



Issued October 21, 2009

Official Statement from Dr. Bill Bruce, Chairperson of Kern Schools Federal Credit Union Board of Directors and Steve Renock, President/CEO.

Kern Schools Federal Credit Union Board of Directors and Steve Renock, President/CEO are issuing the following formal statement to clarify some recent comments in the local Bakersfield press.

- An article titled “Kern Schools Federal Credit Union faces 24-month deadline” appeared in the Bakersfield Californian on Tuesday, October 20, 2009 and was picked up by some other media outlets. This headline and any reference to a 24-month plan between the federal regulators and Kern Schools Federal Credit Union are incorrect and not true. National Credit Union Administration (NCUA) officials were contacted today and have reaffirmed this fact and concur that there is no 24-month deadline in place that requires the Credit Union to meet any financial targets.
- Credit Union management and directors prepare a business plan each year that is reviewed by our regulators to meet long and short term financial goals. This year an additional supplemental plan was prepared to address the decline in net worth and profitability. This plan was developed to ensure a steady increase in net worth over the next 6 years. One correct fact in the newspaper article was “*Unlike the recapitalization options available to banks, credit unions are not allowed to raise money externally, and instead must do so by improving their own earnings.*” This improvement can only come from reduction in expenses and increased income. Currently our largest expense category is reserve contributions to cover loan losses. With over 185,000 members mostly in Kern County the Credit Union is a direct reflection of the local economy. When members experience wage cuts, hiring freezes and layoffs their ability to repay loans is diminished. The same holds true for our home owners...as home values declined the ability for some members to sell their homes or refinance their loans became impossible. As our members’ financial conditions improve and the local economy strengthens, Credit Union profitability will also improve.
- Credit Union deposits continue to be safe. The Credit Union’s net worth ratio remains stable at 5.55% and we have capital and reserves of \$133,200,000. These reserves total 8.11% of our total assets.
- All the members of the Board of Directors have participated in the development of documents, goals and strategies undertaken by KSFCU to protect our members and assure the soundness of the Credit Union. Board members are acutely aware of the issues involved and have taken serious efforts to resolve the temporary economic impacts caused by the national economic meltdown. Each director has faithfully undertaken the fiduciary responsibly to over come the crisis our members face. Each member of the Board has labored to assure that steps proposed by NCUA and by the Credit Union’s management have been carefully and competently addressed.

For additional information please contact Steve Renock, President/CEO at (661) 833-7955 or steve.renock@ksfcu.org .