

# TENNESSEE CREDIT UNION LEAGUE

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**Date:** February 9, 2009

**To:** Member Credit Unions

**From:** Thomas F. Gaines, President

**Re:** **Response to Members on Corporate Intervention**

The following are some thoughts that may be helpful in responding to questions or comments from your members. The basic perspective is that credit unions are well capitalized, deposits are insured, and we continue to operate without change. - No institution is immune to overall economic circumstances and general market conditions; however, credit unions are extremely well capitalized. They have not curtailed lending or service to members and expect to continue normal operations. - This is very repetitious. The basis for member reassurance is the same, no matter what the question.

## Q & A

*I have seen the media reports of problems with banks and the bailout of a credit union, is my money safe?*

Absolutely! Your accounts are insured to \$250,000 by the National Credit Union Administration, which is backed by the full faith and credit of the United States Government. There has been no government bailout of credit unions, similar to that of other institutions. A corporate credit union, which is different from our credit union, needed additional capital because of problems in the credit markets. Credit unions across the country are helping by providing needed funding, yet we remain one of the strongest capitalized segments of all financial institutions.

*Are there any problems with my credit union?*

While nearly every household and business has some kind of problem, there certainly are no problems that affect the safety of your accounts with us. Your accounts here are insured to \$250,000, backed by the full faith and credit of the United States Government. You can be confident that your deposits are safe, and we are business as usual.

*I have seen stories about large bank failures and stock market problems. Is my credit union safe?*

Yes! Credit unions like ours have not been directly involved with creating the subprime mortgages or the Wall Street speculations that caused those problems. Your deposits are insured to \$250,000, backed by the full faith and credit of the United States Government. While everyone is affected to some degree by general economic conditions, credit unions have remained well capitalized and

continue to be a bright spot as far as serving members with loans and other financial products.

*Should I divide my savings into several institutions to diversify them against the problems I hear about in the media?*

It depends on your situation. Your deposits here are insured up to \$250,000 and backed by the full faith and credit of the United States Government. You can increase insurance coverage by distributing your funds among several classes of insured accounts in our credit union. Government insured, credit union accounts are among the safest possible for personal savings. You gain no advantage in terms of safety by using several institutions unless you have deposits well in excess of \$250,000.

*What about my investment funds? Should I pull them out of the market and put them in the credit union for safety?*

These are questions for an investment professional; however, to the extent that you are advised to increase your cash and certainly for your personal savings and transaction accounts, they should be kept in government insured accounts such as our various share, share draft, and share certificate accounts.

*How safe are credit unions?*

Your deposits in any federally insured credit union are ultra-safe, with government backed insurance up to \$250,000 per account classification. Even in the very few instances where credit unions have closed, all members got back every penny of their deposits in the federally insured accounts. As a class, credit unions are well capitalized with among the highest capital levels of all financial institutions.

*What about this bailout of that big credit union? How does that affect you and my loans and accounts?*

In the first place, there was no government bailout. It was a specialty credit union known as a corporate, not an individual member credit union like ours. In that situation the corporate credit union held bonds that were affected by the worldwide dislocations in the credit markets. In order to safeguard its operations, nearly all the credit unions in the country provided the capital for support. Your accounts with us are insured with the backing of the full faith and credit of the United States Government.

Your loans are obligations to the credit union, and only impacted by your personal circumstances. We know our members and work closely with them to make sure they have the funds necessary to purchase homes, cars, and life's other needs. We expect to continue to provide these services to you and other members, without interruption. When you do business with our credit union, you do business with the other members and yourself.

*What will happen to our money if something unexpected happens to this credit union?*

The chances of such a situation are very remote based on our capital and operating history. However, if the next to impossible did occur, our government regulator and insurer would step in. All accounts would be audited, and paid to you or transferred in your name to another federally insured institution where your money would be available, just as it is here. But again, we are discussing a very hypothetical event that is unexpected. Under any circumstances, your money would be safe and available to you.

What happens if I loose my job or the plant closes and other members cannot pay their loans?

We would certainly do everything we possibly could to continue serving you and any other members in financial distress. We have a number of tools available to us in such situations. We will do everything we can to continue service and prevent hardships to our members.

Once again, this is pure speculation. Your accounts are insured and government guaranteed. They are not stocks and bonds that can decline in value. The question is not whether your money is safe and available, but the method used to make it available to you in case of such an unlikely catastrophe.

Do we have a corporate credit union in Tennessee? Is it safe?

Yes. Most of the credit unions in Tennessee are member/owners of Volunteer Corporate Credit Union. This corporate is in good financial condition. It is profitable and increasing its capital base. Volunteer Corporate Credit Union recently had an expert review of its security portfolio. There were none of the problems that led to the need for increased capital at U.S. Central, a corporate credit union that had experienced portfolio market problems.

Can we be sure that no more problems will develop?

There can never be guarantees that problems will not develop in the future. However, you can certainly be assured that the credit union industry has adequate capital to handle even the most severe threats. Once again, don't forget your savings and shares in this credit union are insured and backed by the full faith of credit of the U.S. Government.