



UNITED LABOR BANK f.s.b.
EXECUTIVE OFFICES

January 31, 2009

TO: United Labor Bank Valued Customers

THE ECONOMY AND THE FDIC

As we end 2008, we have witnessed and hopefully survived the most traumatic economic event in the last 70 to 80 years in this country and the world. We've observed with shock the fall of corporate giants, the consolidation of financial kingdoms, the partial nationalization of the financial services industry and the financial health of the entire US Economy that was put in "Harms Way". As if that wasn't enough, we've been further damaged by the greed and dishonesty of those whom we trusted. With the discovery of the largest *PONZI* scheme to hit the United States and the subsequent damage done to those investors, we have been shaken to our core. All of these events in the past year have opened our eyes to the cracks in the regulatory system that was designed to protect us. The US Government through the US Treasury and Federal Reserve has been scrambling to re-build the confidence in the system.

As part of the governments' efforts to stabilize the economy and re-build confidence in the financial services, the FDIC made two very significant changes to the deposit insurance program this past year. Both of these events have added substantial value to our client base by increasing the insurance of accounts and extending the Full Faith and Credit of The US Government.

The first change was to increase insurance of accounts on all interest bearing deposits to \$250,000.00. This is an increase over the previous insurance amount of \$100,000.00. The second change is even more significant for our clients as it has increased the insurance of accounts on all non-interest bearing accounts to an unlimited dollar amount.

For example, a client could have two Certificates of Deposit for \$100,000.00 each, a money market account with \$50,000.00 and a non-interest checking account with \$1,000,000.00 for a total deposit with the same institution of \$1,250,000.00 and have full FDIC insurance of accounts.

Remembering that ***NOTHING*** is free, there are some conditions with these programs. The FDIC has stated that there will be a sunset period for these programs. We will keep our clients advised well before any sunset period that could eliminate either program. And second is that the unlimited non-interest bearing program is available to all FDIC member institutions, however, they may opt out of the program. Some institutions that do not have high deposit balance clients could opt out to save the expense as the FDIC will charge participating institutions 1/10th of 1% for the additional insurance above the \$250,000.00.

United Labor Bank primarily serves unions and affiliates. Most of our deposit clients carry balances well above the \$250,000.00. We do have and will continue to have the additional deposit insurance as long as it is available. It was necessary for us to assess the non-interest bearing main accounts with a \$25.00 monthly fee that helped us offset the cost. This is actually a small price to pay for peace of mind.

We send our best to you for a prosperous 2009.

Malcolm F. Hotchkiss
President & Chief Executive Officer