

Financials

Income and Expenses

	2005	2004
Income		
Loan Income	\$1,593,769	\$1,592,155
Investment Income	\$794,864	\$620,399
Other Income	\$474,533	\$506,652
Total Income	\$2,863,166	\$2,719,206

Operating Expenses

Salary and Benefits	\$922,287	\$893,600
Office Operations	\$1,088,357	\$1,037,905
Marketing	\$33,937	\$36,874
Dividends	\$473,801	\$424,597
Total Expenses	\$2,518,382	\$2,392,976
Net Operating Income	\$344,784	\$326,230

Balance Sheet

	2005	2004
Loans	\$20,603,808	\$19,828,464
Allowance for Loan Losses	-\$169,914	-\$187,249
Cash and Investments	\$23,532,689	\$24,811,485
Fixed Assets	\$222,676	\$155,273
Other Assets	\$1,375,153	\$716,511
Total Assets	\$45,564,412	\$45,324,484

Liabilities and Equity

Accrued Dividends	\$73,294	\$75,046
Other Liabilities	\$675,236	\$47,766
Members' Accounts	\$40,220,045	\$40,787,616
Regular Reserves and Undivided Earnings	\$4,595,837	\$4,414,056
Total Liabilities and Equity	\$45,564,412	\$45,324,484

Home Banking
wherever you need it!

Board of Directors

David C. Nimmer	Chairman
George Winzer	Vice-Chairman
Paul A. Yates	Treasurer
James J. O'Donnell	Deputy Treasurer
Jessica A. Franklin	Secretary
Virginia T. Battle	Director
Yvonne Jones	Director
Monika F. Martin	Director
Roosevelt Jones	Director

John D. McNees	Honorary Director (1923-2000)
William J. Linane	Honorary Director (1929-1997)

Supervisory Committee

Maurice D. Gullledge	Chairman
Otis D. Collins	Secretary
Kenneth A. Latten	Member
Rudy V. McKinney	Member

Your Credit Union Staff

(At December 2005)

Lee Hancock, CCCE	President & CEO
Senora Lee	Senior Vice-President
Reuben Martey	VP-Finance
Brenda Stevens Hurd	VP-Member Services and Loans
Evelyn Tafalla, CCUE	Marketing Director & Adm. Asst.
Leslie Walker, CCCE	Collections Manager
Patricia Coleman	Loan Officer
Mozella Hewitt	Loan Officer
Natalie Hubbard	Computer Operator
Lena Simon	Senior Accountant
Mavis Phillips	Accountant
Dana Williams	Card Services Rep.
Monique Sabir	Member Services Rep.
Tanisha McDowell	Member Services Rep.
Cinayda Amor	Member Services Rep.

Credit Union Outlets in the DC Metro Area

Atlantic Financial 40 Schilling Road Hunt Valley, MD	Fairfax County FCU 11307 Lee Highway Fairfax, VA
Chessie 193-F Thomas Johnson Drive Frederick, MD	HEW 5746 Silver Hill Road District Heights, MD
Comstar 5301 Buckeystown Pike Frederick, MD	Washington Telephone 1401 I Street, NW, Suite 110 Washington, DC
Comstar 22601-A Gateway Center Drive Clarksburg, MD	Washington Telephone 12355 Sunrise Valley Dr., Suite 100 Reston, VA



Marlow Heights, MD Marlow Heights Shopping Ctr. 4003 Branch Ave. 301-423-1391	Falls Church, VA West Falls Church Shopping Ctr. 1118 W. Broad Street 703-532-9200
Springfield, VA 6314 Springfield Plaza 703-912-3933	Capitol Heights, MD Hampton Mall 9001 Central Avenue 301-499-6880

Credit Union Family Service Centers Hours

Monday - Friday: 9:00am to 7:00pm
Saturday: 9:00am to 2:00pm

24-Hour ATMs for Deposits & Withdrawals
1-888-287-9475 • www.cuservicecenters.org



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www.hudfcu.org

"Helping members and their families reach their financial goals since 1936!"



05 Annual Report

STRENGTH
GROWTH &
STABILITY

Chairman's Report



My fellow members, I bid you a fond welcome! I find it hard to believe but another year has passed since I last addressed you here for our annual report. I hope that this past year was good to you and yours, as it has been overall for our beloved country and its economy, in spite of hurricane damage. I will leave the discussion of the financial position of our Credit Union to our most capable Treasurer but, suffice it to say, the year was good to us, brought us a slight increase in total assets and an increase in loans, and it is loans, after all, that are the reason we are in business.

Those of you who have been members for a while and who read the annual report, know that I have repeatedly expressed my concern over our fellow members who fail to repay their obligations in a timely manner and as otherwise agreed upon by them, thus placing that burden upon all the rest of us members. More often, these members have unsecured loans and they sometimes declare bankruptcy, causing your Credit Union to lose most or all of the loaned amounts. For quite a few years now the U. S. Congress has been deliberating changes to the bankruptcy laws but has been unable to reach a consensus and pass a new bill; that is until the latter part of 2005. The law was finally passed and took effect late in the year. The essence of the legislation is to tighten up the bankruptcy laws and both make it more difficult to declare bankruptcy as well as to avoid paying anything on their debts.

Many of you may have read the article in our quarterly newsletter which I wrote addressing the importance of volunteers to your Credit Union. Your Board of Directors and the Supervisory Committee are both comprised of volunteers. Other opportunities to volunteer exist and from time-to-time as Chairman, I find it necessary to appoint committees comprised of volunteers to address various matters of importance to the Credit Union which may arise. Day-to-day operation of the Credit Union is in the hands of our professional staff led by our President, Mr. Lee Hancock. What essentially distinguishes us as a Credit Union from a bank is the voluntary aspect of our structure as I've just described, plus the fact that we are non-profit and, as such, do not have to pay Federal income taxes as an institution. I urge any of you who may have an interest in volunteering some of your time and skills to assist your Credit Union to contact our President to discuss your interests.

Let me take this opportunity to urge those of you who may be considering a loan in the coming year, whether it be a first or second mortgage loan, home equity loan, an auto loan, an otherwise secured or unsecured loan, a VISA card or any other type of loan we offer, to look to us, your all-inclusive, one-stop institution, which stands ready to meet all of your financial needs at any time. We are in business to serve you, our members, in every way we reasonably can. Without you we would have no reason to exist. Since we are non-profit, our only motivation is our service to you.

I want to tell you personally how important each and every one of you are to me, to the other Board members and to the professional staff of your Credit Union. We are all the Credit Union family and this is a much more personal and caring organization and financial institution than you will find with the local branch of some large for-profit bank which might be down the street from you.

To you and your families I wish a generous measure of happiness, health and prosperity in the coming year and we look forward to seeing you and serving you. May the year bring safety and prosperity for our nation and her people.

David C. Nimmer
Chairman, Board of Directors

President's Report



The financial condition of HUD Federal Credit Union continued at a high level in 2005. Our assets continue to be stable at \$45.6 million. Loans exceeded \$20.6 million; shares remained over \$40.2 million and reserves including allowance for loan losses increased to \$4.8 million. The reserve position places the Credit Union in a well capitalized position, according to the National Credit Union Administration, the Federal regulator. NCUA also stated that the Credit Union was well managed.

HUD Federal Credit Union has made a concerted effort to offer the best services to its members in terms of technological access. Last year we installed Online Access (also known as Home Banking) which allows you to access your account from the comfort of your home or office. This service is at no cost to you and allows the ability to download your monthly statement, review any transactions on your account, print a copy of any share draft that you have written, see your payment history on loans, and find the payment amount and the date that the loan is due. You can also transfer loan payment or to other share or loan accounts. In 2005, the service was enhanced to access your VISA account online.

The lending programs allow you to apply for a loan online 24/7 and get a fast response to your request. The address is HUDFCU.org. The web site also gives up-to-date savings and lending rates.

You can also consider using our bill payment system. This service allows you to pay any bill, including utilities online at your convenience.

Savings rates began to rise at the end of 2005. The Board of Directors and staff keep an eye on the market and make every effort to pay competitive rates on Regular Savings, Certificates, IRA, and Money Market accounts.

Your Credit Union renovated its offices in 2005. This is the first upgrade in 20 years. We hope that you think that the renovation causes the office to be more user friendly. In addition, a new ATM will be installed in the first quarter of 2006. We plan to upgrade our telephone system (Audio Teller) to facilitate easier access.

By continuing your support and by availing yourselves of the many and varied services, your Credit Union will only grow stronger. Your Board and Staff stand ready to assist in any way possible. We are dedicated to provide the kind of service upon which "lasting relationships" are built.

Thank you again for contributing to the success of your Credit Union.

Supervisory Committee Report



The Supervisory Committee's function is to assure that there are:

- Adequate safeguards in place to protect members' accounts
- Adequate internal controls
- Sound accounting policies and practice

Our Committee is responsible for assuring members that the Credit Union's financial

Statements are fairly presented in accordance with the requirements of the National Credit Union Administration (NCUA). The Committee arranged for our annual audit by Schreiner, Legge and Company, a certified public accounting firm, and reviewed the results thereof. The Committee also reviewed the results of the examination-audit by NCUA.

The Committee, together with the Board and Management, is part of the team involved in managing the financial risk of the Credit Union and is an important part of the financial integrity and safety of your Credit Union.

Maurice D. Gullede
Supervisory Committee Chairman

Treasurer's Report



I am pleased to report that 2005 was another financially successful year. Assets increased to \$45.6 million, Member deposits/shares to \$40.2 million, and loans to \$20.6 million.

Net worth or equity increased to \$4.8 million. Net income was \$345,000, an increase of 6% from 2004.

Your Credit union continues to have a very strong financial position, a NCUA camel rating of 2, and the following comments from the most recent NCUA examination; "The HUD Federal Credit Union is financially sound and well managed."

For your information, some historical financial data for the past 20 years; From 1986 to 2005,

- Assets increased from \$17.8 to \$45.6 million
- Shares increased from \$12.1 to \$40.2 million
- Net worth increased from \$417,000 to \$4.8 million
- Total dividends paid for the period \$19.3 million

It is a pleasure to serve you.

Paul A. Yates
Treasurer

Significant Member Service Highlights 1936-2005

- 1936 Charter granted to HUD Federal Credit Union
- 1941 1st Annual Membership Meeting
- 1978 Affiliated with Credit Union Mortgage Association (CUMA) to offer flexible mortgage solutions
- 1979 Started FREE Notary Public Service to members
- 1981 1st Automated Teller Machine (ATM) installed
- 1983 Inhouse Computer Operation System
- 1990 Tax preparation service from Schreiner, Legge & Co.
- 1992 VISA Credit Card issued
- 1993 Partnership with Enterprise Car Sales
- 1994 1st Family Service Center, shared branch for credit unions opened in West Falls Shopping Center, Falls Church, VA
- 1995 Prime Time Club established for members age 50 and over
- 1997 Express Audio Teller Installed
- 2001 Diamond Award for "Your Dollars Worth" newsletter
- 2002 We are on the web at www.hudfcu.org
- 2003 Achieved highest growth in Assets (over \$40 million)
- 2004 Online Account Access, Online Bill Payment
- 2005 User-friendly renovation/upgrade of Office Golden Mirror Award for "Your Dollars Worth" newsletter from Credit Union Executives Society (CUES)