

IMPORTANT MESSAGE FROM THE PRESIDENT/CEO PATRICIA MALATESTA

OCTOBER 2008



During these troubled economic times, some of you have expressed concern over the safety of your deposits in Vantria Federal Credit Union. Failures and mergers of financial institutions such as Wachovia and Washington Mutual have fueled this concern. The following statistics should help to allay your fears. As of June 30, 2008, our net worth ratio is 11.57%. Our regulator classifies a financial institution with net worth greater than 7% as “well-capitalized” and no longer requires transfers of net income to reserves after attaining a 7% ratio. Our solvency ratio is 113.19%, meaning the value of every dollar invested in Vantria is estimated to be worth 113.19% of its value. Our classified (impaired) assets-to-net-worth ratio is 2.64%. By comparison, the peer average for this ratio is 4.43%. I will update these numbers as soon as credit unions have completed their third quarter reports to our regulator, the National Credit Union Administration.

All financial institutions in the country are facing loan losses that may or may not be a result of poor underwriting practices. In Vantria’s case, we have never made any sub-prime loans. If you look at our financial statement you can see that we are only approximately 50% “loaned-out”, meaning we have only placed about 50% of our deposits in member loans. This is a much lower ratio than most other financial institutions, meaning we have more funds than most financial institutions to lend to you. We are in this position partially because of our strict underwriting guidelines. We could certainly raise our yield on loans by making riskier loans but we have chosen not to do so. The loan losses we have incurred are primarily in home equity loans and are mostly a result of the declining value of collateral coupled with defaults on first mortgages made by other lenders. These losses are not excessive compared to other lenders, but we could not fully escape the effect of the unprecedented decline of housing values in the Washington Metro area. These declines are much less severe than in the problem geographical regions of California and Florida, where we have no investments.

Where then do we invest the remaining deposits if not in member loans? Permissible investments made by federally chartered credit unions are very limited by regulation. All bank certificates of deposit investments that Vantria has purchased are below the insured limit. Our other investments exclude exotic derivatives and are limited to investments backed by the full faith and credit of the US government. It is my belief that the mortgage-backed securities we hold in our portfolio including FNMA and FHLMC investments are safe investments and even more so because of recent federal government action to guarantee them. The only minimal risk in our investment portfolio is interest rate risk due to call options which have and will continue to be invoked in this low-rate environment. This of course has no impact on the security of the investment, but will give us additional funds to lend to you.

I very much encourage you to view our financials and regulations governing investments made by federally insured credit unions at our regulator's website www.ncua.gov. Our charter number is 6660. I am quite certain you will be reassured by what you read. **No one has ever lost a penny of federally insured savings in a credit union.** The banking industry and other investment providers cannot make this statement.

The above narrative addresses the resiliency of our credit union to withstand reverses in a faltering economy. In prior periods of economic growth we have set aside earnings as a cushion against losses during times such as these. But apart from the reassurance of our strong capital position, you have been given additional share insurance guarantees as a result of the **Emergency Economic Stabilization Act of 2008**, passed by Congress earlier this month. Regular savings accounts with a single owner are now insured up to \$250,000 by the NCUA. For more details on the changes in coverage, please link to our regulator at <http://www.ncua.gov/ShareInsurance/index.htm>. This site gives you many tools to calculate the insurance coverage you have depending on the ownership status of your accounts with us. We are happy to help you restructure your accounts to obtain additional coverage if you choose to do so.

One final word. Our friendly and helpful loan and member service staff are happy to help you with any financial problems you may be experiencing. You continually hear of a "credit crunch" impacting banks and credit unions, making it difficult for even well-qualified applicants to borrow money. We have no "credit crunch" at Vantria. We are willing and have the capacity to lend the large amount of funds we have available to help you make home improvements, purchase fuel-efficient vehicles, or for any other purpose. Please call us at 703-913-0700 or apply online at www.vantria.org. We are your safe harbor in troubled waters – please help us send this message to all your family members and anyone you know who lives, works, worships, attends school, or volunteers in Fairfax County. Our services are structured to cater to those of you who are busy and don't have the time to stand in line or waste gas driving in to a lobby location. We can service a large percentage of your needs online, so peruse our website to see how easily you can access our services from the convenience of your home or other remote location.

We value the trust you have placed in us to safeguard your life savings. The management staff and Board of Directors of Vantria are committed to continuing the conservative practices and prudent risk management strategies that have enabled us to be in the strong capital position we find ourselves today. This is a commitment none of us takes lightly.

Vantria still has money to lend. [Click here](#) for a Message from the President/CEO from August 2008 outlining the ways Vantria is helping members navigate these challenging times.