

3rd Quarter 2008

October 1, 2008

FANNIN FEDERAL CREDIT UNION

Fannin Federal News

America's Credit Unions: Secure, Strong

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% (compared to 10% for banks). In dollars, that's a capital cushion of \$90 billion.

* More broadly, credit union loan delinquencies have edged up, but still are at a very low 1.0%

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

- In the first four months of 2008, mortgages at credit unions grew faster than all other loans. This at a time when mortgage losses have forced other lenders to scale back or close their doors entirely.
- Why? For one thing, credit union operate more conservatively and tend to hold more of their mortgage loans (about 70%) in portfolio 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.
- To the extent credit unions have been impacted by the sub prime debacle, it's primarily as collateral damage"—members having trouble making payments on other loans because of sub prime mortgage they've gotten elsewhere, or because some members are losing their jobs in today's down economy.
- But credit unions went into this with very strong balance sheets, and will still be in very strong shape when it's over.

Credit unions are a safe harbor for consumer savings.

- Savings at credit union s 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.

The Supervisory Committee is verifying accounts with this statement. If balances on this statement do not agree with your records, please contact the supervisory committee chairman, Bobby Danner, 849 CR 1270, Bonham, TX 75418 within 10 days. Please do not contact the credit union.

Office Holidays

Columbus Day	October 13
Veterans Day	November 11
Thanksgiving Day	November 27
Christmas Day	December 25
New Years Day	January 1

Special points of interest:

- *America's Credit Unions*
- *Federal Share Insurance*
- *Relay for Life*

- Consumers saved \$10.9 billion last year by using credit unions rather than banks. The savings come in the form of lower fees, higher savings rates and lower loan rates. That works out to about \$126 per credit union member or \$239 per household.

Federal insurance covers credit unions, too.

- Virtually all credit unions are federally insured by a fund that, like the FDIC, is backed by the full faith and credit of the U.S. government.
- As the FDIC does for banks, the National Credit Union Share Insurance Fund (NCUSIF) insures a person's savings up to at least \$100,000— with higher total coverage available if the member has a combination of individual, joint, trust, payable-on-death and other types of accounts; there is also separate insurance coverage of up to \$250,000 for individual retirement accounts.
- The NCUSIF is administered by the National Credit Union Administration (NCUA), an agency of the federal government. To determine insurance coverage, see the NCUA's insurance estimator at: <http://webapps.ncua.gov/ins/>
- The NCUA recently reported that the NCUSIF at mid-year remained strong, with an equity-to-insured deposits ratio estimate at 1.24% as of June 30 and projected to rise to 1.28% by year end.
- For more information of federal share insurance, see the NCUA brochure "Your Insured Funds" available at the link here: <http://www.ncua.gov/Publications/brochures/insuredfunds/funds.pdf>
- A relatively small number of credit unions (less than 170, with under 2% of all deposits) have opted for private deposit insurance. Private insurance funds typically have an equity ratio even higher than the federal fund, and state regulators oversee privately insured credit unions just like any other state-chartered credit unions. A credit union opting for private insurance is required to disclose this to its members.

How much coverage does each credit union member have?

Share accounts in federally insured credit unions are insured up to \$100,000—just as with FDIC coverage at banks. Generally, if a credit union member has more than one individual account in the same insured credit union, those accounts are added together and are insured up to \$100,000.

However, shares maintained in different legal ownership capacities may each be separately insured, which means that you may be able to keep substantially more funds at the credit union—conveniently and safely—and still have every dollar protected by federal insurance. If you would like some examples of the coverage, you can pick up a brochure at the credit union office.



Fannin Federal Credit Union is a proud sponsor of Relay for Life.

Come by the credit union office to find out what our current fundraisers are. Help us support this very worthy cause.