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A newsletter from American Share Insurance - The nation's largest provider of private share insurance since 1974.

Housing Market and Insurance Fund Update

In our July 2008 newsletter, we provided our members with a detailed assessment on the housing market and the mortgage meltdown, emphasizing ASI's proactive approach in its monitoring and examination of the mortgage loan exposure within its insured credit unions. We continue to find that ASI's primary insured credit unions have little or no direct exposure to many of the problems plaguing the financial markets, avoiding the direct impact of the sub-prime mortgage mess. In response to our members' request for an update on the impact of mortgage lending on the economy and on the ASI insurance fund, we are pleased to provide the reporting which follows.

Fannie Mae, Freddie Mac and the Federal Reserve

On September 7, 2008, the US Treasury Department and the Federal Housing Finance Agency (FHFA) announced

that the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), both government sponsored enterprises (GSE)

and originally created by the US government, were being placed

into conservatorship under the control of their regulator, the FHFA. Both FNMA and FHLMC had been struggling over the past two years with mounting losses

caused by deteriorating real estate valuations, rising mortgage loan defaults and foreclosures on the underlying mortgages guaranteed by each GSE, which aggregate about \$5.0 trillion, or about one-half of the entire US mortgage market. Their woes made it more and more difficult for them to raise funds, equity or debt, needed in order to continue to provide low interest rates and affordable housing to US consumers, ultimately requiring the US government to step in.

The good news to credit unions by this action is that the previously implicit US government guarantee on the GSE

debt, including mortgage-backed securities, is now an explicit guarantee. This guarantee extends to Federal Home Loan Bank debt securities as well. For ASI, this means that nearly 100%

of the investments on our balance sheet are now subject to the explicit government guarantee. And, unlike regional banks and other insurance companies, credit unions and their share insurers did not invest in GSE non-guaranteed preferred and common stocks, which have incurred devaluations of as much as 90% in the aftermath of the FHFA conservatorship. Further, as a result of these actions, interest rates for mortgage loans are anticipated to decline by 25-35 basis points. The recovery of the US economy in general and the reduction of the impact of recessionary pressures are dependent upon bringing an end to the housing crisis - the actions undertaken with the GSEs are a major step towards achieving this goal.



On the heels of this historic event, on September 8, 2008, in a meeting scheduled months earlier, ASI executive management met with key executives from the Cleveland Federal Reserve Bank (Cleveland Fed) and shared information about ASI's monitoring and examination programs and the generally sound financial health of ASI's primary insured credit unions. Topics covered included conditions and trends in ASI-insured credit unions, the impact of mortgage lending and liquidity management on ASI-insured credit unions, ASI's cooperation with state regulators, examination frequency, the increase in ASI examination and risk management staffs and future growth plans for the Company. The Cleveland Fed also indicated that they encourage credit unions to establish accounts with the Federal Reserve in order to have ready access to the discount window.

Insurance Fund Update

In our July 2008 reporting, we provided four key credit union ratios and four key insurance fund statistics as of December 31, 2007 and March 31, 2008, which presented ASI and its insured credit unions in a positive light compared to national averages, largely as a result of ASI's tightened underwriting standards and heightened examination efforts over the past two years. We have updated these comparative statistics below to present June 30, 2008 results as well.

	June 30, 2008		March 31, 2008		December 31, 2007	
	ASI	Federally Insured (1)	ASI	Federally Insured (1)	ASI	Federally Insured (1)
Net Capital Ratio	11.26%	11.04%	11.35%	11.07%	11.24%	11.43%
Return on Assets	0.48%	0.52%	0.51%	0.60%	0.48%	0.64%
Delinquent Loans Ratio	0.96%	0.97%	0.90%	0.91%	0.95%	0.93%
Net Charge-off Ratio	0.52%	0.71%	0.47%	0.67%	0.54%	0.51%

(1) Source: NCUA website

The financial condition of the ASI share insurance fund has never been more secure than it is now! We are proud to report a very strong equity ratio of 1.49% at June 30, 2008, as shown in the table below.

	June 30, 2008		March 31, 2008		December 31, 2007	
	ASI	NCUSIF (1)	ASI	NCUSIF (1)	ASI	NCUSIF (1)
Primary Equity Ratio	1.49%	1.24%	1.48%	1.31%	1.35%	1.29%
No. of Problem CUs as Percent of Total CUs (2)	2.45%	3.07%	3.01%	2.80%	2.41%	2.60%
Shares of Problem CUs as Percent of Total Shares (2)	0.40%	1.37%	0.39%	1.59%	0.26%	1.04%
Loss Reserves to Insurance-in-Force (basis points)	5.7bps	5.6bps	5.6bps	3.6bps	4.6bps	3.8bps

(1) Source: NCUA website and/or from data from the NCUA website.

(2) Problem credit unions are defined as those credit unions with a CAMEL/CAE rating of 4 or 5.

Although credit unions in general, and ASI's primary insured credit unions specifically, have little or no direct exposure to many of the problems plaguing the financial markets, avoiding the direct impact of the sub-prime mortgage mess, credit unions must continue to be vigilant against the expected fallout from the current economic conditions and its impact on their members and their operations caused by higher unemployment and escalating loan delinquency rates. This can best be accomplished by maintaining stronger than normal operations and safe and sound lending and collections programs.

In conclusion, we believe that your insurance fund provides its credit unions with a strong, high-quality program that is established so as to always be around for its members regardless of changes in economic conditions – a program that its members can be proud to call their share insurer!

IndyMac Reveals Lack of Consumer Awareness

While the effects of the FDIC takeover of the IndyMac Bancorp and other subsequent bank failures, along with the sub-prime lending problem, reverberate throughout the financial industry, ASI has seen some positive developments emerge from the cloud of dust of this current economic crisis. ASI continues to stand tall through it all as the company reaffirms its strength, stability and the security of its deposit insurance fund.

One positive outcome of this financial crisis has been that many consumers, including credit union members, have come to realize that not all of their funds are insured by the federal government. It is this lack of consumer awareness that generated an enormous number of phone calls and e-mail inquiries to ASI from both consumers and credit union management seeking a better understanding of ASI's share insurance coverage.

"During the days and weeks following the IndyMac failure, we fielded hundreds of calls from members inquiring about our share insurance programs as well as those seeking reassurance that their deposits were safe and sound in ASI-insured institutions," said Lori Solberg, Vice President of Sales and Marketing at ASI.

Many of the calls were from credit union members wanting to gain a thorough understanding of ASI and the coverage it provides. To help improve consumer awareness about deposit insurance, the ASI staff responded to all the inquiries communicating the details and benefits of its primary insurance program.

The message conveyed to members was that ASI's program provides share insurance coverage **up to \$250,000 per account**, not per member. ASI insures accounts, not

individuals. Each and every deposit account at an ASI-insured institution qualifies for the \$250,000 coverage... from savings, to CDs, and everything in between as noted in the following table. There is no limit to the number of accounts covered per member. For instance, if a member has 10 CDs with 10 separate account numbers, then there is \$2,500,000 in CD coverage. For example:

Checking	Insured up to \$250,000
Savings	Insured up to \$250,000
Money Market	Insured up to \$250,000
IRA	Insured up to \$250,000
CD #1	Insured up to \$250,000
CD #2	Insured up to \$250,000
CD #3	Insured up to \$250,000
Christmas Club	Insured up to \$250,000

This exceptional level of coverage is available only from ASI. Because of ASI's monitoring and review processes, geographical diversification, and the quality of the institutions it insures, members' accounts are each protected up to \$250,000.

In addition to the members' questions about coverage, ASI staff provided background information about the company. The strength and stability of the ASI fund was key in reassuring members. ASI's outstanding record of performance is illustrated by its exceptionally high ratio of insurance fund equity to member savings, and its track record with respect to insuring losses. No member has ever lost a cent in an ASI-insured account.

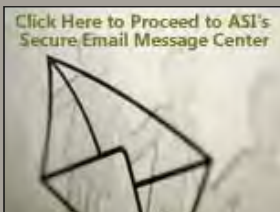
Emphasis on customer service has been an important component in ASI's commitment to its members. The ASI team has been readily available to respond to all the incoming calls and talk to credit union staff and members, answering questions and providing information. Requests from insured credit unions for additional consumer information brochures were also quickly filled by ASI staff so that individual members could be served promptly.



ASI is here for its members and is committed to customer service and communications as credit unions face these uncertain economic circumstances. "In addition to all the inquiries, we are getting a lot of positive feedback from credit unions and consumers," according to ASI President/

CEO Dennis Adams, "and our share insurance programs are giving members the comfort they need under current conditions. We are pleased to be able to offer such a unique solution to the credit union movement, and we will continue to assist our insured credit unions and their members."

ASI Provides New Secure E-mail System



With an increased emphasis on the need to secure communications containing confidential information, ASI now offers a secure channel for exchanging such information.

ASI has implemented a new e-mail encryption server which provides enhanced security and confidentiality to all sensitive e-mail communications among ASI member credit unions, regulators, business contacts and employees. The new ASI Secure E-mail solution encrypts e-mails by utilizing a third-party system from ZIX Corporation. ZIX-encrypted e-mail service is used by many government and regulatory agencies including the FDIC, NCUA and Federal Reserve, as well as many credit unions and banks.

If your organization already has the ZIX software in place, then the system works completely behind the scenes to encrypt and decrypt all e-mail that is sent and received between ASI and your organization. If your organization does not have ZIX software then you can send and receive secure e-mail as follows:

To RECEIVE an encrypted e-mail from ASI: When ASI sends you a secure e-mail, you will not receive the encrypted e-mail directly. Instead, the message will be sent to a secure data center where it will be held for you to retrieve. A notification message will be sent via normal e-mail which informs you that a secure message is waiting for you to retrieve. That notification message will contain a link to the ASI secure website portal. The recipient must click on that link, log onto the secure website and retrieve the message. At that point you can also respond by sending an equally secure reply e-mail from the portal. The first time you use the ASI Secure E-mail you will need to create a new account before logging on.

To SEND an encrypted e-mail to ASI: You will first need to log on to the ASI Secure E-mail portal before composing a secure e-mail to ASI. If it is your first time using the ASI Secure E-mail service, you will need to create a new account. Once the account is created you will be able to use that account every time you need to send or receive a secure e-mail with ASI. *Note:* The ASI Secure E-mail portal is designed for our business partners to communicate with anyone at ASI. However, it will not allow you to communicate with a non-ASI employee.

The ASI Secure E-mail portal can be accessed by going to the ASI website at www.americanshare.com and clicking on the Secure E-mail link on the home page. From there, you will be able to gain more information on how this process works and/or click on the link to go directly to the ASI Secure E-mail portal.

According to Kurt Kluth, ASI Vice President of Information Technology, "ASI staff has been instructed to send all confidential and sensitive information using this new encryption technology. In addition, we recommend that anyone who sends ASI confidential information and does not have the capability to encrypt their data should also use the new ASI Secure E-mail system. This system is designed to help assure confidentiality in vital e-mail communications in addition to providing the capability for all our business partners to protect their communications with ASI who might not currently have the ability to do so."

ASI Personnel Changes



Rick Choffel

Texan Rick Choffel to Serve ASI in Western States

Rick Choffel joined ASI as Sales Manager – Western Region, filling the void left with Lori Solberg’s promotion to Vice President of Sales and Marketing in July. Rick is based out of Dallas and is responsible for ASI’s sales territory in

Texas, California and the other western states previously covered by Ms. Solberg.

Rick comes to ASI with a long and successful career in credit union product sales and service having previously worked as a Senior Sales Associate with InfiCorp., and as Vice President of Credit Card Marketing with The Independent BankersBank. “Rick is an individual seasoned in the credit union business who we believe can pick up right where Lori left off in efficiently serving our western sales territory and business objectives,” said ASI President/CEO, Dennis Adams.



Eva Nie

Eva Nie Joins ASI Finance Department

Eva Nie comes to ASI as a Senior Accountant/Analyst reporting to Curt Robson, Vice President of Finance. She previously worked as a Senior Accountant with Motorist Mutual Group Insurance in Columbus, Ohio. Prior to that, she has worked at Franklin University in Columbus and Vanner Inc.

in Hilliard, Ohio. Eva has both a Bachelor of Science degree in Accounting and a Bachelor of Science degree in Management Information Sciences from Franklin University. She has passed three parts of the CPA examination and is continuing her studies to complete the final part.

Audit Staff Expands

This past summer ASI hired three more employees to complement its existing Audit and Examination staff, increasing the total Audit and Examination Department staff count to 14 individuals. The newest group of staff auditors will report directly to Kurt Loose, Vice President of Audit and Examination, and will be conducting field examinations of ASI’s member credit unions.

“The newest additions to our audit staff have been receiving on-the-job training at insured credit unions the past couple months,” said Loose.

“They have demonstrated exceptional progress in learning the skills required to help evaluate the safety and soundness of our insured credit unions. We fully expect them to be successful in performing their required duties, and look forward to utilizing their talents to perform thorough audits and examinations of insured credit unions,” he added.



Tyler Van Dyne

Tyler Van Dyne

Tyler joined ASI as a Staff Auditor in June 2008. He graduated from Ohio University in June 2008 with a B.B.A. degree in Finance and Marketing. While attending Ohio University, he was a member of the International Fraternity of Delta Sigma Pi.



Scott Vaughan

Scott Vaughan

Scott was hired by ASI as a Staff Auditor in June 2008. He graduated from Bowling Green State University in May 2008 with a B.A. degree specializing in Finance. During 2007 he worked an accounting internship at Libbey Glass in Toledo, Ohio. Scott also worked as a calculus tutor while in college.



Megan Wilkinson

Megan Wilkinson

Megan also joined ASI as a Staff Auditor in June 2008. She graduated from Ohio University in June 2008 with a B.S. degree in Business Administration with a major in Finance. She had an internship at the Ohio University Credit Union working with accounting and marketing from June 2007 to June 2008.

ASI Execs Meet with New NCUA Chairman



Duane Welsh Michael Fryzel Dennis Adams

ASI President/CEO Dennis Adams and Executive Vice President Duane Welsh met with the new National Credit Union Administration (NCUA) Chairman Michael Fryzel on August 27 at NCUA's headquarters in Alexandria, Virginia. The meeting with Fryzel touched upon numerous relevant topics including private share insurance, the financial condition of credit unions and the relationship between the two organizations.

"ASI has been a well-established and valued partner for a number of state-chartered credit unions for many years," said Fryzel. "I welcome their opinions and input... and I look forward to an open and productive relationship with the nation's largest private insurer of credit unions."

Adams stated, "Chairman Fryzel's experience and leadership skills will prove invaluable as the nation's credit unions confront unprecedented challenges in the delivery of critical consumer services while maintaining safety and soundness in their operations. It was rewarding to have the opportunity to communicate our thoughts and observations to Chairman Fryzel, and we look forward to sustaining a mutually cooperative relationship with his agency."

Adams added that "ASI understands the credit union industry and will continue doing its part to provide the safety and security that individual credit union members seek for their funds."

MEMBERS' ACCOUNTS ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENT OR GOVERNMENT-SPONSORED AGENCY.



American Share Insurance

5656 Frantz Road
Dublin, Ohio 43017