

October 3, 2008

To Our Members

Recently with all of the turmoil in the financial markets, our staff has received many more inquiries about the safety of your money on deposit with OUR Credit Union.

First and foremost, we are interested in a long-term relationship with you as a member. Our interest is not in making a lot of money off you with loans and products that you can't afford and shift the credit risk to someone else. The direct opposite of how we operate is what has caused so many worldwide problems now. There is no substitute for a conservative management that aims to operate by the principle that is what is good for you is also good for the credit union. Even though our deposit insurer, the National Credit Union Share Insurance Fund, which is backed by the full faith and credit of the federal government, insures your savings to a minimum of \$250,000 we do not want you to have to exercise that. (Note: You may have greater coverage with joint owners and retirement accounts.)

All the mortgage loans we approve we fund and hold in our loan portfolio, so we live with them until they are paid in full. This gives us a massive incentive to make sure you have a payment that you can afford over the life of the loan and not just until the next payment resetting; but that you have a record of paying your debts, and the appraisal of your property is done by someone qualified and independent from us and truly supports the value of the loan. We have used the services of Federal National Mortgage Association (FNMA) as we thought it was meant to be used, that is to sometimes sell a portion of the loan so we could free up that money to make other loans to members, when loan demand exceeded our available funds.

Currently we have 34% of our loans in automobile loans, 10% in other personal loans, 34% in First Mortgages, 6% in fixed rate second mortgages, 11% in Home Equity Loans, and 5% in participation loans to businesses. Currently 99% of our loans are being paid on time. Generally most of our loan losses have been due to divorce, loss of a second income, loss of a job, or a serious illness/injury that may lead to disability.

We did not participate in the purchase of the sub-prime mortgage securities that triggered many of the current problems. All of the mortgage-backed securities that we hold as investments remain AAA rated or its equivalent and paying monthly interest and principal payments.

Any mortgages that we have made to our members with less than perfect credit were made under fixed rates and at rates that were only 1 or 2% higher than the prime mortgage rate.

Unlike investment banks like Lehman or Merrill Lynch, we are not dependent on rolling over short-term debt to continue to fund operations. As a depository institution, you - the members - provide nearly all of the funds that we use to operate.

Also as a group, depository institutions are generally more closely regulated. We are examined by our state regulators at least every 18 months, as well as audited by an independent CPA firm every year. Currently, our net worth exceeds 9%, our return on assets is positive, and we are classified as a well capitalized credit union.

We have been serving our members for nearly 50 years by providing affordable financial services and have tried to manage this organization in such a way that it will be around at least another half century.

Will we continue to see more mergers of financial institutions in the next several years? Most likely we will. There is more competition now in the financial services industry than I have seen in my 40+ year career and probably more branches and financial institutions available than the market demand currently can support.

On behalf of all of us that share in guiding the credit union, we hope that you continue your trust and loyalty and that you support our commitment to maintain the credit union as a sound financial institution for our membership.

Tom Zamberlan
President/CEO