



Self-Help Credit Union - Financial Strength in Challenging Times

Updated July 2009

While the recent credit crisis and upheaval in the financial sector have had a devastating effect on the U.S. 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 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 June 30, 2009, SHCU had total regulatory net worth of \$47.1 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.
- **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 June 2009, SHCU’s capital ratio was 13%, having been over 10% for more than a decade. This capital ratio is well above 7%, which is the federal statutory standard established by Congress for a credit union to be considered “well-capitalized”, and has earned SHCU the highest capital rating a credit union can receive from the National Credit Union Administration (NCUA).
- **Return on Assets** – Self-Help Credit Union has never experienced an annual operating loss in its 25 year history. In fact, we earned \$1.2 million of net income during a historically challenging 2008. We turned this profit in spite of \$1.6 million in one-time charges due to 1) investment losses by the “corporate” credit unions (wholesale institutions) that we use to manage our cash and electronic settlements and 2) due to insurance charges from our participation in the federal deposit insurance fund. This is reflective of the losses all federally-insured institutions are taking related to bad investments made by other institutions and is part of participating in a collective insurance fund that is largely beyond our control. Because of our positive net income, SHCU has the ability to absorb a short-term loss like this before tapping into over \$47 million in net worth.
- **Asset Quality** – SHCU invests in loans to its members, not Wall Street stocks or toxic subprime securities. Over 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 considered “subprime” as commonly defined in the marketplace. Our loans have always been fully documented, fixed-rate amortizing mortgages where we escrow for taxes and insurance. All are responsibly underwritten and have reasonable debt-to-income limits. None of the loans are “nontraditional”, i.e., interest-only, payment option adjustable rate mortgages and/or negatively amortizing. In spite of the financial position of many of our 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. While this figure may grow some in 2009 as unemployment worsens in North Carolina, we continue to generate positive net income to offset additional losses and continue to grow our net worth to build additional cushions against unforeseen events.

- **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 June 30, 2009, SHCU had over \$46 million of cash on hand and \$50 million of available borrowing capacity. That combined immediate liquidity capacity of \$96 million is over 30 percent of our total deposit base of \$274 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. 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. 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 the 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 people in need. Your deposits are, in fact, needed now more than ever as it becomes more difficult for those we serve to get responsible financing for homes, small businesses and community facilities from traditional lenders.

* Congress increased the maximum deposit insurance to \$250,000 through December 31, 2013, at which point insurance levels are scheduled to revert to \$100,000 for most accounts (IRAs will continue to be insured to \$250,000).

