

Credit Union Outlets in the DC Metro Area

Atlantic Financial

40 Schilling Road, Hunt Valley, MD
1 E Pratt Street, Baltimore, MD

Comstar

22601-A Gateway Ctr. Dr,
Clarksburg, MD
5301 Buckeystown Pike,
Frederick, MD
100 Lake Forest Blvd.,
Gaithersburg, MD

Chessie

193 F Thomas Johnson Dr.,
Frederick, MD

Congressional FCU

10461 White Granite Dr., Oakton, VA

Fed Direct FCU

Edmonston Crossing Shopping Center
1022 Rockville Pike, Rockville, MD

Market USA FCU

8871 Gorman Road, Ste. #100,
Laurel, MD

HEW

5746 Silver Hill Road,
District Heights, MD
Washington Telephone
1401 I Street, NW, Suite #110,
Washington, DC
12355 Sunrise Valley Dr., Suite #100,
Reston, VA

Fairfax County

11307 Lee Highway, Fairfax, VA

State Department

3100 Clarendon Blvd., Arlington, VA

2006 Annual Report



CU SERVICE CENTERS.

Marlow Heights, MD

Marlow Heights
Shopping Ctr.
4003 Branch Ave.
301-423-1391

Springfield, VA

6314 Springfield Plaza
703-912-3933

Falls Church, VA

West Falls Church
Shopping Ctr.
1118 W. Broad Street
703-532-9200

Capitol Heights, MD

Hampton Mall
9001 Central Avenue
301-499-6880

Credit Union Family Service Centers Hours

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

Saturday: 9:00 am to 2:00 pm

24-Hour ATMs for Deposits & Withdrawals

1-888-287-9475

www.cuservicecenters.org

HUD FCU members also have "surcharge-free"
ATM access at 5,300 7-Eleven
convenience store locations in 30 states.

A Year Of Technology And Progress



451 7th Street, SW, Suite 3241

Washington, D.C. 20410

202-863-2800 • 800-345-8032

www.hudfcu.org

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

Equal
Opportunity
LENDER



Your savings federally insured to at least \$100,000 and backed
by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency

Chairman's Report

Hard though it is to believe, yet another year has passed since I last addressed you here for our annual report. I hope this past year was good to you and yours, and that the coming year will prove even better. 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, bringing us a very healthy increase in loans, and loans after all, are the reason we are in business. Your Board of Directors also voted a special one-time extra dividend, which was paid in December, in appreciation for your membership and support.



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. Frequently, these members have unsecured loans and they sometimes declare bankruptcy, causing your Credit Union to lose most or all of the loaned amounts. For many years, the U.S. Congress deliberated changes to the bankruptcy laws, which it finally passed. This year was the first full year the new law was in effect. It tightened up the bankruptcy laws and made it both more difficult to declare bankruptcy as well as to avoid paying anything on an individual's debts. We believe this has begun to have a modest positive effect on financial institutions such as your Credit Union.

In this era of increased interest rates and competition between financial institutions, the job of directing and managing so as to assure a positive bottom line annually becomes much more difficult. Since we are a non-profit organization, our primary motivation is our service to you, our members. Nonetheless, we are also responsible for the financial well-being and stability of the organization. This means we must strive for an excess of income over expenses so that we may maintain adequate reserves and net worth. This year's results were not as strong as last year but were more than adequate, leaving us in a very strong position overall at year's end.

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

Significant Member Service Highlights 1936-2006

- 1936 Charter granted to HUD Federal Credit Union
- 1941 1st Annual Membership Meeting
- 1975 Service Centers Corp. established and 1st CU Family Service Center opened in Riverview, Michigan
- 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 Operations 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 (outside of Michigan), shared branch for credit unions opened in West Falls Shopping Center, Falls Church, VA
- 1995 Prime Time Club, with value-added benefits, established for members age 50 and over
- 1997 Express Audio Teller installed
- 2001 Diamond Award of Merit for "Your Dollars Worth" newsletter from Credit Union National Association (CUNA)
- 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, e-statement
- 2005 Launched 1st Student Essay Writing Contest
User-friendly renovation/upgrade of Office
Golden Mirror Award for "Your Dollars Worth" newsletter from Credit Union Executives Society (CUES)
- 2006 1st time distribution of a total \$100,000 patronage savings dividends and loan interest rebates deposited to members' accounts

Your Credit Union Staff

(At December 2006)

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 and Adm. Asst., Notary Public
Leslie Walker, CCCE	Collections Manager
Mozella Hewitt	Senior Loan Officer
Sands Barnor	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.
Themicka Hill	Member Services Rep.
Shaunti Brown	Member Services Rep.

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, and
- sound accounting policies and practices.



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 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. Gulledge
Supervisory Committee Chairman

Board Of Directors

David C. Nimmer	Chairman
George Winzer	Vice-Chairman
Paul A. Yates	Treasurer
James J. O'Donnell	Deputy Treasurer
Yvonne Jones	Secretary
Virginia T. Battle	Director
Jessica A. Franklin	Director
B. Irene Koerner	Director
Monika F. Martin	Director
Roosevelt Jones	Director-Emeritus
John D. McNees	Honorary Director (1923-2000)
William J. Linane, Sr.	Honorary Director (1929-1997)

Supervisory Committee

Maurice D. Gulledge	Chairman
Otis D. Collins	Secretary
George Winzer	Member
Kenneth A. Latten	Member
Rudy V. McKinney	Member

loan, a 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.

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, as well as our nation and her citizens, I wish a generous measure of happiness, health and prosperity in the coming year and we look forward to seeing and to serving you.

David C. Nimmer
Chairman, Board of Directors

President's Report

The HUD Federal Credit Union continued its efforts to offer the services that you expect from your financial institution in 2006. Our assets at year-end were \$47 million. Loans exceeded \$24.1 million; shares were \$39 million and reserves including allowance for loan losses increased to \$4.9 million. The reserve position places the Credit Union in a well-capitalized position according to the National Credit Union Administration. The NCUA, Federal regulator of credit unions, also stated that the HUD FCU was well managed.

We increased the VISA credit card limit from \$10,000 to \$20,000. In addition, we offered several mortgage loan specials to better serve you. The Credit Union offers first mortgages and home equity loans at very competitive rates. Our automobile loan rates were below the market during the year and you chose to finance with us. We also offered signature loans at rates as low as 7.90% APR.

The Encore ATM and Shared Branch Network formally merged with Service Centers Corporation in 2006. In addition, SCC became a part of Financial Service Centers Cooperative which now makes it possible to use shared branches



in most regions of the country. This would allow you to retain your accounts and transact business if you decide to leave the Washington, D.C. area.

Savings rates continued to rise at the end of 2006. The Board of Directors and staff keep an eye on the market and make every effort to pay competitive rates on Regular Savings, Certificate of Deposits, IRAs, and Money Market Share Accounts.

For your convenience, a new ATM was installed in the first quarter of 2006.

We will offer overdraft privilege in the first quarter of 2007. This program will allow you to overdraw your share draft account to pay a draft that is not covered by funds in your account.

Thank you again for contributing to the success of your Credit Union. Please recommend membership to your co-workers, retirees of HUD or one of our select employee groups.

Lee M. Hancock
President and CEO

Treasurer's Report

Your Credit Union continued to be in a strong financial position in 2006. Assets increased to \$47 million, member deposits/shares remained stable at \$38.7 million, and loans increased to \$24.1 million, an increase of 15% from 2005. The net income was \$192,512. Net worth or equity rose to \$4.9 million, an increase of 3% from 2005.



The Board of Directors declared a bonus dividend and loan interest rebate for the first time in its history to thank our members for using the savings and lending services of the Credit Union. The dividends and interest rebates were deposited to accounts in December 2006. The Credit Union also paid 25% more in dividends in 2006.

It is a pleasure to serve as Treasurer of your Credit Union. We look forward to a prosperous year in 2007.

Paul A. Yates
Treasurer

Financials

Income and Expenses

	2006	2005
Loan Income	\$1,684,765	\$1,593,769
Investment Income	778,273	794,864
Other Income	472,802	474,533
Total Income	\$2,935,840	\$2,863,166

Operating Expenses

Salary and Benefits	\$1,033,668	\$922,287
Office Operations	1,041,151	1,088,357
Marketing	38,708	33,937
Dividends	629,801	473,801
Total Expenses	2,743,328	2,518,382
Net Operating Income	\$192,512	\$344,784

Balance Sheet

	2006	2005
Loans	\$24,149,932	\$20,603,808
Allowance for Loan Losses	-148,662	-169,914
Cash and Investments	21,383,683	23,532,689
Fixed Assets	253,029	222,676
Other Assets	1,383,316	1,375,153
Total Assets	\$47,021,298	\$45,564,412

Liabilities and Equity

Accrued Dividends	\$73,179	\$73,294
Other Liabilities	3,425,423	675,236
Members' Accounts	38,772,992	40,220,045
Regular Reserves and Undivided Earnings	4,749,704	4,595,837
Total Liabilities and Equity	\$47,021,298	\$45,564,412