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January 29, 2009

Dear Member:

U.S. Central announced yesterday that it expects to report an unaudited net loss of \$1.1 billion for the year ended December 31, 2008, when it releases its financial results in the first week of February. The loss is primarily due to charges of \$1.2 billion for other-than-temporary impairment (OTTI) due to the severe and continuing world-wide credit and financial market dislocations, the likes of which have not been seen since the Great Depression almost three quarters of a century ago.

In a related press release yesterday, NCUA immediately announced a series of actions on its part designed to “enhance and support a corporate credit union system facing unprecedented strains on liquidity and capital due to extraordinary market disruptions and the current economic climate.” These actions will add stability and strength to the system and are designed to maintain liquidity, strengthen capital and restructure the corporate system.

The NCUA board approved the following actions:

- Guarantee uninsured shares at all corporate credit unions through February 28, 2009, and through December 31, 2010 for all corporates that agree to participate in a voluntary guarantee program after February 2009.
- Issue a \$1 billion capital note to U.S. Central, thereby providing reserves to offset anticipated realized losses on some of the mortgage- and asset-backed securities held by U.S. Central.
- Issue an Advance Notice of Public Rulemaking (ANPR) on restructuring the corporate system.
- Declare a premium assessment to restore the National Credit Union Share Insurance Fund equity ratio to 1.30 percent, which will be collected in 2009.

Of particular importance, the guarantee of uninsured shares is a substantial benefit. With this guarantee, the NCUA has restored parity with banks, and the result is that our shares at U.S. Central, and your shares with us, are safer than ever before.

The impact of this action cannot be overstated. *Rather than withdraw funds, credit unions should be confident in adding funds* in the corporates as all deposits are backed by the full faith and credit of the U.S. government. The subsequent injection of liquidity into the credit union system ensures that those securities held by corporates that are performing, but generally unsalable in today’s economy, will not need to be sold at fire-sale prices.

The capital infusion to U.S. Central is also critically important, as it provides additional reserves to our system’s wholesale liquidity and payment systems provider. When coupled with the uninsured shares guarantee program, this action brings immediate stability to U.S. Central and the entire corporate system.

Members United is in the process of finalizing its financial results for 2008. While we must now assess the effect of U.S. Central’s OTTI charge on our financials, we still expect that we will complete the process with our outside auditors and publish our results in the middle of February.

Finally, I understand that this news is startling. The nation's financial system is under significant stress, and the corporate system, U.S. Central and Members United are not immune to it. But this action by NCUA begins the process of restoring stability and some sense of normalcy to the credit union system.

All of the related documents concerning NCUA's actions have been posted in the Transparency Center of Members United's website. You will also find a video to help educate staff and board members about OTTI. I encourage all members to review these materials and to comment on the ANPR concerning the future of the corporate credit union system.

It's because of your commitment to the cooperative nature of our industry that Members United exists to serve your credit union. The officers and staff of Members United are doing everything possible to work through this crisis while still delivering the quality products and service that our members deserve.

Thank you for your continuing support.

Sincerely,

Joseph Herbst
Chief Executive Officer