



The Cayman Islands Civil Service Association
Co-op Credit Union Ltd.
NEWSLETTER

October 2008



From The CEO's Desk

Is My Money Safe? Many people are concerned about their money because of the meltdown of financial markets, particularly in the USA. Whilst I cannot give a 100% guarantee, I can assure you that credit unions all over the world are one of the safest places to have your money anytime, especially now that the financial markets in the US and other parts of the world are spiralling downward.

Credit Unions do not operate as other financial institutions. Credit Unions are savings and loans institutions that are governed by different laws than retail banks. Our law, the Cooperative Societies Law, specifies different criteria for the governance of cooperatives – a shared, common bond or understanding amongst a group of members, which in our case is Government and utility company employees and their families. Credit unions are member-owned organizations, and the profit (undistributed surplus) that we make is returned to members in the form of dividends on their shares (savings).

On the following page you will find excerpts from an article from the Credit Union National Association (CUNA) of the US giving some insights into why credit unions are considered safer than most financial institutions and why credit unions have performed much better, even in the US where the other financial institutions are going under. You can access their website at www.cuna.org. You can also logon to the Caribbean Confederation of Credit Union's website at www.caribccu.coop and the World Council of Credit Unions at www.woccu.org of whom we are members; and our own website at www.cicsa-creditunion.org for more information on credit unions.

Our Credit Union does not invest directly in the stock market. The majority of our investment is in loans to members. Our money comes from members and is loaned to members. We do not have an injection of funds from outside or from international sources; hence the impact is negligible when the stock market is volatile. On our website, you can click on the '32nd AGM Booklet' link and have a look at our financial statements. We have some local investments in CUC shares and CNC shares.

We put aside 20% of our earnings every year to Statutory Reserve. Our reserves are held on short-term deposits and in local investments for quick and easy access. Our ability to pay maximum dividends of 6% every year for approx. 15 years (except for a couple of years after Hurricane Ivan when we only earned enough to pay 4-5%. However we were still to pay 6% dividend with the difference coming from excess funds that we had put aside over the years.) This speaks volumes of our financial stability. What other financial institutions can say the same?



Saving regularly while you are repaying your loans provides you with reserve funds on which you can fall in times of emergency such as medical, unemployment, and fluctuations in the financial markets.

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International Credit Union (ICU) Day



ICU Day Grand prize winner Vielka Powery (right) of the Water Authority receives her prize for over \$2,000 worth of Accordion Hurricane Shutters compliments of Hydes & Sons.

Those of you who visited the Credit Union offices on Cayman Brac and Grand Cayman know what a wonderful time we had on Thursday, 16 October. On the Brac there was a steady stream of members into the Credit Union office and Brac members enjoyed refreshments throughout the day (sorry no jerk...next time). Brac winners of the cash prizes were Lavender Bryan, Marcia Rankin, and Andrew Ngyou.

On Grand Cayman, some of our senior citizens joined us for the whole day and caught up with each other under the big tent on the cleared land behind the Credit Union building. The theme of this year's ICU Day from the World Council of Credit Unions is: "My Credit Union—it belongs to me." It truly was a day of members enjoying their ownership of their credit union.

A big thank you to members Alvin McLaughlin, Vernicia Watler, Rohan Clarke, Patty Ebanks, Pat Forbes-Wilson, and other supporters including 'Mr Rock Fish' who volunteered their time and assisted staff in cooking for and serving the many members who stopped in to celebrate the spirit of credit unionism. Thanks also to those members and businesses who donated food, drinks, prizes, equipment, and labour to make the day a special one.



Stalwart members Mrs Vernicia Watler and Mr Rupert McCoy enjoying ICU Day under the big tent.

The Board of Directors extends its appreciation to staff, in particular Nancy Whittaker, Tyrone Farnum, and the rest of the organizing committee for sparing nothing to show how much we love our members—well done Credit Union staff.

To all the new members who took advantage of the \$10 Share Certificate for joining the Credit Union on ICU Day, we say welcome to your Credit Union—it belongs to you!

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Unlike financial institutions in the US that have federal deposit insurance, local financial institutions do not carry deposit insurance. They have their reserves just like credit unions to call on in hard times. In addition to that, our Credit Union carries limited life insurance on your share deposits and loans. Up to CI\$16,667 (US\$20,000) of your shares is insured so if you die (God forbid), that insured portion could double – or triple – for your beneficiary. Up to CI\$33,334 (US\$40,000) of your loan is also insured so if you die, the insured portion will be paid off, relieving your beneficiary of that burden. (Other conditions apply to insurance claims on shares and loans.)



ICU Day participant. You're never too young to start saving at Credit Union!

The principle of saving while you are repaying your loan has also helped credit union members steer clear of some of the financial woes that the world is now facing. An absence of savings in the sub-prime lending arena means that mortgagees have nothing to fall back on when the interest rates rise or the stock market falls.

Credit unions on the other hand, require members to save/contribute to their shares while they are repaying their loans. While some members have kicked and screamed at this principle, years later many brag about their handsome share balance. Savings means that you have the ability to weather a financial storm like the one created by sub-prime lending in a totally consumer-driven market with no savings plan.

Having said all of that, we do face some risks as do all financial institutions; however we try to manage and minimize our risks. We do that by abiding by our rules and policies which include the Cooperative Societies Law, the Credit Union Rules, a Credit/Loan Policy, a Delinquency Policy, and an Anti-money Laundering Policy, to name a few. We also have a strong senior management team and a seasoned Board of Directors to govern the affairs of our Credit Union, and an experienced group of volunteers who serve its members on the Credit Committee and Supervisory Committee.

Our biggest challenge in Credit Union is earning sufficient income to pay the maximum dividend allowed of 6% on shares when other financial institutions are not even paying 1% on regular savings. (We're still paying 1% on regular savings accounts.) While other financial institutions are offering prime-rate loans, our property loan rate is basically set (by our Board of Directors) @ 9.75% BECAUSE of our commitment to return to members the maximum dividend of 6% annually. If you consider the 6% dividend payment on shares and the 9.75% interest charged on loans, then the effective rate on loan is less. So...Feel free to come and borrow from your Credit Union!

We need members to borrow (wisely of course) because that is how we earn our money to pay dividends! Credit unions are 'not-for-profit' institutions that are set up to help their members/shareholders. We save together and borrow from the pool of savings (with qualifying standards of course). That concept has put credit unions in a sound financial position over the years. Your principal sum of money is safest in a credit union especially now—given all the uncertainty in the world financial markets. Here at our Credit Union, we're trying to manage the risks and mitigate any losses to you and the other members.

Corinne Glasgow

Scholarship Available!!! Credit Union is offering a full scholarship to study financial cooperatives at the Bachelor or Master's level. If you are an enthusiastic, committed individual with the ability to undertake tertiary level training, then consider applying for the Credit Union scholarship. Opportunities exist for employment upon completion of studies and to pursue a career in the Credit Union. More details including an application form are available online at www.cicsa-creditunion.org

Loans! Loans! Loans!

- Remember that Credit Union offers a **15-year term** to repay loans on properties.
- **Mortgage Loans**—terms in excess of 20 years are not yet available. An overwhelming majority of members at the last AGM voted to transfer the equivalent of 1% of dividends to the Mortgage Fund which now has \$1.2Million. The Mortgage Fund still needs more funds to be injected before mortgage loans can be disbursed.
- **Overdraft loans** are available for expenses such as annual property & auto insurance; education and school fees; medical and burial expenses; hurricane shutters; and vacation purposes. Overdrafts are repayable in a maximum of 12 months (because your annual expenses like house and car insurance are due again in 12 months).
- We encourage you to take a **Within Share Loan** rather than withdraw your shares. You don't earn dividends on what you've taken out of your shares; and conversely, the more you have in your shares, the more dividends you earn. You walk in, see a loans officer, and walk out with the cheque the same time. Your shares fully secure the loan so there's no 'whole pile' of paper work. If you've been thinking of adding on to your house, buying a car, another piece of land, another property, or a boat perhaps – then consider a with-in share loan from your Credit Union!



You have flexibility with a with-in share loan in how long you want to repay the loan. A with-in share loan allows you to keep your shares and earn dividends on them while having access to credit/loan facilities.

In addition to holding on to your shares—and adding to them as you are repaying your loan, you are also free to put some money in your regular savings from which you can withdraw at anytime with no questions asked. Why do we stress savings so much? Because that's the credit union principle—you save in your shares rather than withdraw. We're not a bank; we are a dynamic, member-driven, savings and loans institution dedicated to helping each other achieve greater financial freedom!

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- **Cash Advances**—are repayable in full on your next pay day and a job letter/current pay slip must be presented for each and every Cash Advance requested.

A word of caution—do not over-extend yourself by taking every overdraft and cash advance that you can get. Leave something to fall back on in case of an emergency such as sickness or death. Also remember that you cannot get an overdraft until you have repaid any Cash Advance in full.

Finally, please be aware that it is against Credit Union Rules and Policies to grant a loan if the member does not qualify, has been delinquent, has not disclosed other loans or credit card expenses, or has reached his/her maximum borrowing limit.

Interest Rates (This article from the last Newsletter is worth repeating)

Yes interest rates have dropped in the banks over the last few months so why not Credit Union's. Firstly, we're not a bank, we're a co-operative and under the Co-operative Societies Law, we have an obligation to return to members/shareholders up to 6% dividend on shares. Secondly, since the Credit Union has no 'outside' money, just members pooling their funds, we primarily earn dividends from the interest charged on loans. Our interest rate on property loans is 9.75% - that just about covers our overhead expenses of 4% and pay dividends of 6%. We can hardly go any lower—unless members no longer want a dividend return of 6%. So borrow from your Credit Union because the interest rate on the loan is not all dead money—you're borrowing but at the same time you're ensuring that you earn a dividend return on your share investment!



(Excerpts from an article from the USA's Credit Union National Association, Washington DC, July 2008)

America's credit unions: Secure, strong Amid turmoil, serving as safe harbors for consumer savings

Credit unions as a whole are healthy, with strong balance sheets.

- Credit unions are well capitalized. Their overall capital-to-asset ratio stands at a very solid 11.1% (compared to 10% for banks). In dollars, that's a capital cushion of \$90 billion.
- More broadly, credit union loan delinquencies have edged up, but still are at a very low 1.0%.

Credit unions have steered clear of the subprime mess. We're still lending responsibly.

- In the first four months of 2008, mortgages at credit unions grew faster than all other loans. This at a time when mortgage losses have forced other lenders to scale back or close their doors entirely.
- Why? For one thing, credit unions operate more conservatively and tend to hold more of their mortgage loans (about 70% in fact) in portfolio rather than sell them to Fannie and Freddie on the secondary market.
- Secondly, credit unions are member-owned and not-for-profit cooperatives. We exist to serve our members, not profit from them. Unlike the banks and brokers, we're not out to force loans on our members just to make a quick buck.
- Today 56% of credit unions offer first mortgages, and 90% of the nation's 90 million credit union members belong to one of the credit unions that offer first mortgage loans.
- To the extent credit unions have been impacted by the subprime debacle, it's primarily as "collateral damage"—members having trouble making payments on other loans because of subprime mortgage they've gotten elsewhere, or because some members are losing their jobs in today's down economy.
- But credit unions went into this with very strong balance sheets, and will still be in very strong shape when it's over.

Credit unions are a safe harbor for consumer savings.

- Savings at credit unions so far this year have grown nearly 7%. In today's economy, consumers are increasing their savings in response to concerns about their economic future.
- More people seeking to put their money in a stable source offering good rates are turning to credit unions.
- As not-for-profit cooperatives, credit unions typically offer higher savings rates than banks...
- Consumers saved \$10.9 billion last year by using credit unions rather than banks. The savings come in the form of lower fees, higher savings rates and lower loan rates. That works out to about \$126 per credit union member or \$239 per household.

The USA's Credit Union National Association Website address: www.cuna.org

Upcoming Vacancy!!! Credit Union will be recruiting a **Marketing & Promotions Officer** shortly. The duties include marketing Credit Union products and services; promoting credit unionism and forging links with eligible entities i.e. Govt. Depts and utility companies; informing new members of the benefits of joining the Credit Union; educating members on how the Credit Union works, and how it benefits its members; and being responsible for the production of all Credit Union publications (like this newsletter), media releases, and special functions, etc. If you are experienced and/or qualified in the areas of marketing or communications, are passionate and committed, and can get things done, then please consider the job when it is advertised. Details will also be available in a couple of weeks on our website www.cicsa-creditunion.org.

New Recruits!

New staff members eager and willing to serve you are:



Tammy Archer
Chief Financial Officer



Brian Connolly
Senior Loans Officer



Natalie Wray
Senior Loans Officer



Antoinette Powery
Loans Officer



Timmy Myles
Member Services Representative



Yenise Henkis
Member Services Representative



Sheno Dixon
Messenger/Support Clerk

Reminders! Reminders! Reminders!

- **Audit Confirmation**—If you get a quarterly statement requesting you to confirm your account balances to the Auditors, PricewaterhouseCoopers, please respond to them without delay. It is part of the annual audit exercise that some member accounts are selected for shares and loans balances to be confirmed. If the Auditors do not get a response from those selected, then the audit cannot be completed, and the Financial Statements cannot be issued, and Credit Union cannot hold the AGM or declare dividends!
- If your name, address, or phone number has changed, please let us know by filling in a **'Member's Profile Form'** available from the Receptionist or downloaded from our Website www.cicsa-creditunion.org. Remember that we need your current address and contact details in order to comply with our statutory obligations and to better serve you.
- If you are **applying for a loan** and your name or status has changed through marriage or the acquisition of Caymanian Status, then you will also need to submit your passport, marriage certificate, and Caymanian Status Certificate (where applicable).
- **AGM! AGM! AGM!** The 33rd AGM is scheduled to be held in December 2008! Look out for your notice in the mail, on our website, and in the media.
- For your convenience you can **Walk-in or Make an Appointment** to see a Loans Officer.
- If you want to compliment us on our service, need to express a concern, or simply want to make a suggestion, please feel free to fill in a Comments/Complaints Card located behind the Receptionist and drop it in the padlocked box so that management can deal with it accordingly. 'Thank You' for taking the time to let us know how you feel!
- **Cheque Deposit Box** – Instead of waiting in line, you can drop off your cheque(s) (max. amount of \$9,999) with a completed deposit slip in the Deposit Box next to the Receptionist. We will mail your receipt to you.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION
CO-OPERATIVE CREDIT UNION LIMITED
(Incorporated in the Cayman Islands under the Companies Law)

CREDIT UNION RULES

Did You Know that our Credit Union Rules states that "The Credit Committee or a Loans Officer shall enquire into the character and financial position of each applicant for loan and his sureties, if any, to ascertain his ability to repay fully and promptly the obligations incurred by him and to determine whether the loan sought is for a provident or productive purpose and will be of probable benefit to the borrower. The Committee shall endeavour diligently to assist applicants in solving their financial problems."