



UNITED LABOR BANK f.s.b.  
E X E C U T I V E   O F F I C E S

September 22, 2008

**An open letter to anyone who will listen:**

Well it has finally happened! I have resisted it for years but the events of the past two weeks have driven me over the edge and I am now one of the thousands of crazy loons who have thrown open their windows and are screaming to anyone who will listen, "I am mad as hell and am not going to take it anymore."

As a community banker, we have watched the lunacy of Wall Street over the past years with great concern. Wall Street (and to no small degree the regulatory system) has handed your children and grandchildren their largest tax bill ever and in the process have essentially nationalized a financial system. Wall Street's hunger for more and more products has really answered two burning questions. One, "Is bigger really better?" And two, "What does 'too big to fail' really mean?" Wall Street's voracious hunger for loans to package into investment pools and sell to international investors has created the "mirror underwriting program." Yes, we also thought that mirror was an acronym for some highly developed underwriting program that managed risk and return and helped create a safe investment product... Actually, the mirror program was just the mirror program. Wall Street told loan people to hold a mirror in front of a borrower and if they fogged the mirror with breath, they were alive and therefore approved.

*As a community banker, we have struggled in this environment because we did not participate in the madness of Wall Street.* It has been harder for us to make loans when we would not abandon our credit underwriting standards — such as the ability to repay and asking the borrower to have equity in the loan. We also did not report the amazing financial performance that other firms who participated in those programs did. BUT we are able to write this letter to you today because we are still here and have remained the safe steward of your deposits and have maintained our credit quality.

Our government has instituted a "know your customer" program for community and large banks. This program is designed to help financial institutions identify weak and potentially dangerous customers. I recommend that you develop a "**Know Your Bank**" program where you as the customer and owner know who is running your institution and how sound their business is. Ask to see their financial reports and talk to their senior managers. Ask what their business standards are and if you hear those two questions that I referred to earlier in this letter. "Oh! We are very large and bigger is better" or "We are too big to fail" you may have just met your grandchildren's next tax bill. Do not be afraid to question your banker because we must become completely transparent to our clients and owners if we are ever to regain their trust.

It is my sincere hope that our industry will be able to rebuild America's and the world's confidence in the banking system. I can say with the utmost confidence that United Labor Bank will continue to be the safe steward of your funds until you call for them. We may not be the most profitable, pretty, or flashy, BUT we are still here.

Malcolm F. Hotchkiss  
President & Chief Executive Officer