

Report to Members - Queen of Peace Arlington Federal Credit Union

Annual Meeting Sunday, April 26, 2009

Treasurer's and Chairman's Report

The year 2008 (Our Forty-Fifth!) was another year of solid financial performance for the credit union. We ended 2008 with loans of \$494,923 compared with \$558,292 in 2007. Shares were \$1,490,002 compared with \$1,177,958 ending 2007. Two loans were charged off in 2008 for \$3,850, which was a small decrease over the prior year. The delinquency rate remained stable, although it may increase in 2009. Total assets at year-end were \$1,727,017 while ending 2007 at \$1,382,686. We had 496 members at year-end, compared with 502 at the end of 2007. The drop in membership reflects members with small (under \$100), inactive accounts who closed their accounts.

Assets grew significantly in 2008 for the third consecutive year and finished the year just over \$1.7 million, although there were some withdrawals in the first three months of 2009.

A total of \$189,418 in loans was disbursed in 2007 to 33 members. In 2008, we continued to make our loan rates "competitive". 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 continue to offer 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 \$600 are becoming more popular.

Added as a service in mid 2004, members may have loan payments and/or savings deposits automatically transferred from a checking account at a bank or other credit union to Queen of Peace. There is no charge, and it has been very popular, especially to those members with loans. Members may also make transfers from an account at another institution by written or telephone request.

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 incur expenses to send statements, etc. In 2004, the 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. During 2006, we began to notify members that fees will be charged, and began to charge these fees. We continued sending letters every quarter in 2007 to this low-balance, inactive accounts.

As rates continued to drop in the economy, we lowered dividend rates several times, ending the year (December 2008) with a rate of 0.75% (APY) on regular shares. Christmas and Vacation Club Accounts pay a slightly higher (10 basis points) rate than the regular shares. For share certificates, we lowered the rates offered several times as overall interest rates dropped. We offer share certificates (like CDs at a bank) for terms of 6 months, 1, 2 and 3 years with a minimum amount of \$1,000. We allow any term (to the exact day, if desired) between six months and 3 years.

Total expenses were stable for 2008, despite the purchase of new hardware and software. 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.

Several officers continue to active in outreach to and cooperation with other credit unions. Several officials attended the annual meeting and faith based Credit Union Conference of the National Federation of Community Development Credit Unions in Dallas in June 2008. Treasurer Dan Morrissey received an award at this conference. The Treasurer is active in the Northern Virginia Chapter of Credit Unions. Other volunteers occasionally attend the monthly meeting of the Chapter. 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 \$225 parish Thanksgiving food program. We were sponsors of the Credit Union Cherry Blossom 10 Mile Run and Treasurer Dan Morrissey volunteered at the 2007, 2008 and 2009 Races. We hope to get more volunteers next year. This race benefits the Children's Miracle Network (Children's Hospital).

During 2007, we continued to offer various kinds of insurance from CUNA Mutual Insurance Company, which is owned by 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 UBS. 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 . Because our web site hosting company was sold, we had to rebuild the web site on a new host. That task was completed in early 2008. (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 2006, we are continuing 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.

In early 2008, we began offering a new product/service to members, a prepaid Mastercard debit card.

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 would like to have more teen volunteers.

Several new volunteers are now helping at the credit union.

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

C. C. Jenkins
Board Chairman

Dan Morrisey
Treasurer/Manager/CEO

QUEEN OF PEACE ARLINGTON FEDERAL CREDIT UNION

ANNUAL MEETING
SUNDAY, APRIL 26, 2009

SUPERVISORY COMMITTEE REPORT

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