

Dollars & SENSE

Ladysmith & District
Credit Union™
service since 1944

fall 2008

Our Community. Your Credit Union.™

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Is the Banking Industry in Trouble?

All of the news coming out of the US in the past few months seems to point to trouble in the banking industry. The housing market has slumped from record highs, and foreclosures are at their highest in American history. Once the darlings of Wall Street, Fannie Mae and Freddie Mac have been bailed out by the US government and Washington Mutual, a \$307 billion federal bank has collapsed, sending depositors reeling.

“LDCU will not suffer any losses based on investments made with our members' deposits”

How does this affect banks and Credit Unions in Canada, and the Ladysmith & District Credit Union in particular?

There are several factors that anyone concerned about Canada's banking industry should be aware of:

1 Fannie Mae and Freddie Mac are very different entities than a Credit Union. Fannie and Freddie operate within the secondary mortgage market.

That is, they purchase mortgages from primary lenders such as banks and credit unions. Then they package them up into MORTGAGE BACKED SECURITIES (MBS) and sell those securities on the capital markets. However, once they complete these packages, they are then liable for the repayment of the original mortgages that comprise the package. If the mortgage becomes delinquent, Fannie or Freddie must make repayment to the original lender. This is significant because these two individual companies are responsible for over \$5 trillion of US mortgages.

At LDCU, we are primary mortgage lenders only. We meet face to face with our members and we are not responsible for any mortgages other than the ones we grant ourselves to our membership.

2 The US housing bubble was much more speculative than Canada's. As prices rose, more and more developers entered into the market building homes expecting that someone would buy it before it was finished. These new homes would be financed by banks with the same expectation. The final result is thousands of brand new homes built with no buyers in sight. As there are many homes with few buyers, prices of homes start to plummet.

The Ladysmith & District Credit Union does not participate in any significant speculation building. As an organization, we are committed to providing the best service to members who are looking to purchase a home, not to builders looking to finance the construction of homes.

3 Many banks in the US are in trouble because of their involvement in the sub-prime mortgage market. This was a market for lending that had much looser guidelines and lending restrictions than most ordinary mortgage lending. In some instances borrowers were able to finance well over 100% of the value of their homes; others did not need to demonstrate any income or job history in order to be approved.

LDCU is regulated by the Financial Institutions Commission, (FICOM). This is a government agency tasked with ensuring that



“Geez. That's not a good sign.”

the Credit Union system follows prudent lending guidelines. At the present time, the Credit Union may finance up to a maximum of 80% of the value of a home, any amount greater than that must be insured by the Canada Mortgage and Housing Corporation, another government entity. In addition, there are very strict guidelines regarding how a borrower may qualify for a mortgage based on their income.

4 The difficulties facing some financial institutions are a result of their heavy investment in Mortgage Backed Securities, (MBS). Some of these are made up of sub-prime mortgages and have a very high default rate. If the mortgages are in default, then the investment in the MBS becomes almost worthless. Some banks in the US have invested billions of dollars in these MBS.

LDCU will not suffer any losses based on investments made with our members' deposits. The Credit Union has never invested in any MBS, and has no plans to do so in the foreseeable future.

One of the biggest contributors to the current crises has been the collapse of the housing market in the United States. While there is some concern in Canada, the differences are significant enough to lend comfort to Canadians. As Benjamin Tal, an economist with CIBC, stated on September 24, 2008:

"I see no "trigger" threatening Canada's housing and mortgage market. To see a crash in the housing market you need a trigger. The trigger in 1989-1990 was extremely high interest rates. The trigger in the U.S. was subprime mortgages. We're still missing the trigger for Canada."

As we all watch for the latest news to come from the US, members of LDCU can rest assured that two of our core philosophies have always been conservatism and risk aversion. We have stayed true to these principles even in the face of mounting pressure to change. Our staunch adherence to these philosophies have created a haven for our members in this time of upheaval and turmoil. For over 64 years we have taken the stewardship of our members' money very seriously, and we have no intention of reneging on that responsibility now.

John de Leeuw, CEO
Ladysmith & District Credit Union



The Credit Union Advantage

Ever had one of those dreams where you're trying to get somewhere but stay stuck in one place? Banking at a traditional financial institution can feel just like that. Big plans and best intentions tend to count for little if you don't have deep pockets, even if you have a good track record. That's because banks are in the business of making a profit for their shareholders, while credit unions are all about the financial security of their members.

1.6 million British Columbian individuals, families and businesses currently benefit from credit union membership. They enjoy the favourably competitive advantages of belonging to a home grown institution that focuses on serving the local community, not enriching some distant stranger with stock options.

If you or someone you know is thinking about switching to a credit union, the following benefits of membership should make the decision easy.

Your voice counts: As a credit union member, you're also an owner, and can participate in voting for board members. Or run for a position yourself!



Sharing the wealth: When you join a credit union you automatically purchase a share. At the end of the fiscal year, a dividend is declared based on the value of the shares held and then distributed to the membership. Credit unions are committed to developing local businesses and non-profits, and giving back to the community.

Superior member service: Friendly, personable member service is a distinguishing characteristic of credit unions, which routinely rate higher than banks in member service and satisfaction.

An account for everyone: These include: special accounts for children, such as *Kids 'Count*, students and seniors; accounts based on the number of transactions you intend to make; multi-purpose business accounts; daily interest savings accounts; pay-as-you-go accounts; \$US accounts; and more.

Comprehensive products and services: From RRSPs, mutual funds and other investment options, to a wide range of insurance products and expert financial planning, credit unions offer it all. Even better, loan and mortgage rates tend to be very competitive. Terms and conditions are usually more flexible.

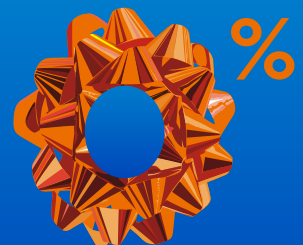
24/7 Convenience: With your credit union MemberCard®, you can bank at ATMs around the world. When you use a BC credit union ATM, you won't be dinged with a surcharge. Bank online or by telephone too!

If you want to find out more about credit union membership, call 250-245-2247r or visit www.ldcu.ca.

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Become an
 environmental
 superhero!

Look up in the air. It's a bird, it's a plane, it's...a guy doing laundry in cold water? Being a superhero these days doesn't have to mean donning tights and a cape. In fact, there are lots of surprisingly easy ways you can help save the planet. And paying attention to how much energy you use each day is a great start.

Cool your jets. Did you know that water heating accounts for 90 % of the energy consumption of washing machines? According to BC Hydro, just choosing the cold/cold setting for washing and rinsing can save 6.1kWh of electricity.

Turn it down. Heating is the single largest use of energy in most homes. Turning down the thermostat on your central heating and water heating by just one or two degrees can result in big savings when it comes to CO2 emissions. Not to mention your bank account. Plus, put proper weather stripping and caulking around doors and windows and you can reduce your heating bills by 25 %.

Give up the ghost. When charging your cell phone make sure you unplug it as soon as it has finished. Almost all electronic devices will continue to use energy until they have actually been switched off. In fact, ask the experts and they'll tell you that as much as three quarters of all the electricity used at home is from "phantom load" or standby power used to keep your computer, television, and other electronics running. Something as simple as shutting down your computer each night could reduce the machine's annual carbon emissions by as much as 83 %.

Of course, if you really have your heart set on wearing a spandex suit around town, we certainly won't stop you. But don't forget to try some of these simple ideas too.

Join our mascot Ollie Otter in his quest.



Kids
 'Count

Making kids
 money-smart!

Money doesn't grow on trees, but sometimes kids think so. From cash cards to new technology, kids today are constantly being bombarded with messages that stimulate spending, not earning or saving. Wouldn't it be great if kids learned to be responsible with money earlier rather than later?

At LDCU, we sure think so. That's why we're proud of our popular school savings program, **KIDS 'COUNT**, exclusively at LDCU.

KIDS 'COUNT teaches children the basics of banking. Instilling good habits in a rewarding way that also teaches them the value of savings.

Log onto www.ldcu.ca and click on the **KIDS 'COUNT** link for full details and sign up today.

Think Local. Think #1.

\$1.00 to
 \$100,000.00

(And everything in between.)

Whether it's a deposit account, an RRSP or a RRF, your money is guaranteed for up to \$100,000.00 per separate deposit with coverage provided by the Credit Union Deposit Insurance Corporation of British Columbia (CUDIC), a government corporation. Visit ldcu.ca for more info.

We are the local choice for financial services and we are proud of our community and our members. If you keep a little money here, a little there and some more over there, consider keeping it all with us. Why send your money out of town with another financial institution when we GUARANTEE the best rates with the most flexible terms and your funds are insured? Investing your money with us helps your neighbours, your friends, and most importantly your community.

You work hard for your money. Let LDCU make it work hard for you.

In the market for a new home?

Check out how our mortgage rates* stack up against Canada's major banks.

	1 Yr	3 Yr	5 Yr
LCDU	5.99	6.70	6.49
CIBC	6.65	7.05	7.20
TD/Cda Trust	6.35	7.05	7.20
Scotiabank	6.35	7.04	7.20
Royal Bank	6.35	6.70	7.20
Bank of Montreal	6.65	7.05	7.20

*First Mortgages: Fixed Rate Closed Rates effective as of October 1, 2008. OAC. Rates may change without notice.

Smart People. Smart Choice.

TRAVEL TO DO LIST. First, cover your 'assets'...

In the excitement and frenzy of heading off for a holiday or business trip, people forget about one of the most important items, Travel/Medical Insurance. Whether it's a policy for a week or an annual plan, it's just SMART to be covered and it's easy to pack!

With the average hospital stay in the US costing \$7,346 to \$10,038 per day and averaging 6 days long, buying Travel/Medical Insurance is an affordable alternative that provides peace of mind while protecting your assets.

Five common holiday insurance claims:

1. Medical Costs
2. Lost Baggage
3. Cancellation of Flights
4. Travel Delay
5. Lost or Stolen Money

Whether it's a rock climbing adventure with the family across Canada or a parasailing trip in the Tropics by yourself, our SMART Travel/Medical Insurance is for everyone and anywhere you travel out of province.

So call or drop in and we'll be happy to create a policy that's right for your trip. Don't forget to send us a postcard!



Now there's an easy
& convenient
insurance payment plan.

smartplan 
The easy payment option.

It's fast. It's simple. It's affordable.
Now that's smart.

Apply today.

Visit us online at
lcuinsurance.ca
or drop by the branch

Mon. - Fri. 8:00 - 5:00,
Sat. 9:00 - 5:00

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Smart People. Smart Choice.

We deliver Insurance!

- Home
- Auto
- Business
- Marine
- RV/Trailer
- Travel/Medical



Buying insurance should be a **smart** decision.

(Even for a genius.)



When you need insurance, compare our exclusive NEW line of SMART insurance products. Offering better coverage, lower deductibles and in many cases lower premiums, our SMART products are the better alternative.*

Experience the convenience of our Insurance Express delivery service without leaving your home or office. Remember to ask about SMARTplan, our insurance premium payment plan. It's no wonder we're the local choice!

To request a quote, call, or visit us online at www.lcuinsurance.ca. We're happy to help.