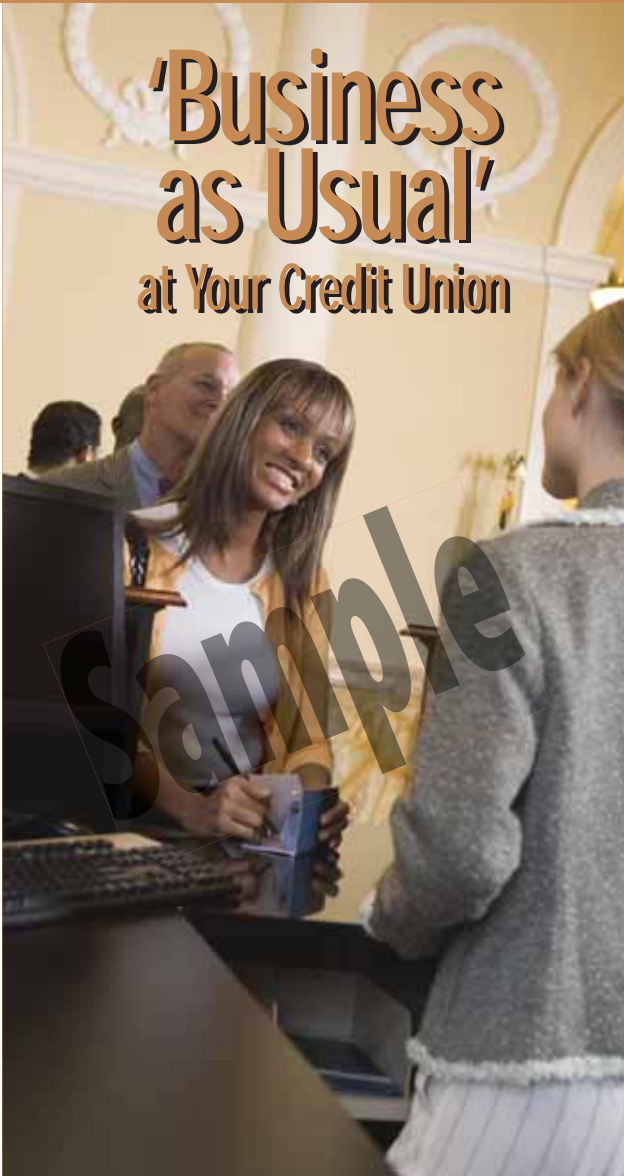


certainly qualifies. In fact, the capital ratio for credit unions as a whole is more than the average in the commercial banking industry.

And although loan delinquency and charge-off rates at credit unions are edging up in this economy, they are low compared with those of commercial banks.

Credit unions' unique structure and prudent operations make them the only part of the financial services sector to enter the recession in good shape, and to be coming through it in good shape. We are still lending. More new members every day are discovering what longtime members have always known—credit unions are a great place to manage your money and reach your financial goals.

Credit unions this year celebrate their 100th anniversary of service to American consumers. That's 100 years—through the Great Depression, World Wars, several lesser recessions—that credit unions have placed service to members above all else. We expect to put in another century of serving members with affordable, dependable financial services.



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the trade association for credit unions in the U.S.

Amid the gloomy headlines about the economy, home sales, and mortgages, credit unions continue to be a source of good news—and good loans.

The reason is simple, and comes from the credit union difference. Bank lenders accountable to stockholders must generate earnings to pay those investors. Not-for-profit, cooperative credit unions are owned by members only—you and other consumers—and thus have no motivation to maximize profits at the expense of borrowers. Credit unions make responsible loans at fair rates. A credit union lender works for a situation where everyone wins.

Still, in this economy, no individual, family, or lender is immune from effects of the recession—including our credit union. For example, even a prudently made home loan can become troubled when it's for a house whose value later declines 40% or more, or the mortgage holder loses a job.

## Strength in numbers

Just one strength of the credit union way of doing business is that credit unions support each other. For example, consider the National Credit Union Share Insurance Fund, which insures your credit union accounts to at least \$250,000.

We—and all other federally insured credit unions—pay insurance premiums annually. In our system, the insurance is entirely funded by credit unions. We also maintain a capital deposit with the National Credit Union Administration (NCUA), the federal insurer—equal to 1% of the total insured savings at our credit union—to further strengthen federal insurance.

Credit unions are different in another way: For some liquidity and investment services, we turn to unique credit unions—called corporates—that serve only other credit unions, not consumers.

Because of the nature of what they do, these wholesale credit unions operate in the capital markets. Although they invested in securities that were highly rated at the time they bought them, they, like so many others in those markets, have seen the value of their investments decline in the economic downturn.

As in our credit union, deposits in these wholesale corporate institutions are federally insured by NCUA. The reserves in its federal deposit insurance fund come from funds contributed entirely by credit unions, through the insurance premiums we pay annually, and that capital deposit equal to 1% of our insured shares. These funds, in turn, are backed by the full faith and credit of the U.S. government in the same way that the FDIC protects deposits in the nation's banks.

To address losses expected by some of these 28 corporates, NCUA has to charge all federally insured credit unions a higher premium.

We have the 'rainy day funds' put aside to replenish the fund. And the government is allowing us to spread those costs over multiple years, rather than one year, which is also helpful. Still, we will be paying a higher insurance premium this year and for a few more, both to make up for the corporate losses and to pay for the increase in your coverage to \$250,000. So these expenses shore up the insurance protection we all count on.

Our daily operations are not affected; we will continue to provide the same high level of quality services you have come to expect.

## Strength in reserves

We protect your credit union accounts in another way. We maintain plenty of capital reserves to act as a cushion to absorb losses for unusual and challenging circumstances, and today's economy