



## Self-Help Credit Union - Financial Strength in Challenging Times

February 2009

While the recent credit crisis and upheaval in the financial sector have had a devastating effect on our economy in general, and the communities we serve in particular, Self-Help Credit Union (SHCU) remains strong and your deposits with us are secure. Our stability is evidenced by a number of financial indicators, a history of sound financial practices, and the recently increased federal deposit insurance on your investments. In short, we have sufficient funds on hand, the assets we hold are safe, our loans are carefully underwritten, and your deposits are safely insured. The information below is a detailed view of our financial position and the soundness of your investment with Self-Help. We appreciate your support and look forward to a long and healthy partnership.

- **Net Worth** – As of December 31, 2008, SHCU had a total regulatory net worth of \$41.1 million. Unlike for-profit companies, we have no stock, whose value can fluctuate. Virtually all of our net worth is derived from retained earnings. Net worth is the ultimate financial cushion in a crisis. It provides the resources to ride out hard financial times, assuring that an institution is highly unlikely to fail at all.
- **Strong Net Worth/Capitalization Ratio** – Another measure of SHCU’s financial strength is its capital ratio, or net worth divided by total assets. At the end of 2008, SHCU’s capital ratio was 12.3%, well above 7%, which is the federal statutory standard established by Congress for a credit union to be considered “well-capitalized”. This is the highest capital rating a credit union can receive from the National Credit Union Administration (NCUA). The average capital ratio for SHCU’s peer credit unions (credit unions with assets between \$100-\$500 million) was 11.6%. Therefore, in addition to having capital that is nearly twice that required by law, SHCU’s capital base is well above its average peer institutions. SHCU’s capital ratio has exceeded 10% for over a decade.
- **Return on Assets** – Self-Help Credit Union has been in existence for 25 years and has never experienced an annual operating loss. We earned \$2.86 million of net income during 2008. Our return on assets (net income/assets), the basic measure of profitability for a financial institution, is 0.90%. This is about twice what the average credit union is currently earning. Our loan losses are equal to or better than our peer averages, as well. SHCU could absorb a substantial short-term loss before even beginning to tap into over \$40 million in net worth to cover losses.
- **Asset Quality** – SHCU invests in loans to its members, not Wall Street stocks or toxic subprime securities. 99% of our home mortgages are to member-borrowers in North Carolina, which neither experienced the housing bubble, nor its burst. SHCU has never owned any subprime securities, Alt-A securities, private label securities, CDOs, corporate debt, corporate stock or commercial paper. We only own one class of securities – mortgage-backed securities that are issued and guaranteed by Fannie Mae, which is currently guaranteed by the U.S. government. Self-Help created these securities out of first mortgage loans we and our affiliates owned, so we are intimately familiar with the credit quality of the underlying mortgages.

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- **Low Loan Losses** – Most of SHCU’s loans are to borrowers with slightly blemished credit and/or modest incomes. However, these loans would not be defined as “subprime” as has come to be commonly defined in the marketplace, in that they are fully documented, properly underwritten and amortizing fixed-rate mortgages where we escrow for taxes and insurance. None of the loans are “nontraditional”, i.e., interest-only, payment option ARMs and/or negatively amortizing. In spite of the financial position of many of its borrowers, SHCU’s loan losses are generally below the industry average. During 2008, we charged off 0.63% of our loans, which is slightly below our peer group average. Furthermore, SHCU default rates on loans tend to be lower than traditional banks’ experience. Self-Help loan officers and underwriters are disciplined, know the market extremely well, and are expert in making loans.
  
- **Liquidity** – Most public companies and many private ones rely on outside institutions for their funding. Depositors like you account for 90% of our funding, and we issue no corporate debt (bonds, commercial paper, etc.). As of February 17, 2009, SHCU had over \$60 million of cash on hand and \$50 million of available borrowing capacity. That combined immediate liquidity capacity of \$110 million is 40 percent of our total deposit base of \$271 million, which is a very healthy amount and exceeds the liquidity of most financial institutions.
  
- **Federal Deposit Insurance** – Your deposits are federally insured up to \$250,000\* by the National Credit Union Administration, which is the FDIC peer for credit unions, and is similarly backed by the full faith and credit of the U.S. government. Given our financial strength and outside monitoring, we have no reason to believe you'll ever need to use the federal deposit insurance, but it is a reassuring presence.
  
- **Outside Review** – Self-Help is one of the most scrutinized financial non-profits in the country. We are reviewed at least annually by the state of North Carolina, NCUA, and our outside CPA auditors. State and NCUA examiners visited the credit union as recently as August. Since we contracted our first audit in 1989, we have received clean audit opinions each year. Our financial statements, like those of other credit unions, are published quarterly on NCUA’s website, [www.ncua.gov](http://www.ncua.gov). There has never been even a hint of mismanagement, impropriety or fraud by management or the board of directors.

## Conclusion

As you may know, our affiliated policy organization, the Center for Responsible Lending, has spent nearly a decade fighting against abusive subprime lending that has led, or will lead to, millions of families needlessly losing their homes. In spite of our efforts, the communities Self-Help aims to serve are under assault. We are doing everything we can to help these communities out, which includes making sure Self-Help is here for the long term by offering responsible lending alternatives for low-wealth, low-income families.

Thank you for your long-time support of Self-Help and the communities we serve. Depositors like you make it possible for Self-Help to serve communities in need. Your deposits are, in fact, needed now more than ever as it becomes more difficult for the families and communities we serve to get responsible financing for homes, small businesses and community facilities.

\* The maximum deposit insurance amount was raised to \$250,000 as a result of recent legislation, which also reduces this amount back to \$100,000 on December 31, 2009.

