



## President's Report March 2010

To the members of Corporate Central Credit Union:

I was never one to study oaths. I do remember the day I was ordered to report to my local draft board for induction into the military. I've always said - that was the only lottery I ever won. While I was rejected at the induction center for medical reasons - I was prepared and did study the oath I would be required to take. I felt I needed to know what it was and believe in it before having to swear to it.

I looked up the Hippocratic Oath to see just what doctors are said to subscribe and swear to. Part of it reads:

*In every house where I come I will enter only for the good of my patients, keeping myself far from all intentional ill-doing.*

Others go on to interpret the fact that the first rule of medicine is to "do no harm".

It seems many pundits and industry experts are putting forth hyperbole that does just the opposite. Words are being bantered about that do cause harm. If you look under the hood of some of the things being said you will find them to be half-truths or very inaccurate.

I want to share with you some statistics on the credit unions in the United States.

### United States Credit Unions

- 95% of the nation's 7,795 credit unions are under \$450 million in assets
- 82% are under \$100 million in assets
- 72% are under \$50 million in assets – that's 5,640 credit unions

Ever since the meltdown of the mortgage market and the trouble began at some corporate credit unions, all too often terms like "all," "every," and "each" have been thrown around as truths; thus painting all corporate credit unions with the same broad brush. Some credit unions have failed, but the movement hasn't failed. Some banks have failed, but the banking system hasn't failed. Some automakers have failed, but the industry hasn't failed. Similarly, some corporate credit unions have failed, but not all corporates have failed. There continues to be countless reference to "the corporate system" or "the corporate network". There is no system or network. There may be some corporates that depend upon other corporates for services, but there are also those of us who are well positioned, fully capable of serving members without the need for a "network" or "system".

Webster describes Task Force as:

*A temporary grouping of military units or forces under one commander for the performance of a specific operation or assignment.*

If you read the trades published report of their Task Force you can see they fit the definition Webster had in mind.

The Task Force represents a selection of credit unions and leaders within the movement – nothing more, nothing less. They, along with every entity within the movement, rightfully should provide comment on the NCUA proposed corporate regulations; but to purport to represent all is an injustice to many credit unions.

### **More Statistics – The Task Force**

- Over 87% (7 of 8) of the Task Force members are over \$450 million in assets, which represents only 5% of the nation's credit unions
- 100% of the Task Force member credit unions lost capital at a corporate credit union
- The only Task Force member credit union under \$450 million in assets, representative of 95% of all credit unions, lost all capital at a corporate credit union
- Not a single Midwest credit union is represented on the Task Force
- Not a single credit union that did not lose capital as a result of a corporate relationship is represented on the Task Force

Members of Corporate Central Credit Union were not asked to recapitalize the “corporate system”; they chose to reconstitute the capital of the corporate credit union they own. New members are joining and committing capital every day. Existing members are VOLUNTARILY contributing additional capital because they believe in our business model. A model that has been, and will continue to be, grounded in the principle of being “sound stewards” of our members’ resources. We are nothing more than a reflection of our members. We are today, and will be tomorrow; exactly what our members want us to be – period.

No doubt, many credit unions around the country that have lost capital at a corporate are engaging in significant evaluations of alternatives or restructures. However, to state as fact that the corporate credit union business model, our business model, is no longer viable, or that credit unions are unwilling to recapitalize any corporate is flatly false.

I feel compelled to express my concern as to how our members are being portrayed. It's not right. The members are in charge and they take ownership very seriously. To place a label on them is just wrong.

The problem was not, and is not the business model. Any business model is subject to risk, inappropriate execution, and poor decisions. It comes down to leadership integrity, stewardship of resources, sound business judgment, exemplary governance, and engaged oversight. When any or all of those are cast by the wayside, an entity can fail. However, that doesn't mean the business model fails.

The problems occurred because some lost sight of their purpose. Maybe because focus was shifted to things like growth at the sake of soundness. Maybe stretching for yield for many unhealthy reasons, or maybe forgetting their stewardship responsibilities.

### **More Statistics – Corporate Central Credit Union Members**

- 95% of our members are under \$450 million in assets
- 67% of our members are under \$50 million in assets
- Not one capital member lost any capital at Corporate Central Credit Union
- Members reconstituted the capital by committing over \$47 million to Paid in Capital
- New members this year have placed capital at Corporate Central Credit Union
- Members are continuing to commit Paid in Capital voluntarily
- Corporate Central Credit Union members believe in our business model, trust in our leadership, are actively committing capital, and have ensured that the corporate credit union they built is strong, well capitalized, and continues to serve their vital needs. They are in control of Corporate Central Credit Union to set course and direction for the corporate credit union they own!

### ***Membership Changes and Paid in Capital***

Throughout the months of January and February, we held many town hall meetings that allowed us the opportunity to meet with you face-to-face and discuss the future of your corporate credit union. We are grateful for the feedback we received from all of you – feedback that included your overwhelming desire for us to make Paid in Capital (PIC) a condition of membership to preserve and protect the capital you already have with us. With your feedback in mind, and with the complete understanding that no capital shall be diluted as Corporate Central Credit Union grows or attains new members, the Corporate Central Credit Union Board of Directors has decided to make PIC a condition of membership. All the information and details will be communicated to you very soon.

### ***Corporate Central Credit Union Membership Meetings***

We would like to invite you to join us at one of our many upcoming membership meetings we will be hosting in April. During these discussions, we will present the various membership levels, discuss the new PIC requirements, update you on all other recent developments, and most importantly – hear from you! We believe it is very important that each of you understand the options available to you. We will be communicating dates, times, and locations soon. Please be sure to register for the membership meeting near you.

### ***Corporate Central Credit Union Annual Meeting***

In addition to our membership meetings in April, we will be hosting a “town hall” style Annual Meeting on Thursday, May 13 in Ballroom A at the KI Convention Center in Green Bay, WI. Registration will begin at 10:00 AM and our Annual Meeting will take place from 10:30 – 11:30 AM CT. We hope to see you there!

### ***Economic News***

The economic outlook during the fourth quarter of 2009 can be viewed one of two ways, the period that marked the end of a recession, or a new economic reality marked by massive debt, high unemployment, and very little economic growth. Gross domestic product spiked to an unsustainable level of 5.9% growth due mostly to extraordinary stimulative spending by the Federal Government, and the launch of targeted tax credit programs like the first time homebuyers tax credit and the so-called “Cash for Clunkers” program designed to stimulate new automotive sales. Looking ahead to 2010 it is forecasted that the rate of unemployment will likely remain around 10%, as companies may be reluctant to hire new employees amid a period of such uncertainty. Housing starts are flat and account for just over half the number they were in the fourth quarter 2007. Construction spending has slowly worked its way up, but unemployment in the construction business remains much higher compared to other sectors indicating that there is still plenty of room for improvement on the economic front.

### ***Financial Performance***

Corporate Central Credit Union had net income of \$9.5 million in 2009, which increased retained earnings to \$12.5 million at the end of the year and moved our retained earnings ratio to 0.63% as of December 31, 2009. Combining the \$12.5 million in retained earnings with the \$47.4 million of Paid in Capital contributed by members in 2009, Corporate Central Credit Union ended the year with a core capital ratio of 3.04%. Additionally, the investment portfolio had a \$3.5 million unrealized gain at year-end. Corporate Central Credit Union finished 2009 with \$1.87 billion in assets versus \$1.88 billion in assets at the end of 2008. Daily average net assets (DANA) were up 12.4% year-over-year in December 2009, and average daily assets for all of 2009 were up 5.3% from 2008.

I have and will always consider myself a steward of my member's resources. I take the role of stewardship very seriously. I also believe that as a corporate credit union we are to be the supporting cast. We are not supposed to be the star of the show. We exist purely for the benefit of our members and our purpose is to support them in their endeavors to serve their members. At the end of the day, that's what it's supposed to be about. Serving the members!

There will be more changes to the rules and regulations surrounding corporate credit unions. This will most certainly lead to changes of rules and regulations surrounding natural person credit unions. The credit union movement is not dead – it is evolving!

It's been said that success is defined by what we achieve – I contend that we are defined by the adversities we overcome!

Sincerely,



Robert W. Fouch  
President and CEO

*Deeply Committed to Our Partnership with You*