

Q&A/Soundbites for working with the media

Use this Q&A and soundbites with local reporters to the extent this corporate story receives coverage in local media markets.

Q: *I see credit unions are getting into trouble, and that the federal government had to take over daily operations of another big credit union. How can you assure your members that their deposits are safe?*

A: The most important point here is that credit union member deposits are safe and secure. The federal government took over what's known as a "corporate credit unions," which service credit union business activity. They do NOT serve every day credit union members. Everyday credit unions like ours are federally insured up to \$250,000 per depositor and backed by the full faith and credit of the U.S. government. We're strong and well-capitalized.

Suggested sound bite: "The bottom line is that your money is safe. We recognize that some may be concerned over what's happened, but folks can rest assured that ____ Credit Union is safe and secure, and it's business as usual here. Member deposits are insured up to \$250,000, and our level of high-quality service is unchanged."

Q: *(For credit unions near a corporate credit union network facility – not including _____): From what you've heard, is _____ Corporate Credit Union next on the list? Are we going to see more corporates taken over by the federal government?*

A: (And suggested sound bite:) We obviously can't speculate on an institution that isn't ours. But actions taken by the federal regulator and our industry have generally stabilized the situation with corporate credit unions. Before this action it had been more than a year since a corporate credit union has required government intervention, and it is something we as an industry are handling without the need for government money. For our own institution, it is definitely business as usual. We remain strong, healthy, and liquid and we continue to lend and provide the same high level of services our members have come to expect. Your deposits here are federally insured by a fund that is backed by the full faith and credit of the United States government.

Q: *I thought credit unions were safer than banks, and that this sort of thing couldn't happen. You guys claim in previous articles to have stayed away from the subprime mess. What's really going on?*

A: Here are the facts: This credit union, like the two other corporate credit unions that were conserved in March 2009, (U.S. Central Federal Credit Union, Lenexa, KS and WesCorp Federal Credit Union, San Dimas, CA) are not regular credit unions like ours that serve consumers. There are a small number (26) of wholesale institutions that do not serve consumers; they provide liquidity, investment and payments services to credit unions like ours. But when we talk about *everyday credit unions* being safe and secure, we mean exactly that. Your money is safe and federally insured.

Q: *But regular credit unions have failed too? Doesn't that suggest your industry is not really all that strong?*

A: As an industry we are healthy and well capitalized. Yes, there has been some collateral damage during the recession as some members lost their jobs, saw their home values decline or fell behind on payments. But overall the industry's level of capital—our cushion against losses—is a healthy 10% (capital to assets ratio) and has been at that level since the end of last year. That's considerably higher than the regulatory standard of 7% for being deemed "well capitalized."

And things continue to improve as the economy has turned the corner. The industry was basically breaking even (average net earnings of .07%) in 2008-2009), but that has grown to about 0.5% on average in the 12 months ending in March. Delinquency and charge-off rates are falling – as of mid-year 2010 credit union delinquency rates were about one-third the level seen in the commercial banking sector and credit union net charge-off rates were only 40% of the level reported by banks. About 45 credit unions out of 7,800 have failed since 2009, compared to nearly 250 banks over that same period.

Credit unions are also handling the costs of stabilizing the corporate credit unions, and we're paying for those costs ourselves, not turning to the U.S. taxpayer. These costs will have an impact, by no means a crippling one, on industry earnings. We estimate full-year earnings will be about 0.50% after we pay what the government is assessing us to address the cost of stabilizing these corporate institutions.

Suggested sound bite: The story remains the same. Everyday credit unions like ____ Credit Union maintain a conservative lending portfolio. We're highly liquid and well-capitalized, and we

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are weathering the economic storm well. We need to be clear that when we're talking about the corporate credit union system, we're not talking about everyday credit unions. The government has acted to stabilize the corporate credit unions. The credit union system utilized by 92 million everyday members remains safe, sound, and secure.

Q: *Are credit unions in trouble with bad investments?*

A : The vast majority of credit unions in this country are widely considered the most conservatively managed of financial institutions. As Chairman Barney Frank of the House Financial Services Committee has said on multiple occasions, If every institution had behaved like credit unions, we would not have had a financial crisis. The specific corporate credit unions that were taken into conservatorship on Friday, operated in the capital markets. Though they held highly rated, investment grade securities, like so many others in those markets, they have been severely affected by the economic downturn as it has dragged on. That's why the government takeover of this corporate institution occurred on Friday.

Suggested Sound Bite: "Again, credit unions are safe and secure. Members can and should know that their deposits are safe and insured. We're making loans and even witnessing growth this year. Everyday credit unions – the ones you and I go to – are safe and very healthy."