

Financial Crisis? Don't Panic! *You Belong To a Credit Union*

By Leo Vaulin, CEO
CU*SOUTH, Inc.

What should you do? First, don't panic! You're a credit union member, and credit unions did not get us into this mess.

We are very carefully regulated, and we're not vulnerable to the greedy, risk-taking behavior that created \$700B in "toxic mortgages."

Your savings, up to \$100,000 per account (\$250,000 for IRA accounts), **are insured by NCUA - the National Credit Union Administration**, an agency of the Federal government. In exchange for providing this insurance, NCUA imposes careful regulations on every aspect of how credit unions operate, from the members we take in, to the loans we make – and how we manage our accounting.

This is a perfect opportunity to educate yourself about the factors that caused the financial mess – poor regulatory oversight, predatory lending behavior, and unrealistic accounting practices. Who benefited? *Everyone who made money by convincing people to buy homes which were outside their budgets. Who lost? First, everyone who suffered great personal losses when their home were foreclosed and de-valued.* And – thanks to these foreclosures - all of us, the American taxpayers. (Financial expert Dave Ramsey has an excellent discussion of the proposed financial bailout – check out www.daveramsey.com for more information.)¹

What can you do? **Get involved!** Tell your elected officials how you feel. The bail-out is not a one-time event – unless it's managed correctly, **there will be more.** Then, get involved at the grass-roots level – as you talk to family, friends, co-workers, encourage them to get involved in credit unions. Remember, our credit union is run by a Board of Directors that's elected from our membership – every member gets one share, and one vote.

Your support and involvement in the credit union movement helps protect our nation's economic future. It's that simple. The mega-banks like Chase, WaMu, Citi, and Merrill have proven that they can't manage themselves. The financial crisis they created is an example of just how important credit unions are.

Talking Points:

Credit unions have steered clear of the subprime mess. We're still lending responsibly.

- In the first four months of 2008, mortgages at credit unions grew faster than all other loans. Credit unions operate more conservatively and tend to hold more of their mortgage loans (about 70%) rather than sell them to Fannie and Freddie on the secondary market.
- Secondly, credit unions are member-owned and not-for-profit cooperatives. We exist to serve our members, not profit from them. Unlike the banks and brokers, we're not out to force loans on our members just to make a quick buck.
- Today 56% of credit unions offer first mortgages, and 90% of the nation's 90 million credit union members belong to one of the credit unions that offer first mortgage loans.

Credit unions are a safe harbor for consumer savings.

- Savings at credit unions so far this year have grown nearly 7%. In today's economy, consumers are increasing their savings in response to concerns about their economic future.
- More people seeking to put their money in a stable source offering good rates are turning to credit unions.
- As not-for-profit cooperatives, credit unions typically offer higher savings rates than banks. For a daily rate comparison, go to this link:
<http://www.creditunion.coop/ratedex.php>

Credit unions as a whole are healthy, with strong balance sheets.

- Credit unions are well capitalized. Their overall capital-to-asset ratio stands at a very solid 11.1%.
- Credit union mortgage delinquencies at the end of the first quarter stood at only 0.7%. First mortgage charge-offs were a miniscule 0.06%.²

¹ Source: DaveRamsey.com: "How We Can Clean Up a Lot of the Economic Problems"

² Source: CUNA: "America's Credit Unions: Secure, Strong"