

## Self-Help Federal Credit Union California

Strong Capital Ratio  
Rapid Growth Merger Strategy

**Mission:** Creating and protecting ownership and economic opportunity for all, especially people of color, women, rural residents, and low-wealth families and communities.

**Services:** Self-Help Federal Credit Union California provides financial products and services aimed at meeting the needs of immigrant, minority, and/or low-income families through a network of credit union branches located in low and moderate income neighborhoods throughout California.

**Management:** Board of Directors and management team are composed of both national and California staff. Management team includes individuals with backgrounds in CDFI management and operations, finance, law, and public policy.

**Impact:** Since Self-Help was founded in 1980, it has invested more than \$5.9 billion in individuals, families, and organizations. As of December 31, 2010 Self Help Credit Union and Self-Help Federal Credit Union California have served over 71,000 members.

**Investment Options:** Self-Help's deposit and savings products are available to anyone who joins the Center for Community Self-Help. Investment options for institutional investors include money market accounts and term certificates. Qualifying COIN Tax Credit Program deposits provide a one-time 20% California state tax credit.

COMMUNITY DEVELOPMENT  
STRATEGIES

NEW ENGLAND MARKET  
RESEARCH, INC.

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### Key Ratios and Statistics

*as of Dec. 31, 2010*

Total Assets: \$209.6 Mil  
Total Loans: \$139.1 Mil  
2010 Net Income: \$573,704

Net Worth/Total Assets: 20.78%  
Return on Average Assets: 0.35%  
Delinquency Ratio: 3.27%

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## ***About the Report***

Funds for the research for this report were provided by AltruShare Securities, LLC. AltruShare was launched in 2006 as an independent, comprehensive brokerage firm for institutional investors. AltruShare also is a type of social enterprise called “community investment enterprises,” which are for-profit companies owned by nonprofit organizations that benefit low-income communities. AltruShare helps institutional investors understand the opportunities to support underserved communities with investments that address the needs of these communities. Many of AltruShare’s clients are interested in having a social return on their investments without compromising their financial return.

The purpose of this report is to introduce Self-Help Federal Credit Union’s (Self-Help Federal) financial and management profile as well as their strategies to address some of the most compelling economic development problems in California. This report is not intended to provide investment advice. Potential investors should consult with their investment advisors prior to making any investment decisions.

### **Methodology**

This report was independently produced by Community Development Strategies and New England Market Research, Inc. Sources for this report include Self-Help Federal’s historical and year-to-date information from the National Credit Union Association (NCUA)<sup>1</sup>; peer-group statistics for CDCUs (as of December 2009) published by the National Federation of Community Development Credit Unions (the Federation)<sup>2</sup>; documents provided by Self-Help and Self-Help Federal, including documents available on both entities’ the websites<sup>3</sup>; and multiple in-depth interviews and written exchanges with senior management.

### **Community Development Strategies (CDS)**

Community Development Strategies (CDS) is a consulting firm specializing in community development, economic development and community finance issues. CDS provides training, planning, research, and consulting services to a wide range of public and private entities. Jayne Adelman, the Principal of Community Development Strategies, has over 20 years of experience working on community development and housing issues.

### **New England Market Research, Inc.**

New England Market Research, Inc. is a market research company that works with non-profit organizations and companies, performing qualitative and quantitative research on issues related to revenue generation and market access. Jack Northrup is the President of New England Market Research, Inc. Since 1997, the company has worked with over 250 companies conducting primary and secondary research.

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## Self-Help Federal Credit Union California

### *Self-Help Overview*

In 1980, the Center for Community Self-Help (“Self-Help”) was founded in Durham, North Carolina to provide management assistance to North Carolina worker-owned businesses. Self-Help went on to establish its financial affiliate Self-Help Credit Union<sup>4</sup> in 1984 when it began lending to people of color, women, rural residents, and low-income families. Self-Help provided a variety of services to help disadvantaged North Carolinians build wealth, including making loans for home and small business ownership. Self-Help Credit Union opened new branches and offered new products and services within North Carolina. In addition, Self-Help continued to establish affiliate institutions and programs as well as launch collaborative efforts that supported or augmented its work with low-income populations.

These include, but are not limited to, Self-Help Ventures Fund, which is one of the largest nonprofit CDFI’s in the country; the Center for Responsible Lending, a nonprofit research and policy organization dedicated to curbing predatory lending; the Latino Community Credit Union, a second affiliated credit union that Self-Help helped to establish to serve the Latino community; and one of the first domestic microloan programs, which has provided more than \$30 million in loans to 2,500 microenterprises.

### *Self-Help’s Mission*

Self-Help’s mission is “Creating and protecting ownership and economic opportunity for all, especially people of color, women, rural residents, and low-wealth families and communities.” Self-Help achieves this mission through its many community assistance programs that include the nonprofit Center for Community Self-Help, its financing affiliates Self-Help Credit Union, Self Help Federal Credit Union, and Self-Help Ventures Fund. These entities provide financing, technical support, consumer financial services, and advocacy for low-income communities.

Self-Help’s mission also includes helping borrowers nationwide to build wealth through ownership of a home or business; strengthening underserved communities by financing nonprofit organizations, childcare centers, community health facilities, public charter schools, and residential and commercial real estate projects; managing retail credit union branches that provide responsible and fairly priced accounts and services; and operating a secondary market program that enables private lenders to make more loans in low-wealth communities.

### *Self-Help Federal Credit Union, California*

Self-Help entered California in 2006 with an Oakland office of the Center for Responsible Lending. Self-Help Federal Credit Union<sup>5</sup> (Self-Help Federal) was federally chartered in the state of North Carolina in July 2008 for the purpose of creating an innovative community-based financial services model in California.

Self-Help expanded to California to meet the need and demand for a program that combines direct financial services and targeted research and advocacy. It has launched an ambitious strategy that management believes will create the largest CDFI in California. Self-Help is working to narrow the financial services gap for low-income families, and will seek to make changes in state and federal policies to protect low-wealth families from predatory financial practices.

Over the next five years, Self-Help plans to create a \$1 billion retail financial institution through Self-Help Federal Credit Union that will provide at least 100,000 lower-income Californians with a range of financial services. In addition, Self-Help will use the resources of its policy and research affiliate, the Center for Responsible Lending (CRL), to promote legislative and regulatory policies that fight predatory financial practices. Because these two approaches support each other, Self-Help hopes this strategy will be more successful than either approach undertaken alone. The financial institution, which operates as a market-driven lender, gives the policy work

credibility among advocates. By combining these efforts, Self-Help hopes to demonstrate to policy makers the positive outcomes of responsible financial practices, while at the same time impacting the lives of tens of thousands of low-wealth families directly.

Deposits in Self-Help Federal support responsible and affordable financial service alternatives to underbanked<sup>6</sup> consumers in California. The decision to enter California was based on several factors, including: 1) the size of the market, as California has a very large number of families that use payday lenders and other fringe financial services; 2) Self-Help's commitment to support and inform the activities of the Center for Responsible Lending; 3) Self-Help's interest in fighting predatory lending in California where it is prevalent; 4) Self-Help's desire to increase its impact nationally by operating in California, which is known as a place for innovation; and 5) the opportunity for partnership with the many community development organizations in California.

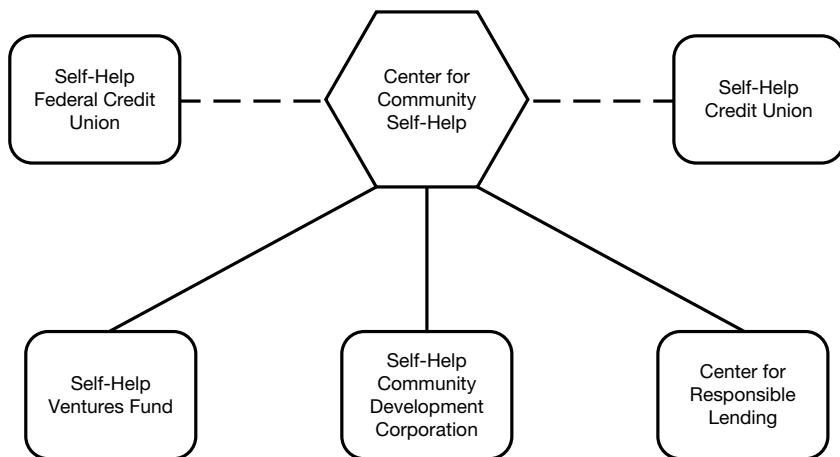
### **Merger Strategy**

Self Help Federal has employed a merger strategy to help reach its goals in California. It is merging with small community-based credit unions that are in need of merger partners either because they are too small to offer the services needed by their members, or because they do not have sufficient capital to remain in operation independently. For these credit unions, the options are few, and most would eventually be closed. With Self-Help capital and experienced management, and by consolidating systems, these credits unions will be stronger by joining with Self Help Federal<sup>7</sup>. Self-Help anticipates that achieving its long-term goal of developing a large scale, \$1 billion credit union serving low-income and immigrant communities throughout California will enable it to provide a breadth of financial products and services at affordable rates that will attract people who live in communities underserved by mainstream banks away from fringe financial outlets. It will also provide a strong base to support policy changes in California aimed at protecting consumers from abusive financial services providers.

### **Current Organizational Structure**

As described above, the Center for Community Self-Help is headquartered in North Carolina. It is a nonprofit 501(c)(3) organization that develops and coordinates Self-Help's programs, raises resources, and advocates for economic opportunity. Self-Help Federal is one of two credit union affiliates formed to help the Center for Community Self-Help implement its vision and mission.

**Fig. 1: The Center for Self-Help Organizational Structure**



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## ***Management Team***

Self-Help Federal's management team is composed of national and California staff. The Center for Community Self-Help's CEO and General Counsel oversee all parts of the organization. The management team includes individuals with backgrounds in CDFI management and operations, finance, law, and public policy. CEO Martin Eakes was a community development leader when he co-founded Self-Help in 1980. Under his leadership, Self-Help has provided almost \$6 billion in financing to more than 60,000 homebuyers, small businesses, and nonprofits. CFO Randy Chambers has been with Self-Help for 13 years and is a leader in the CDCU field. He was instrumental in the founding of Latino Community Credit Union, and is the chair of the Federation. Steven Zuckerman is managing director of the Self-Help operation in California. He is responsible for chartering and co-managing Self-Help Federal. Jack Lawson has been Vice President for Self-Help Federal since 2009, and in charge of its merger activities. He brings 12 years of experience as founder and CEO of Brooklyn Cooperative Federal Credit Union. Each Self-Help Federal branch in California has a branch manager who is responsible for daily operations of the office.

## ***Membership***

There are currently more than 50,000 members of Self-Help Federal. All financial products and services offered through the credit unions are available to local residents and employee groups within the counties and immediate geographic service areas of each full-service credit union and any member of the Center for Community Self-Help. To open an account for the first time in Self-Help Federal, there is a one-time membership fee of \$20. This fee is tax-exempt and it is a donation and membership contribution to The Center for Community Self-Help, the nonprofit 501(c) (3) organization that develops and coordinates Self-Help's programs, raises resources, and advocates for economic opportunity.

## ***Self-Help's Three Strategies***

Self-Help employs three primary business strategies in California. First, Self-Help Federal is developing a network of credit union branches in low- and moderate-income neighborhoods throughout California by merging with existing credit unions and expanding them. These branches serve as the base for providing a suite of financial products and services aimed at meeting the needs of immigrant, minority and/or low-income families. In these communities, high percentages of members did not have a bank account or relationship with a banking institution prior to becoming a credit union member. Many members used fringe financial services such as check cashers and payday and title lenders, who often charge exorbitant rates of interest and fees.

Since it received its charter from the NCUA in 2008, Self-Help Federal has merged with six other community credit unions in the San Francisco Bay Area and Central Valley of California. It currently has seventeen branches in California; all are divisions of Self-Help Federal, but some go by the original names of the merged credit union, such as Community Trust Credit Union and People's Federal Credit Union. Self-Help Federal offices are located in Oakland, Modesto, Riverbank, East Palo Alto, San Jose, Porterville, Bakersfield, and Lamont, all of which are considered underserved by traditional banking institutions<sup>8</sup>. Self-Help Federal is the one of the fastest growing credit unions in the country, and it has grown to be the second largest CDCU in California.

Self-Help's second business strategy is the development of micro-branches, which are a new concept for credit union branches, to provide an alternative to high-priced predatory financial services, such as payday lenders and check cashers. By locating in areas where low income and underbanked people traditionally shop and then designing the branch to look more like a retail store and less like a bank, these micro-branches are another way for Self-Help Federal to attract previously unbanked families into a depository institution and the financial mainstream. Self-Help's first Micro Branch is located in a Hispanic community in east San Jose. In addition to the products and services that Self-Help Federal offers, the Micro Branch offers check-cashing, remittances, money orders, bill-pay services, and ancillary products (stamps, phone cards, ect.); deposit-based checking and savings

accounts; a full line of lending products tailored to meet Micro Branch members' needs; convenient locations in densely populated, high traffic areas; extended business hours; and a familiar looking and supportive environment.

The third business strategy, developed in response to the foreclosure crisis, is a lease-purchase mortgage product available to nonprofit developers who are involved in neighborhood stabilization efforts by purchasing and renovating foreclosed and vacant properties. The lease-purchase loan provides long-term financing to nonprofits that have acquired foreclosed properties and wish to lease them with an option and expectation for future purchase to families who cannot yet qualify for a mortgage. These nonprofits identify "tenant purchasers" – renters who are likely to be able to assume the mortgage on the property in one to five years – and provide them with credit and homeownership counseling and property management services during the rental period. Nonprofits can use any number of sources for acquisition/rehab financing, including local government funds, Self-Help financing, or other sources. Once rehab of the property is complete, the nonprofit pays back the acquisition/rehab financing by taking out a lease-purchase mortgage on the property. This mortgage is originated by a bank partner and then it is sold to Self-Help. Self-Help retains the credit risk and sells the mortgage to Fannie Mae. The nonprofit can then re-deploy its acquisition/development capital into new projects. After the rental period, when the tenant purchaser can qualify for the mortgage under standard underwriting criteria, the tenant purchaser will assume the lease purchase mortgage from the nonprofit. This product is intended to facilitate more nonprofit developer activity that will recapture foreclosed homes, stabilize neighborhoods, and support responsible low-income home ownership. Self-Help has received approval to deliver \$200 million of these lease-purchase mortgages to Fannie Mae.

### Success Stories:

Although Self-Help Federal operates exclusively in California, its affiliated entity, the Center for Community Self-Help, oversees all parts of the organization, including the activities of Self-Help in North Carolina and of Self-Help Federal in California. Therefore, the experiences and success stories from both entities are relevant to California. Here are just a few examples of Self-Help's "Success Stories."

#### **Rocketship Education Charter Schools**

Rocketship Education is a charter school management organization in San Jose, CA. Its goal is to eliminate the achievement gap in elementary schools. After running two successful elementary schools that served high-need students, they received a \$6.48 million loan from Self-Help to open a third school to serve more than 400 low-income, mostly Hispanic students in the Los Suenos neighborhood.

Rocketship's innovative hybrid educational model allows them to operate their schools using only government funding. Students attend Learning Labs a quarter of each day, focusing on their individual learning needs while working on computers. These labs require no certified teachers, allowing Rocketship to reduce teaching staff and classroom space, for a savings of \$500,000 a year. Those savings go into improving the school through a full year of training for each new principal, extra tutoring for students performing below grade level, full-time academic deans to mentor students, higher salaries for teachers who demonstrate results in the classroom, and new buildings to house each new student.

Rocketship student scores are far above district, county, and state averages, and Rocketship plans to build more schools to extend their positive results to more high-need communities.<sup>9</sup>

#### **Small Business Success in Bikes 4 Life**

Longtime activist Tony Coleman wanted to open a neighborhood bike shop to help his community and provide sustainable career opportunities to kids in West Oakland. He had no success getting funding from mainstream banks, but in 2009 People's Federal Credit Union, a division of Self-Help, approved him for a loan. He started his grassroots bike shop Bikes 4 Life, holding bike sales, doing repairs, hosting public events, and teaching people how to repair their own bikes. His mission is to build community and promote sustainable businesses in West Oakland; he doesn't just sell and fix bikes, he helps build community leaders, teaching kids to develop leadership and business skills.<sup>10</sup>

#### **Combining a Passion with a Community Need**

After 15 years as a child care professional, including three as an administrator for the city of Durham, NC, Darnella Warthen finally decided to pursue her dream of opening a day care facility that served special needs children, an underserved niche that would put her Master's degree in special education to work. She opened A New Beginning in 2008, but precarious financial footing put it at risk. A delay in receiving the state's four-star recommendation meant that she received smaller reimbursements from the state, but Self-Help stepped in to assist her, temporarily adjusting her loan payments until her financial situation improved. Self-Help's flexibility "gave me the breathing room I needed," she says. She now cares for 30 children, several of them with special needs, and Self-Help's support allowed her and her staff to continue to provide this much-needed community support.<sup>11</sup>

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## ***Accounts and Loan Products***

Self-Help Federal's deposit and saving products are available to any individual or organization that joins the Center for Community Self-Help. Generally, its financial services and loan products are designed for low-income consumers and are offered through its branch network. However, socially responsible and mission-oriented investors are active users of these products too. Investors can make investments through Self-Help's website, by contacting its investment associates, or at its branch offices<sup>12</sup>. Deposits at Self-Help Federal are fully insured by the federal government up to \$250,000 per depositor and investors can access an additional \$250,000 in deposit insurance by making deposits in its affiliate, Self-Help Credit Union in North Carolina.

Money Market accounts offer a competitive interest rate with no penalty for withdrawal. There is a \$500 minimum balance to open and a \$5 monthly fee if the balance falls below \$500 at any time during the month. There is a limit of six third-party transactions per month, three of which can be checks. Customers can get personal printed money market checks for a small printing fee. The accounts also offer nationwide ATM access with no fee at co-op machines, and automatic direct deposits.

Term certificates (CDs) offer guaranteed dividends and monthly or quarterly dividends can be reinvested in the account. They have flexible terms ranging from three months to five years. There is a \$500 minimum investment, and an early withdrawal penalty equivalent to 90–180 days of interest, depending on the terms of the CD. Account holders can choose a below-market rate to support the Self-Help mission.

In addition to money market accounts and certificates of deposit mentioned above, Self-Help offers consumer based products such as several different types of individual retirement accounts (IRAs), and savings accounts with no minimum balance to earn interest.

## ***COIN Tax Credit Program***

Through this program from the California Office of Insurance, Self-Help Federal can now offer individuals and corporations the opportunity to make a deposit that not only supports their work, but earns an attractive return through a one-time 20% California state tax credit. The State of California developed this program in order to attract low-cost investments into CDFIs that have a mission of bringing responsible financial services and capital to disadvantaged California communities. Individual deposits can be up to \$3 million and must carry a five-year term and 0% interest rate in order to qualify for the tax credit, available for use in the tax year in which the investment is made. This product provides a 4.56% annual return for investors seeking the safety of federally insured deposits in a regulated institution.

## ***Impact on the Community***

The impact of Self-Help Federal's lending is increasing as it expands its branch network and attracts new members. With the development of the Micro Branch concept, Self-Help is experimenting with new methods to bridge the gap between fringe financial services and traditional banking services to help low-income people achieve financial stability. Micro Branches offer services that mirror those of fringe financial service providers but are much less costly and allow members an entry point to mainstream financial products and services.

Pew Foundation research published in 2008 found that 12% of Californians are unbanked, and 89% of these are low-income.<sup>13</sup> Self-Help Federal's offices are located in low-income areas to bring responsible and affordable credit and financial services to underbanked communities. Up to 65% of their members had not had bank accounts before working with Self-Help Federal.<sup>14</sup> Without access to conventional financial products, residents of the target market pay more for the financial services they need by using fringe financial services, and have difficulty building the credit record that is so essential to asset building. For example, the organization Social Compact estimated in their 2005 Drilldown Report that more than 60% of households in West Oakland have no credit history, which leads them to use expensive payday lenders and other fringe providers.<sup>15</sup>

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Other ways Self-Help Federal helps its communities is through financial education and on-site volunteer income tax assistance. In addition, Self-Help is working in the Bay Area, throughout California, and nationally to mitigate the damage from ongoing foreclosures, while also creating and stabilizing wealth-building opportunities for those low-income families most affected by the recession. In Oakland, California, Self-Help is operating its lease purchase mortgage program as a partner in the East Bay Community Foundation's Foreclosure Recovery & Asset Building Pilot. Other partners in this project include Community Housing Development Corporation of North Richmond, OneCalifornia Bank, and Staley & MacArthur Real Estate Services. In addition, Self-Help is in discussion with community development organizations in Los Angeles to form a similar collaborative there to help stabilize a neighborhood by acquiring foreclosed and blighted properties and rehabilitating them; and to provide low-income families the opportunity to acquire well-maintained homes as new homeowners or lease-to-purchase tenants.

### ***Overall Impact of Self Help and Affiliates***

Individual impact data for Self-Help Federal operating in California is not yet available because it is a relatively new entity. However, the cumulative impact of Self-Help, and its affiliates is significant. Since Self-Help was founded in 1980, it and its related entities have invested more than \$5.9 billion in individuals, families and organizations..

As of December 31, 2009 Self-Help Credit Union and Self-Help Federal have served over 43,000 members with the following characteristics: 84% are low-income borrowers; 46% are people of color; 42% are women; 33% live in economically distressed areas; and 17% reside in rural areas. Self-Help has provided \$318 million in direct mortgages to 4,293 homeowners and \$4.57 billion to 50,869 homeowners through its secondary market. Together, the Self-Help entities invested \$107 million in real estate development that produced 132 new homes 21 renovated commercial properties. Self-Help has originated \$419 million in small business loans to 3,201 entrepreneurs, who in turn created or maintained 24,142 jobs. They loaned \$213 million to 807 community facilities projects that resulted in more than 9,000 new jobs, and more than 50,000 new or preserved childcare spaces, charter school seats, and housing units. On the consumer side, Self-Help holds \$304 million in savings accounts and originated \$27 million in consumer loans, serving a total of more than 4,600 consumers.<sup>16</sup>

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## Financial Performance

Like all federally insured credit unions, Self-Help submits quarterly call reports to the National Credit Union Administration (NCUA), its regulating agency. The financial information presented below is from those reports.

### *Performance Measures: Peer Group Statistics from NCUA data and CDCU Peer Statistics from the National Federation of Community Development Credit Unions*

This report includes comparisons from two data sets. The first, based on financial data from the NCUA for all credit unions, compares Self-Help Federal with all credit unions. The NCUA data in this report are for the quarter ending December 31, 2010. Although the NCUA comparative data provide important information, they do not take into account the fact that as a CDCU, Self-Help primarily serves lower income individuals and provides a variety of services to meet the needs of this underserved population. The NCUA comparison data includes all credit unions, many of which may serve populations with higher incomes than the CDCU members. “Regular” credit unions do not usually provide the high level of customer service, training, and technical assistance that CDCUs provide, and therefore they do not incur those related staffing costs.

The second data set is from the National Federation of Community Development Credit Unions, which provides its own set of peer-group comparison data that includes only CDCUs in an effort to provide meaningful measures that balance regulation with mission. The Federation’s stated goal for providing these statistics is “to move beyond the past regulatory practice of simply comparing credit unions with others of their asset size, a comparison which does not take into account the high-needs, high-cost market that CDCUs serve. These statistics will enable CDCUs to ‘benchmark’ themselves against those credit unions that are truly their peers, and to better explain their operations to their examiners, supporters, and other credit unions.”<sup>17</sup> This report uses the Federation’s 2009 peer-group data to present a clearer picture of how Self-Help Federal compares to other CDCUs.<sup>18</sup>

It is important to note that even the NCUA has identified the importance of comparing Low-Income Credit Unions (LICUs) and CDCUs to one another and not just to the universe of all credit unions. In January 2010, it issued an official letter that discusses “the characteristics, benefits, and unique challenges of these types of credit unions.” In this letter, NCUA directs its examiners to take the unique mission and challenges of CDCUs into consideration when evaluating them during annual reviews.

The letter advises examiners to consider the effects that different kinds of funding may have on LICUs’ balance sheets. For example, sources such as nonmember deposits or secondary capital will affect a credit union’s financial ratios. Examiners should also look at the characteristics of members of LICUs and CDCUs. It is important to remember that LICUs and CDCUs have higher operating costs than other credit unions, and that higher delinquency rates do not automatically mean higher charge-offs, even if they may be higher than at other credit unions. Essentially, the letter advises, “Examiners need to look beyond the financial ratios to analyze the credit union’s financial condition accurately.”<sup>19</sup>

The NCUA stresses the importance of judging LICUs and CDCUs against their peers rather than against other credit unions with similar asset size, because the latter may benefit from payroll deductions that increase loan repayments or higher income members who maintain larger deposit account balances

## Assets

As of December 31, 2010, Self-Help Federal had \$209,601,083 in assets and 74 full-time employees. It was founded in July 2008 and merged with People's Federal Credit Union in September 2008. As of December 31, 2010 Self-Help Federal had 30,664 members. After the recent merger with 1st Pacific Credit Union in January 2011<sup>20</sup>, Self-Help Federal now has more than \$377 million in assets and serves more than 50,000 members.<sup>21</sup>

### Assets

	12/10	12/09	12/08
Cash & Equivalents	\$29,239,273	\$62,825,544	\$7,165,569
Total Investments	30,521,856	6,059,493	1,598,627
Loans Held for Sale	0	0	0
Real Estate Loans	108,084,485	22,349,455	7,208,563
Unsecured Loans	3,558,626	342,674	162,090
Other Loans	27,518,170	17,426,906	739,858
<b>Total Loans</b>	<b>\$139,161,281</b>	<b>\$40,119,035</b>	<b>\$8,110,511</b>
Allowance for Loan Losses	(465,392)	(414,142)	(128,764)
Land And Buildings	4,442,407	1,106,132	0
Other Fixed Assets	935,634	504,314	249,218
NCUSIF Deposit <sup>22</sup>	1,450,655	476,757	0
All Other Assets	4,315,369	2,956,450	99,484
<b>Total Assets</b>	<b>\$209,601,083</b>	<b>\$113,633,583</b>	<b>\$17,094,645</b>

The rapid growth in the credit union is demonstrated by its asset growth, particularly its loan portfolio growth, between December 2009 and December 2010. Total assets increased 84% since December 2009.

### Composition of Self-Help Federal's Assets:<sup>23</sup>

Self-Help Federal's assets are composed mainly of cash and cash equivalents, loans, mortgage backed securities and stock and investment capital.

- Loans: The majority of the loan portfolio (69%) is comprised of first lien single-family mortgages; 27% of the portfolio is consumer loans, most of which are car loans; and approximately 4% of the loan portfolio is comprised of commercial loans, most of which are secured by a first lien on property. Loan delinquency increased in 2009 as the economy worsened during the recession. However, Self-Help Federal's portfolio performance appears to be improving as evidenced by an improvement in the delinquency rate from 2009 to 2010.

### Loan Portfolio Composition

	12/10	12/09	12/08
Real estate loans	\$108,084,485	\$22,349,455	\$7,208,563
Unsecured loans	3,558,626	342,674	162,090
Other loans	27,518,170	17,426,906	739,858
<b>Total loans</b>	<b>\$139,161,281</b>	<b>\$40,119,035</b>	<b>\$739,858</b>
Delinquent/total	3.27%	3.98%	1.11%
Annual charge-off rate	0.05%	0.96%	0.29%*
Average loan balance	\$9,222	\$13,683	\$28,161

\* partial year

- Mortgage backed securities (MBS), Fannie Mae pass through MBS and 100% guaranteed by the federal government: These are composed of mortgages to low-income borrowers that were bought by Self-Help Federal's affiliate, Self-Help Ventures Fund (SHVF), which operates a national secondary market. After purchase by SHVF, they were sold to Fannie Mae and converted to MBS. Self-Help Federal uses MBS to pursue its mission of providing financing for low-income families, and increasing the yield on its assets during this period of rapid growth.
- Stock and Investment Capital: This is comprised of 1) Self-Help's share investment in the National Credit Union Share Insurance Fund, which supports the NCUA deposit insurance; and 2) membership capital in the Federal Home Loan Bank.

### ***Mortgage Purchase from State Employees Credit Union (SECU):***<sup>24</sup>

Self Help Federal purchased single family mortgage loans made to low-income families to support its mission and increase its yield on assets during this period of rapid growth. While Self-Help Federal is growing fast, their lending activity will not grow as fast as their assets. They seek other mission-related assets to increase their operating income.

- Amount: \$84,816,107 in first mortgages to low and moderate income borrowers.
- At time of purchase, loans had 0% delinquency.
- Purpose:
  - to deploy unused cash to increase interest earnings and to provide liquidity to a partner credit union to make more loans to low-income families. SECU will relend the cash to additional low-income borrowers.
  - to support an important partner. SECU and Self-Help have a 25 year relationship. SECU is the largest non-military credit union in the country.

Mortgage rates are lower than the rates on consumer loans (about half), so the return on loan assets is lower. This, in part, explains the fluctuation over the three year period in loan yield. The delinquent loan/total loan ratio has fluctuated in the last year and is double the peer average. Self-Help Federal expects to have higher than typical delinquency ratios (2-3% higher) because they serve lower income families than other credit unions. When these families have a personal financial problem, they are less able to absorb the problem without falling behind on a loan payment. However, Self-Help expects loan losses to be average compared to other credit unions because of the loan selection process and the assistance they provide to borrowers. Self-Help has a 25 year track record of maintaining higher delinquencies and low loan losses. Self-Help Federal's sister credit union in North Carolina, Self-Help Credit Union, has always shown this same pattern, and Self -Help Federal expects it will follow suit as it incorporates that same credit culture.

### **Liabilities And Capital**

	12/10	12/09	12/08
Dividends payable	\$2,633	\$12,925	\$8
Notes & interest payable	47,662	0	0
Accounts payable & other liabilities	1,774,955	1,034,063	90,455
Uninsured secondary capital	39,550,000	39,500,000	2,500,000
<b>Total liabilities</b>	<b>\$41,375,250</b>	<b>\$40,546,988</b>	<b>\$2,590,463</b>
Share drafts <sup>25</sup>	\$15,109,960	\$6,296,603	\$121,880
Regular shares <sup>26</sup>	45,831,697	15,799,170	864,900
All others shares & deposits	103,265,562	46,235,756	11,105,134
<b>Total shares and deposits</b>	<b>\$164,207,219</b>	<b>\$68,331,529</b>	<b>\$12,091,914</b>
Regular reserve	\$268,987	\$268,987	\$247,476
Other reserves	443,892	4,038,410	2,164,792
Undivided earnings <sup>27</sup>	3,305,735	447,669	0
<b>Total equity</b>	<b>\$4,018,614</b>	<b>\$4,755,066</b>	<b>\$2,412,268</b>
<b>Total Liabilities, Shares and Equity</b>	<b>\$209,601,083</b>	<b>\$113,633,583</b>	<b>\$17,094,645</b>

From 2009 to 2010, liabilities increased by just 2% and uninsured secondary capital remained flat at \$39,550,000. However, this level of capital represents a nearly 1500% increase in liabilities from December 2008 to December 2009. Yet, despite being classified as a liability on the credit union's balance sheet, secondary capital is a good thing, because it represents subordinate, long-term (five years or more) loans to the credit union. Even though it represents debt, it counts as net worth for regulatory purposes, with certain conditions.<sup>28</sup> Secondary capital is not an insured deposit, and is subject to various technical conditions and restrictions that must be acknowledged at the time of investment. Depending on the length of time to maturity, secondary capital may appear in the net worth section and/or the liability section of the balance sheet.<sup>29</sup> Self-Help's uninsured secondary capital is primarily from investments from its nonprofit affiliates. Its net worth ratio of 7.8% exceeds the minimum 6% regulatory requirement.

### **Operations And Earnings**

	<b>12/10</b>	<b>12/09</b>	<b>12/08</b>
Net income (loss)	\$573,704	\$1,018,757	\$2,281,840
Loan yield	6.74%	11.77%	2.67%
Investment yield	1.66%	0.76%	1.18%

### ***Net Income***

Self-Help Federal showed positive net income in the 4th quarter of 2010, but expects net income to be relatively low during the phase of rapid growth. This expectation is due to the following factors:<sup>30</sup>

- **Loan balances:** When a struggling credit union is merged it often doesn't have a large loan portfolio because it is not able to offer competitive terms on loans for its members. Self-Help Federal has merged with credit unions that have less than half their assets deployed in loans. Once merged, Self-Help Federal first focuses on changing the origination process and underwriting guidelines for loans before increasing loan volume. According to management, it takes up to two years for a merged credit union to establish a sound lending program utilizing Self-Help Federal's guidelines. For these reasons, Self-Help Federal has had a low loan/asset ratio, which depresses income.
- **Staffing:** At the time of a merger, some of the merged credit unions are overstaffed for their size. However, after a merger they start to grow again because of the new products and capital brought by Self-Help Federal. Sometimes Self-Help Federal reduces staff in the first months after merger, but more often, it retains them to support the growth that follows merger. There may be a period of 12-18 months after merger when a specific credit union branch is overstaffed until growth catches up; during this time, personnel expense can be higher than earned income and deposit growth might otherwise justify. To illustrate this point, credit union membership has increased more than ten-fold since December 2009. In December 2010, the ratio of members to full-time employees was 403:1 whereas the peer ratio is 371:1, likely reflecting the effects of mergers.
- **Contracts:** At the time of a merger, credit unions have a series of contracts with outside vendors to provide credit card, debit card, ATM, remittance, and other services. These contracts are often more expensive than those that Self-Help Federal can negotiate due to its larger size. However, there are often large penalties for breaking contracts before their term expires, and as a result, Self-Help Federal often endures higher cost contracts over the short term to avoid those penalties.
- **Cost of consolidation:** There are considerable costs incurred in consolidating credit unions. Like most merged financial institutions, the ultimate cost savings aren't realized until the second year after the merger, once the additional costs of consolidating are incurred and the economies of scale (fewer positions, accounting consolidations, regulatory, loan underwriting, lower contract costs, and a single software platform) are in place. Even as the merged credit unions start to show improvement, Self-Help Federal will continue to show low net income as long as it continues to have new mergers.

- NCUA Impairment and Premium Assessments: Like all federally-insured credit unions, Self-Help has been, and will continue to be, assessed an annual fee by NCUA to replenish the insurance that NCUA lost during the recession and resulting credit union failures. Although NCUA has assured its members that this fee, which is in addition to the annual 1% NCUSIF contribution, will not continue indefinitely, it is expected that NCUA will assess this fee in 2011.

### ***Selected Ratios of Financial Performance: Last 5 Quarters***

The following tables were taken from NCUA data<sup>31</sup> and include peer comparisons to all credit unions of similar size, not controlling for low-income or CDCUs. The charts below are included to measure loan performance and corporate strength and provide a peer comparison for these common industry ratios.

#### **Net Worth Ratios**

	12/09	3/10	6/10	9/10	12/10	12/10 peer avg.
Net Worth/Total Assets	38.94%	27.07%	22.3%	19.56%	20.78%	10.28%
Total Delinquent Loans/Net Worth	3.61%	4.74%	5.8%	6.91%	10.44%	11.35%
Net Worth Growth	800.91%	(4.15%)	(0.09%)	(6.23%)	(1.55%)	4.05%

Although Self-Help Federal's net worth appears to be declining during the last four quarters, its year-to-year growth from year-end 2009 to year-end 2010 is significant due to the mergers with existing credit unions. Self-Help Federal's net worth as a percentage of total assets has declined 87% in the last five quarters. However, in the most recent quarter it improved slightly and is more than double that of its peer group. In 2010, the credit union's net worth ratio was lower than its peers' in delinquency to net worth, although its overall delinquency rate is higher than peers. Self-Help Federal is well capitalized and its somewhat higher delinquencies still result in a net worth/total assets ratio that is significantly better than industry averages.

#### **Portfolio Quality**

	12/09	3/10	6/10	9/10	12/10	12/10 peer avg.
Delinquent Loans/Total Loans	3.98%	3.65%	4.15%	2.02%	3.27%	1.62%
Net Charge-Offs/Average Loans	1.59%	3.23%	0.07%	0.1%	0.09%	0.95%
Delinquent Loans/Total Assets	1.4%	1.28%	1.29%	1.35%	2.17%	1.02%

The table and chart above shows delinquency as a subset of the entire loan portfolio. Self-Help Federal's delinquency ratio was above the peer average during the last five quarters, but it decreased 18% from December 2009 to December 2010. As described earlier in this report, Self-Help Federal is a Low-Income Credit Union and a Community Development Credit Union and as such, it makes more loans to low income people in low income communities than those credit unions in the NCUA peer group.

Charge-offs (those loans deemed uncollectible by management) increased in the first quarter of 2010 when Self-Help Federal wrote-off loans from the merged credit unions in an effort to cleanse the inherited portfolio. Historically, the loan portfolios of Self-Help's other CDFIs have higher delinquency rates than many banks because they make loans to low-income families who have fewer resources, but charge-offs have always been well within industry norms.

## Earnings

	12/09	3/10	6/10	9/10	12/10	12/10 peer avg.
Return On Average Assets	1.56%	(0.19%)	0.09%	(0.29%)	0.35%	0.32%
Net Margin/Avg. Assets	4.71%	4.54%	4.11%	3.97%	4.35%	4.88%
Operating Exp./Avg. Assets	3.63%	4.63%	4.65%	4.68%	4.83%	3.85%
Net Interest Margin/Avg. Assets	3.75%	4.54%	4.11%	3.97%	3.18%	3.43%
Operating Exp./Gross Income	63.16%	80.59%	88.32%	91.49%	87.29%	63.96%
Net Operating Exp./Avg. Assets	2.75%	3.24%	3.48%	3.57%	3.73%	2.85%

The yield on average loans increased in the last reporting quarter, halting a four-quarter decline, and is now consistent with the peer-group average. Yield on average investments has more than doubled since December of 2009 and is consistent with the peer average.

Self-Help's return on average assets (ROA), obtained by dividing net income by the average assets for the two reporting periods, has declined since December 2009, and is a function of (relatively) low net income and high asset growth. Note that peer-group ROA is also quite low for the December 2010 period.

Operating expenses as a percentage of gross income have risen by approximately 24% during the past year. In December 2010, this ratio was 36% higher than the peer group, but likely resulted from consolidating the merged credit unions. (See explanation of merger effects on financial performance in the section above on "Operations and Earnings.")

### Asset / Liability Management

	12/09	3/10	6/10	9/10	12/10	12/10 peer avg.
Total Loans/Total Shares	58.71%	48.24%	40.18%	90.25%	84.75%	69.81%
Total Loans/Total Assets	35.31%	35.15%	31.2%	66.89%	66.39%	61.34%

Total loans/total assets nearly doubled since December 2009, reflecting loan growth, member investment growth, and recent mergers. As of December 2010, the ratios have declined slightly, but remain significantly higher than the peer group.

### Productivity

	12/09	3/10	6/10	9/10	12/10	12/10 peer avg.
Borrowers/Members	20.05%	23.21%	56.93%	51.36%	49.21%	48.24%
Members/Full-Time Employees	348:1	394:7	387:37	402:48	403:47	371:13
Avg. Shares Per Member	\$4,674	\$4,525	\$5,129	\$5,124	\$5,355	\$8,794
Avg. Loan Balance	\$13,683	\$9,405	\$3,620	\$9,004	\$9,222	\$13,734

The productivity chart above shows that Self-Help has been increasing its member base and that its members are generally lower income than their peers, as indicated by lower shares per member and lower loan balances.

The borrower/member ratio has more than doubled since December 2009, and is now slightly higher than the peer group. Note that Self-Help Federal's average loan balance has decreased since December 2009 and is 33% lower than the peer average, likely due to the low income status of its members.

## Growth Ratios

	12/09	3/10	6/10	9/10	12/10	12/10 peer avg.
Market Share Growth	465.1%	290.08%	250.69%	178.51%	140.31%	5.23%
Loan Growth	394.65%	167.03%	108.43%	346.03%	246.87%	0.02%
Asset Growth	564.73%	169.48%	148.98%	119.68%	84.45%	3.39%
Investment Growth	673.36%	150.71%	163.39%	(19.86%)	(17.20%)	15.74%
Membership Growth	390.44%	312.72%	210.68%	151.14%	109.74%	1.26%

As the table above shows, market share, loan, asset, and membership growth are significantly higher than the peer average. These higher averages are likely the result of the mergers with existing credit unions in California.

## *Peer Group Statistics: Community Development Credit Unions*

As described above, The Federation periodically supplies information on the CDCU peer group. Their most recent report provides information from 2009, using the median value of all reporting CDCUs in each category. The table below compares Self-Help data for the fourth quarters of 2009 and 2010 to the latest available 2009 CDCU peer group of similar asset value.

n=7	Assets	Net Worth	Loans to Assets	Loans to Shares	Delinquency Ratio	Net Charge Offs to Avg. Loans	OP. Exp./ Avg. Assets	ROA
Self-Help 2010	\$209,601,083	20.8%	66.4%	84.8%	3.3%	3.3%	4.8%	0.4%
Self-Help 2009	\$113,633,583	38.9%	35.3%	58.7%	3.9%	1.6%	3.6%	1.6%
CDCU Peer Group 2009	\$282,366,120	10.0%	61.6%	70.9%	3.7%	1.5%	4.4%	0.3%

Notwithstanding the small sample size from which to compare the CDCUs, Self-Help Federal is strong in relation to its peers in several areas: its net worth percentage is more than double that of its peers and its delinquency ratio is lower than peers. This indicates that its assets are performing well, which positively affects its earned income and protects its net assets. Charge-offs are higher than those of its peers, which could be a function of the poor economy in California and an effort to “scrub” the bad loans from the portfolios that it acquired through mergers.

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## *Summary*

Self-Help Federal is an affiliate of Self-Help, a nonprofit community development lender, credit union, real estate developer, and policy research group that works with individuals, organizations, and communities traditionally underserved by conventional markets. Since the establishment of the initial credit union in 1984, Self-Help and its affiliates have invested more than \$5.9 billion in over 71,000 families, businesses, organizations, and individuals. They have maintained a strong commitment to serving low-income individuals and communities while creating a strong lending institution with a track record of measurable community impact for over 30 years.

In 2008, Self-Help created the Self-Help Federal Credit Union in California. Since its founding, Self-Help Federal has experienced dramatic growth. This growth is a result of a deliberate merger strategy. Self-Help believes the environment in California is ripe for an initiative that combines direct financial services and targeted research and advocacy. It has launched an ambitious strategy to create the largest CDFI in California. Management hopes that over the next five years, Self-Help Federal Credit Union will become a \$1 billion retail financial institution that will provide at least 100,000 lower-income Californians with responsible financial services. In addition, Self-Help will use the resources of its policy and research affiliate, the Center for Responsible Lending (CRL), to promote legislative and regulatory policies to address predatory financial practices. By combining these efforts, Self-Help hopes to demonstrate to policy makers the possibilities of responsible financial practices, and at the same time have a positive impact on the lives of tens of thousands of low-income families.

Self-Help Federal employs a merger strategy to reach its goal. It is merging with small community-based credit unions that are either too small to offer the services needed by their members, or do not have sufficient capital to remain in operation independently. For these credit unions, the options are few, and most would eventually close. With Self-Help's capital, experienced management, and systems consolidation, Self-Help management anticipates that these credit unions will be stronger by joining with Self-Help Federal. Self-Help has raised uninsured secondary capital investments from government and social investors, which has helped create a strong balance sheet and a financially secure institution that can handle rapid growth.<sup>32</sup> Self-Help Federal Credit Union is a well-managed, well-capitalized institution that offers investment options for investors looking for government-insured investments that earn competitive rates of return.

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## Footnotes

- <sup>1</sup> National Credit Union Association, "5300 Call Report Quarterly Data Files," [www.ncua.gov/DataServices/FOIA/5300CallReportData.aspx](http://www.ncua.gov/DataServices/FOIA/5300CallReportData.aspx). Note: these files consist of the quarterly 5300 Call Report financial and miscellaneous information from natural-person credit unions.
- <sup>2</sup> National Federation of Community Development Credit Unions, "Peer Group Statistics for Community Development Credit Unions, Year Ending December 31, 2009," [www.cdcu.coop/files/public/PeerGroupStatsforCDCUs12-09.pdf](http://www.cdcu.coop/files/public/PeerGroupStatsforCDCUs12-09.pdf).
- <sup>3</sup> Self-Help website, [www.self-help.org](http://www.self-help.org); and Self-Help Federal Credit Union website, [www.self-help.org/california/self-help-federal-credit-union-in-california](http://www.self-help.org/california/self-help-federal-credit-union-in-california).
- <sup>4</sup> Self-Help Credit Union is a state chartered credit union operating in the state of North Carolina.
- <sup>5</sup> Self-Help Federal Credit Union is a federally chartered credit union, that is chartered in the state of North Carolina but operates in California.
- <sup>6</sup> Underbanked individuals have a checking or savings account at a bank or credit union, but use non-banks for financial services such as check cashing, money orders, bill payment, remittances, or borrowing. Unbanked individuals do not have a checking or savings account.
- <sup>7</sup> Information provided by Marty Belin, Investment Associate, Self-Help.
- <sup>8</sup> "Underserved community" is broadly defined as a community where people lack easy access to financial services, credit, and capital to enable them to meet their own financial needs and improve their economic position.
- <sup>9</sup> Rocketship Education website, [www.rsed.org](http://www.rsed.org).
- <sup>10</sup> Self-Help, "Self-Help Perspectives, Issue 8," [www.self-help.org/about-us/publications/newsletter/self-help-perspectives-archives/self-help-perspectives-issue-8/?searchterm=bikes+4+life](http://www.self-help.org/about-us/publications/newsletter/self-help-perspectives-archives/self-help-perspectives-issue-8/?searchterm=bikes+4+life); see also *Bikes 4 Life*, [www.bikes4life.com](http://www.bikes4life.com).
- <sup>11</sup> Self-Help, "Success Stories," [www.self-help.org/SelfHelp/www/success-stories-2](http://www.self-help.org/SelfHelp/www/success-stories-2).
- <sup>12</sup> Information for investors can be obtained from Marty Belin, Investment Associate, Self-Help 919-956-4466, [marty.belin@self-help.org](mailto:marty.belin@self-help.org) or from Wendy McCorkle, Investment Associate, at [wendy.mccorkle@self-help.org](mailto:wendy.mccorkle@self-help.org).
- <sup>13</sup> Pew Charitable Trusts, "Converting Basic Financial Services Fees into Prosperity: An Untapped Opportunity for Consumers and Banks," 2008.
- <sup>14</sup> A survey at the West Oakland branch in 2007 showed that 65% of members had not had a bank account and the Central Valley branches found that more than 40% of their members did not have a banking relationship prior to working with Self-Help Federal.
- <sup>15</sup> Social Compact, "Neighborhood Market Drilldown," August 2005, [www.oaklandnet.com/government/council/coun\\_mem/brooks/EastOaklandBook.pdf](http://www.oaklandnet.com/government/council/coun_mem/brooks/EastOaklandBook.pdf).
- <sup>16</sup> Information provided by Marty Belin, Investment Associate, Self-Help. Note that information was taken from an annual survey in a report submitted to Opportunity Finance Network. The categories in the report identifying types of loans may be different from the reports prepared for NCUA.
- <sup>17</sup> National Federation of Community Development Credit Unions, "Federation Resources: Reports and Publications," [www.natfed.org/i4a/pages/index.cfm?pageid=624](http://www.natfed.org/i4a/pages/index.cfm?pageid=624).
- <sup>18</sup> National Federation of Community Development Credit Unions, "Peer Group Statistics for Community Development Credit Unions, Year Ending December 31, 2009," 2010, [www.cdcu.coop/files/public/PeerGroupStatsforCDCUs12-09.pdf](http://www.cdcu.coop/files/public/PeerGroupStatsforCDCUs12-09.pdf).
- <sup>19</sup> NCUA, "Supervising Low Income Credit Unions and Community Development Credit Unions," NCUA letter no. 10-CU-01, January 2010, [www.ncua.gov/letters/2010/CU/10-CU-01%20Sup%20Letter.pdf](http://www.ncua.gov/letters/2010/CU/10-CU-01%20Sup%20Letter.pdf).
- <sup>20</sup> Other merged credit unions include El Futuro Credit Union, Kern Central Credit Union, and United Savings Federal Credit Union.
- <sup>21</sup> Membership has grown by approximately 17,600 members since the merger with 1st Pacific Credit Union in January, 2011.
- <sup>22</sup> This is the annual premium paid to the NCUA insurance fund for the credit unions' share insurance. It is paid annually and equals 1% of total assets.
- <sup>23</sup> Information provided by Marty Belin, Investment Advisor, Self-Help, E-mail and memorandum both dated 12-20-10.
- <sup>24</sup> *Ibid.*
- <sup>25</sup> The terminology used by credit unions for savings and checking accounts is different from the terminology used by other financial institutions. According to the National Association of Federal Credit Unions, a "share draft" (checking) account is a "dividend-earning account from which the holder is authorized to withdraw shares by means of a negotiable or transferable instrument or other order (similar to a NOW account)," [http://www.nafcunet.org/Content/NavigationMenu/About\\_Federal\\_Credit\\_Unions/Glossary\\_of\\_terms/Glossary\\_of\\_terms.htm](http://www.nafcunet.org/Content/NavigationMenu/About_Federal_Credit_Unions/Glossary_of_terms/Glossary_of_terms.htm).
- <sup>26</sup> A "share savings account" is the terminology that a credit union uses for a savings account. Because credit union account holders are "members" or owners, deposits in accounts are considered "shares." According to the National Association of Credit Unions, Glossary of Terms, a share account refers to a "regular share savings account and any other account that isn't a share certificate account. A regular share account doesn't require a holder to maintain a balance greater than the par value and doesn't require notice of intent to withdraw (except as may be in accordance with official bylaws). Shares are legally defined as equity and represent ownership."
- <sup>27</sup> Undivided earnings is the "accumulated net income after distribution to members and provision for reserves required by law, plus or minus increases or decreases in other reserves (such as a special reserve for losses), plus or minus other authorized direct credits or charges for adjustments affecting prior period operations, National Association of Credit Unions, About Credit Unions, Glossary of Terms.
- <sup>28</sup> Conditions include the following "If a credit union depletes all its "primary capital" (reserves and undivided earnings) and becomes insolvent – even temporarily – any secondary capital must be expended, and can never be repaid to the investor. Assuming a credit union remains solvent, it may count secondary capital as regulatory net worth and can be counted fully in the capital ratio as long as the loan has at least five years to maturity; when there are less than five years to maturity, a declining portion counts as net worth, while the rest is purely debt. If a credit union is ever liquidated, all other debt owed by a credit union must be repaid before the secondary capital loan is repaid." Information provided by Clifford Rosenthal, President/CEO, National Federation of Community Development Credit Unions, E-mail dated 3/11/11.
- <sup>29</sup> *Ibid.*
- <sup>30</sup> Information provided by Marty Belin, Investment Advisor, Self-Help, E-mail and memorandum both dated 12-20-10.
- <sup>31</sup> Peer group comparison is for credit unions with assets between \$100 million and less than \$500 million, National Credit Union Association, "User's Guide for NCUAs Financial Performance Report," NCUA 8008 (Revised March 2009), SSIC 10100.
- <sup>32</sup> The research in this report is for information only and is not investment advice.

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