

Report to Members - Queen of Peace Arlington Federal Credit Union
Annual Meeting Sunday, April 24, 2005
Treasurer's and Chairman's Report

The year 2004 (Our Forty-First!) was another year of solid financial performance for the credit union. We ended 2004 with loans of \$344,828 compared with \$326,827 in 2003. Member shares were \$833,245 compared with \$719,566 at the end of 2003. No loans were charged off in 2004, although delinquency was higher than we would like during much of the year. Total assets ended 2004 at \$981,304 while ending 2003 at \$849,393. We had 561 members at year-end, compared with 556 at the end of 2003.

Just after the end of 2004, in January 2005, we reached \$1 million in assets!

A total of \$235,151 in loans was disbursed in 2004 to 28 members. We try to keep our rates and terms fair and competitive. In 2004, we made many of our loans more "competitive", especially to members with excellent credit history. The interest rate on a loan is lower if the borrower has a better credit score. For those with poorer scores, our rates are still very good. We also added a new type of loan for those members with very poor credit, who need a small amount for up to 3 months. Our "payday alternative" loans of up to \$500 became available in mid 2004.

Also, in mid 2004, we added a service to allow members to have loan payments and/or savings deposits to be automatically transferred from a checking account at a bank or other credit union to Queen of Peace. There is no charge for this service, and it has been very popular, especially to those with loans.

Over the years, quite a few members have left small amounts in their accounts, and have had no activity. Eventually, we will be obligated to turn these funds over to the state of Virginia as "abandoned property". We also incur expenses to send statements, etc. The credit union board has authorized fees on such low balance accounts (under the minimum of \$25), as well as on accounts with very infrequent activity with balances under \$100. We have also started a fee when the quarterly statement is returned because of a changed address, since we must go to the trouble and expense of correcting the address and mailing again.

For many years, the credit union offered, at no charge to the member, life insurance on most loans, up to a certain maximum. On June 1, 2004, after considerable review, the credit union "phased out" this insurance, and began offering an expanded credit life policy, but at the borrower's option and expense. Loans issued prior to June 1, 2004 will continue to have the credit union paid life insurance on the loan balance up to \$25,000. Loans disbursed or refinanced on or after June 1, 2004 have the option of purchasing life insurance on the primary borrower or both joint borrowers up to \$30,000.

Future cost savings will allow us to keep our loan rates more competitive and continue fair dividends on savings. Credit disability insurance has been available as an option on loans for many years, and several members who purchased such insurance have had illnesses or injuries. They were happy that this insurance made the payments for them (after one month) while they were disabled.

The year 2004 was our first full year in our new offices in the Ministry Center. This new spaces provides much needed operating space, and allows the expansion of services.

As rates began to rise in the economy, we raised dividend rates several times, ending the year with a rate of 1.25% (APY) on regular shares. In March of 2005, we changed the timing of announcing a dividend rate on share accounts. Beginning with April 2005, we will now declare and announce the monthly dividend rate before the beginning of that month. We also increased the dividend rate for April 2005 to 1.50% (APY) on regular shares. For share certificates, we have increased the rates (fixed for the term of the certificate) several times. We offer share certificates (like CDs at a bank) for terms of 1.2 and 3 years with a minimum amount of \$1,000.

Total expenses increased for 2004. Bond and insurance was a significantly expensive item. We spent more on youth promotional items, items commemorating our 40th anniversary, high speed internet access, computer equipment and other items necessary to expand our services and serve a growing credit union. The Officers, committee members, loan officers, and board members, etc. are volunteers. This allowed solid financial results. The credit union pays its own operating expenses (insurance, postage, computer expenses, office supplies, office furniture, etc.) from earnings. The church provides the office space. In April of 2001, the credit union Board pledged \$6,000 towards the new ministry center, and paid this amount. We are recording this expense over a ten-year period at \$50 per month.

Several officers continue to active in outreach to and cooperation with other credit unions. The Treasurer attended the annual meeting of the National Federation of Community Development Credit Unions in San Juan, Puerto Rico June 2004. The Treasurer is active in the Northern Virginia Chapter of Credit Unions. Other volunteers occasionally attend the monthly meeting of the Chapter as well. We meet from time to time with other church credit unions, such as St. Ann's Arlington FCU and Shiloh of Alexandria FCU. In October, the credit union donated \$200.00 parish Thanksgiving food program.

During 2004, we continued to offer various kinds of insurance from CUNA Mutual Insurance Company, which is owned by

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**SUPERVISORY COMMITTEE
REPORT**

the credit union movement. In cooperation with Long & Foster Real Estate, our members can qualify for a rebate on the purchase or sale of real estate. Several new volunteers have offered their services. We offer members the ability to purchase a new auto through United Buyers Service. The Christmas and Vacation Club accounts remain popular. In mid-2004, after extensive analysis, we signed a referral agreement with Credit Union Mortgage Association, Inc. (CUMA) of Fairfax, VA so that our members can get home mortgages from CUMA by referral from Queen of Peace Arlington FCU. CUMA deals only with credit union members, and is owned by a group of larger credit unions in the Washington DC area.

The credit union continues using email:
qpafcu@hotmail.com. Our web site continues to grow:
www.qpafcu.com.

To better serve our members whose primary language is Spanish, we continue to offer loan application forms in Spanish. Some Spanish language forms and brochures are also available in our shared lobby (Ministry Center Waiting Room).

We hope that we are able to provide more loans to members. During 2004, we are implementing changes required by the Patriot Act, which requires financial institutions to monitor accounts for money laundering in support of terrorism and other illegal activities. We are also required to obtain identification on all new accounts.

Member education is an important part of positive changes we can make in our member's lives. Several credit union volunteers attended a "train the trainer" session (held at Queen of Peace) for Financial Literacy, and are working on a program we can offer to members and others. Watch the newsletter and parish bulletin for information.

Later in 2004, we established "Youth Sunday", the second Sunday of each month as a special promotion for children to get promotional items and information about the credit union.

Children can handle their own accounts, as soon as they can sign their names. There are several options for youth accounts available from the credit union. We also have teen tellers on duty handling transactions on the second Sunday of the month, "Youth Sunday". James Komen, one of our teens who has been a credit union member since he was a toddler has taken the lead in becoming involved as a volunteer. We would like to have more teen volunteers.

We hope to be of continuing service. Please contact us should you have any questions.

C. C. Jenkins
Board Chairman

Dan Morrissey
Treasurer/Manager/CEO

The Board appoints the Supervisory Committee. Its major responsibilities are to make an audit at least annually and to verify the accounts of members with the Treasurer's records at least once every two years. The Committee is also responsible for reviewing the performance of the board of directors for improvement in the operations of the credit union. The Supervisory Committee performs its work following guidelines issued by the National Credit Union Administration (NCUA).

The Supervisory Committee continues to work with our NCUA Examiner to ensure that all of our financial reports are up to date and to improve our accounting procedures. We are pleased to report that all requirements are being met. Based on our consultation with NCUA, the National Association of Federal Credit Unions' Key Financial Ratio Analysis, the annual audit performed by your Supervisory Committee, and our ongoing evaluation of credit union operations, we are pleased to report that the Queen of Peace Arlington Federal Credit Union is in very sound fiscal condition. The completely volunteer management is very dedicated and efficient.

We commend the policies and operations, which have resulted in high ratings from NCUA for the safety and soundness of our credit union. We continue to commend the board for keeping operating expenses low, paying dividends and making loans at better rates than most banks and credit unions in our area, and providing high quality services to our members.

Dick Melia, Chairman (703-892-6891)
Wilfred Braveboy
Andy Asihel