

## Report to Members - Queen of Peace Arlington Federal Credit Union

Annual Meeting Sunday, April 18, 2010

Treasurer's and Chairman's Report

The year 2009 (Our forty-sixth!) was another year of solid financial performance for the credit union, despite challenges for both credit unions and financial institutions in general. We ended 2008 with loans of \$382,880 compared with \$494,923 in 2008. Shares were \$1,462,270 compared with \$1,490,002 at the end of 2008. Two loans were charged off in 2008 for \$1,451, which was a decrease over the prior year. The delinquency rate remained stable. Total assets at year-end were \$1,722,205 while ending 2008 at \$1,727,017. We had 506 members at year-end, compared with 496 at the end of 2008.

Assets were flat in 2009 after three years of significant growth and finished the year just over \$1.7 million.

A total of \$161,009 in loans was disbursed in 2009 to 28 members. In 2009, we continued to keep 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 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 \$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 2009) with a rate of 0.50% (APY) on regular shares. Christmas and Vacation Club Accounts pay a slightly higher (10 basis points) rate than the regular shares. In January 2010, we again lowered the dividend rate on shares to 0.35% (APY) as overall savings rates continue to decline. 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 2009. 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.

We faced increased fees to the National Credit Union Administration (NCUA) in 2009 and projected to continue for several years to fund the federal insurance on member shares (to at least \$250,000 per account). Our strong financial condition allows us to handle this very well.

Several officers continue to be 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 Phoenix in June 2009. 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 to the 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, 2009 and 2010 Races. We hope to get more volunteers next year. This race benefits the Children's Miracle Network (Children's Hospital).

During 2009, 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 changed its "official" email address to qpafcu@qpafcu.com, although the qpafcu@hotmail.com is still in use.. We continue to maintain and enhance the credit union's informational web site. (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 have money to lend to qualified borrowers. In early 2010, we began offering a new product/service to members, a prepaid VISA Gift Card that complements the reloadable prepaid Mastercard debit card we continue to offer.

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 18, 2010  
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 2010 verification of accounts is underway in conjunction with the mailing of 1st quarter 2010 statements. 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*