

Message from the President

Update on the Corporate Credit Union Conservatorship



*Rick Heldebrant,
President and CEO*

The past year has brought uncertainty and turmoil throughout the financial industry and the economy as a whole. Through all this, Star One remains well capitalized and is one of the strongest financial institutions in the nation.

Our commitment to sound lending policies, conservative investment strategies and member service continue to produce very good results. However, these are difficult times and there are outside forces that affect our business.

In late March, two corporate credit unions, U.S. Central Federal Credit Union and Western Corporate (WesCorp) Federal Credit Union, were placed in conservatorship by the National Credit Union Administration (NCUA). These two institutions continue to provide services to their member-credit unions under the direction and management of the NCUA.

The NCUA took these actions to stabilize the corporate credit union network and protect the assets of all credit unions. The nationwide corporate credit union network is comprised of twenty-eight (28) corporate credit unions which provide check clearing, investment, financial management and other services to the 8,000 natural person credit unions (including Star One) and are not used by the public. The main objectives of the NCUA actions were to maintain liquidity and strengthen the capital of the corporate credit union network. The two corporate credit unions which were placed in conservatorship had made some poor investment choices in mortgage-backed securities. To reserve against any potential future losses within the corporate credit union system, the National Credit Union

Share Insurance Fund (NCUSIF) has assessed all federally insured credit unions additional insurance premium assessments for 2008 and 2009. The payment of additional deposit insurance premiums helps protect the NCUSIF and maintains a strong federal deposit insurance fund for all credit union members. Difficulties in the economy have resulted in similar additional premiums for the FDIC insurance fund of the banks.

Due to the cooperative nature of the credit union system, the conservatorship and financial losses of corporate credit unions are paid for by federally insured credit unions including Star One. No Troubled Assets Relief Program (TARP) funds or taxpayer dollars are used. In the case of Star One, the charge is \$44.2 million (taken as of March 31, 2009) to cover the losses on our capital at these corporate credit unions and the charge to rebuild the NCUSIF. Despite this, Star One remains one of the safest financial institutions in the nation with more than \$446 million in reserves after the assessment. Our federal regulator/insurer considers 6% capital to be adequate for a financial institution and 7% to be well capitalized. Star One is well capitalized with more than 10% set aside for reserves after the charge.

What This Means to Our Members

Members will not see any changes to their accounts or the products and services Star One provides as a result of the recent actions taken by the NCUA. While the charge to rebuild the NCUSIF is unfortunate, it is business as usual at Star One. Given our strong capital level, very low charge-offs and delinquency from loans as well as the outstanding performance from investments, Star One remains strong. We expect to be profitable for calendar year 2009.

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Your One Source

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Star One adheres to sound financial underwriting practices. We provide our members with professional guidance matching them with the right product for their needs. Star One has never participated or offered any sub-prime mortgage loans. We continue to grow and prosper even as some financial institutions are downsizing or having other difficulties. Star One does not rely on gimmick pricing or product offerings to attract and retain new members. We believe that these types of gimmicks affect member loyalty and don't provide meaningful value in the long run. Star One will continue to offer simple, easy to understand pricing on our products and services without charging unnecessary fees.

As a member of Star One, you can enjoy the added peace of mind knowing that your savings are federally insured to at least \$250,000 through the NCUA, a U.S. Government Agency.* For more information about savings insurance, please visit www.starone.org and select "Facts About Your Insured Savings" under the "Accounts" menu.

Since its inception in 1956, Star One has charted a course of safety and soundness. We will continue to be a resource you and your family can count on. Over the years Star One has grown to become the 13th largest credit union out of more than 8,000 credit unions nationally. Current and historical results for Star One are available from the NCUA website at www.ncua.gov. Click on the "Data and Services" tab, then "find a credit union in your area" and enter Star One's charter number 68465. Click on the "Financial Performance Report" for a detailed financial report on Star One.

Star One is committed to serving the financial needs of members like you for many years to come.

* NCUA insurance has been increased through Dec 31, 2013. Retirement accounts will remain separately insured up to \$250,000.



Credit Union Student Choice

Affordable Loans for College Students

Everyone knows that the cost of a college education has skyrocketed. However, help is available. According to the College Board, about two-thirds of all full-time undergraduate students receive some grant aid. Still, once you add up your savings, any grants or federal aid and scholarships available to you or your child, you may still have a funding gap.

Along with other credit union partners, Star One has formed Credit Union Student Choice (CUSC), offering student loans to help you realize the dream of higher education. Through CUSC, Star One members have access to affordable financing options, with rates and fees that are lower than those of typical private student loan lenders.

Benefits of CUSC Loans

As a Star One member, you or a family member can take advantage of these CUSC loan benefits:

- Zero origination fees
- Lower interest rates
- Deferral of principal and interest while in school
- Flexible repayment terms
- Co-signers can be removed after consistent payments

- Graduated repayment to make monthly payments more manageable

Once approved, students can borrow from \$1,000 up to \$30,000 per year based on the cost of attendance. The aggregate maximum (total amount you can borrow throughout your college career) is \$75,000. Funds can often be disbursed within seven days of loan approval.

Who Is Eligible?

To be eligible to apply for and obtain a loan through the Credit Union Student Choice loan program, students must:

- Be enrolled at least half-time in a degree-granting program
- Have a qualified co-borrower
- Be a member of Star One Credit Union. If you are not already a member, visit www.starone.org and select "Join" at the upper left to learn more about membership eligibility.

To Learn More

To find out more about this valuable Star One member benefit, visit www.starone.org and select "Student Loans" under the "Loans" menu.

Check Out New Online Banking Services

Star One makes managing your finances online even easier with these great new services:

External Funds Transfer – Log in to Online Banking and move funds to and from other institutions and accounts in seconds. Fast, easy and convenient!

ezDeposit – You can deposit checks into your Star One account from home or the office by logging in to Online Banking and scanning in the check using a standard scanner. Save time and gas by skipping a trip to the credit union to deposit checks!

Still not an Online Banking user? If you have not tried it yet, you should. For first-time users, or if you have not signed in for 365 days, your password is your Touchtone Teller access code. Please call one of our Member Phone Service representative at **(408) 543-5202** or **(866) 543-5202** for assistance.



Cashing in on Savings Bonds

If you're like most people these days, you could use a little extra cash. And you know better than to take it from your retirement or emergency funds. But do you have any U.S. savings bonds?

The U.S. Treasury Department estimates \$16 billion worth of U.S. savings bonds are squirreled away and no longer earning interest. (Today's bonds stop increasing in value after 30 years.) If you have one or more of these matured savings bonds, you could redeem them for cash or reinvest them so that your money starts earning interest again.

Start your search. If you can't find your certificates, the Treasury Department keeps track. Use the Treasury Hunt® feature on TreasuryDirect.gov to search.*

Check the maturity date. If your bonds have not matured, you may not want to cash them in yet. For example, Series E bonds that were issued before May 1, 1995, may be earning up to 6% a year.**

Understand the type of bond you have. There are three main types of savings bonds:

- **EE bonds** replaced E bonds (also known as the old "war bonds") in

1980 and pay a fixed rate for up to 30 years. EE bonds can be redeemed after 12 months for the price of the bond plus accrued interest. However, you lose three months of interest if you redeem EE bonds before holding them five years.

- **I bonds** pay two different rates – a fixed rate and a second rate that adjusts for inflation – for 30 years. I bonds must also be held for at least a year, and you'll lose three months of accrued interest if they're not held for at least five years.
- **HH bonds** are no longer available for purchase but can be redeemed. Or they may be exchanged for EE bonds before they mature.

Check value and tax implications.

Check values with the savings bond calculator on www.TreasuryDirect.gov. You do have to report savings bond payouts to the IRS, so beware that redeeming them could push you into a higher tax bracket or affect taxation of your Social Security benefits.***

* Web site offered for information only.

No endorsement is implied.

** Source: TreasuryDirect.gov.

*** Consult your tax advisor.



*You can redeem your U.S. savings bonds at Star One Credit Union. If the owner of a bond is deceased, a beneficiary can redeem it with valid identification and a certified copy of the owner's death certificate. Call **(866) 543-5202** with questions.*

Branch Hours: Mon., Tues. & Thur. 9 a.m. – 5 p.m. Wed. 10 a.m. – 5 p.m. Fri. 9 a.m. – 6 p.m.

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De Anza Blvd. & Homestead Rd.

San Jose, CA
Blossom Hill Branch
1090 Blossom Hill Rd.
Blossom Hill Rd. & Almaden Expwy.

Palo Alto, CA
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El Camino Real & Ventura Ave.

Member Phone Service
(408) 543-5202 or
(866) 543-5202 toll-free
Fax: (408) 543-5203
Star One Representatives are
available 7 a.m. – 11 p.m.
Mon. – Fri., and 10 a.m. – 6 p.m.
on weekends and most holidays.
For your convenience, we use a
Shared Branch call center to handle
after-hours calls. They can assist
you with general questions and
basic transactions.

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We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act.



Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government National Credit Union Administration, a U.S. Government Agency.

Consumer Corner

Win the Battle Against Check Fraud

Fraudsters may try to tempt you with promises of big money, but watch out for the following schemes:

Advance fee fraud, also known as a "Nigerian" or "419" scam, is a scam in which the victim is asked to pay fees in advance in exchange for huge sums of money. For example, the victim might receive a letter or e-mail, often from a country in Africa such as Nigeria, stating that he or she will receive an unclaimed bank account if lawyer or court fees are paid first. The victim sends a check and never sees his or her money again. *Be suspicious:* Never give out your account number to anyone making this type of claim.

Fraudulent sales occur when you advertise something for sale – perhaps a used car or jewelry – in a local paper or online. A thief contacts you, agrees to buy the item and sends a cashier's check for an amount greater than the selling price. He or she then asks you to cash the check and send back the difference. You deposit the check and it is credited to your account, so you think it's good. A week later, the credit union may contact you and let you know the check was counterfeit. You lose out on the



price of the item, plus the "extra" amount you sent back to the scam artist. *Be suspicious:* Don't go ahead with the transaction if the buyer seems unconcerned about the condition of the item being purchased or if the buyer sends you a check for more than the amount of the item and asks you to return the difference.

Protect Yourself

Be sure to exercise caution when accepting checks from unfamiliar sources. Star One takes every effort to make your funds available right away, but you are best qualified to decide whether or not the check issuer is trustworthy. You are responsible for the checks you deposit, and if an item you deposited is found to be counterfeit – even if the credit union accepts it and releases the funds – you are still at risk to lose those funds.

If you have questions about suspicious checks or money orders you've received, please call a Member Phone Service representative at **(408) 543-5202** or **(866) 543-5202**.

Holiday Schedule

Star One branches will be closed to observe:

Independence Day – July 3, 2009

Labor Day – Sept. 7, 2009

Columbus Day – Oct. 12, 2009

See above for Member Phone Service hours.



EFPN Founder and CEO Jenefer Duane presents Star One Credit Union President and CEO Rick Heldebrant with the Visionary Leadership Award for Elder Financial Abuse Prevention.

Photo credit: Mona T. Brooks

Star One Recognized with Visionary Leadership Award

The Elder Financial Protection Network (EFPN), a nonprofit organization committed to protecting the elderly from financial abuse, presented Star One Credit Union with its Visionary Leadership Award in recognition of the credit union's ongoing efforts to protect the elderly from financial abuse.

The award was accepted by Star One Credit Union President and CEO Rick Heldebrant on behalf of Star One at the EFPN annual conference in March. Star One created an early detection mechanism in 2000 to help keep seniors' assets from the hands of predators and prevent their financial exploitation. Since then, Star One has been an active participant in the Financial Institution Team (FIT) of Santa Clara County, along with other financial institutions. The FIT is dedicated to educating the public at large and senior citizens about preventing fraud, identity theft and other forms of exploitation targeting the elderly.