

BELLCO, Safe and Sound after 70 Years

A message from BELLCO'S CEO

September 1, 2008

Recent weeks have seen numerous media reports about the funding difficulties of various financial institutions resulting from the sub prime mortgage crisis. These items range from the FDIC takeover of IndyMac Bancorp, to losses posted by Fannie Mae and Freddie Mac, as well as ongoing losses suffered by such giants as Citibank and Merrill Lynch.

In this environment, it's no surprise that consumers want to be sure about where they're placing their trust. Investors move to safety. Since January 2008 members have invested over 3 million dollars of new money with Bellco Federal Credit Union. Our capital reserves are excellent and our expenses are below peers. Loan Volume has been steady all year because we approve loans that are good for our members. Many Banks have gotten extremely creative in lending causing them serious losses and even failure. At Bellco we keep it simple; great loans at great rates that members can afford with no surprises down the road. We charge you less and save you more. It's worked for 70 years!

Watch out! Members have reported having their Bank credit card rates jacked up and some bank fees that have gotten ridiculous. In an effort to pay for losses, banks are charging their customers any way they can. Our members are dumping their high rate Bank credit cards for a simple BELLCO rewards card with a 4.99% introductory rate with no transfer fee. It's the best offer around!

According to CUNA, Credit unions have steered clear of the sub prime mess.

- Credit unions operate more conservatively and tend to hold more of their loans in house rather than sell them to the secondary market.
- Credit unions are member-owned, not-for-profit cooperatives. Unlike some banks and brokers, we're not out to push loans on our members just to make a quick buck.
- 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 mortgages they've gotten elsewhere, or because some members are losing their jobs in today's down economy.
- Credit unions went into this with strong balance sheets, and they'll still be strong when it's over. "Bellco Federal Credit Union has served Berks County for over 70 years. Our last NCUA examination ended March of 2008 and reported that Bellco remains fundamentally sound. We have low delinquency and a strong capital position," states CEO Tom Gosling.

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 savings at least up to \$100,000 per account (with additional coverage of up to \$250,000 for certain retirement accounts).
- The NCUSIF is administered by the National Credit Union Administration (NCUA), an agency of the federal government.
- The NCUA recently reported that the NCUSIF at mid-year remained strong, with an equity-to-insured deposits ratio estimated at 1.24% as of June 30 and projected to rise to 1.28% by year end.
- 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. A credit union opting for private insurance is required to disclose this to its members.
- Bellco Federal Credit Union is insured by NCUA's NCUIF.

The good news for our members is that we remain very sound and strong, we continually monitor these challenging economic times and I'm confident Americans will get through this latest downturn.

Sincerely,

Thomas H. Gosling, CEO
Bellco Federal Credit Union