



CU SERVICE CENTERS.
and **CU Outlets**
Your Credit Union Multiplied!



Shared Branching = Convenient Account Access

Shared branching allows members from various credit unions to access their accounts and conduct financial transactions in a common facility.

Find one wherever you live, work or travel.

Log on to www.CUServiceCenters.com or call **800-919-2872**.

Available Services:

- ★ Deposits
- ★ Withdrawals
- ★ Loan Payments
- ★ Loan Advances
- ★ Transfers
- ★ Balance Inquiries
- ★ Official Checks
- ★ Money Orders

To access your account, you will need these items:

1. Name of your credit union; city and state where it is located
2. Your credit union account number
3. A valid state or U.S. Government-issued picture identification with signature

HELPFUL TOOLS in today's busy world:

1. Sign up for Direct Deposit.

Your paycheck and recurring payments will be in your accounts quickly and safely.

2. Online Account Access at www.hudfcu.org

Handle personal finances when you choose to and can do so with efficiency, privacy and accuracy.

3. Online Bill Payment (easy, safe, free)

Helps you to get organized, save time and money. The assurance of on-time payments is a boon to your credit history.

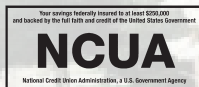
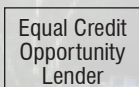
4. Electronic statements allow you to view up to twelve (12) months of past statements.

Clear the clutter. Save time, space and our trees!

To turn off your paper statements:

Sign on to Online Account Access; double click on "eStatement." Then, click on the link, "Stop Sending My Paper Statements."

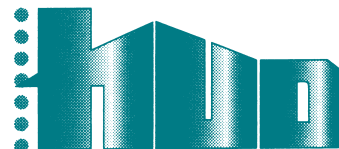
**LET'S GO ONLINE, GO GREEN,
AND SIMPLIFY OUR LIVES!**



Focusing on your financial future!



2010 ANNUAL REPORT



Federal Credit Union

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Washington, D.C. 20410
202-863-2800 • 800-345-8032

www.hudfcu.org

Our Mission: Providing financial services and promoting the uniqueness and benefits of credit union membership

Chairman's Report

Last year I started this message to you as follows: "Wow, what a year this has been!" I'm here again to report to you on the state of our Credit Union during the last year. Well, I surely could say the same thing this year too! As you are all aware, our Nation has gone through what many economists have called the "great recession" as contrasted to the great depression of the 1930s. The job last year and even more so this year of directing and managing to assure a positive bottom line, and thus the financial well-being and stability of your Credit Union, with adequate reserves and net worth, is certainly challenging.



I am most honored that your Board of Directors has seen fit to choose me as their chairman for twenty-some years. My primary motivation has been service to you, our members, and to maintain an adequate net worth to be able to survive any foreseeable adverse impact to our net income in any given year. We have done that. Those objectives were proved sound this year as we had a net income of \$67,424. In contrast to \$36,855 last year and \$282,435 the prior year, which we would consider to be in the "normal" range. What does this all mean? First and foremost, it means your Credit Union remains solid and strong, with a total equity of some \$5.3 million, built up over some 74 years.

The past year has been another year very difficult for most banks and credit unions. There have been countless bank failures and many credit union failures and many other banks and credit unions are weak and on the verge of failure. Our relatively low net income in significant measure is influenced by several factors, the most significant of which are our increased provision for loan losses (\$377,798 in 2010, \$320,000 in 2009 and \$89,000 in 2008) and our pro rata share of \$102,712 to cover losses of *corporate credit unions* over which we had no control nor culpability. Our having to cover the latter losses of others was mandated by our Federal regulator, the National Credit Union Administration. One final significant factor was our decrease in net loans to all shares from 67.16% in 2009 to 57.32% in 2010. This reflects a significant decrease in member borrowing. We stand ready, willing and able to serve all our members' borrowing needs for good and provident purposes to all credit-worthy members.

In view of our conservative financial philosophy over the years, we remain *very* strong and always ready to serve you in all the ways we have in the past, with the myriad of products and services you have come to expect. 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 other type secured or unsecured loan, a VISA credit 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. As we always have, we stand ready to serve you, our members, in every way we reasonably can. I want you to know personally how important each and every one of you is to me, to the other Board members and to the professional staff of HUD Federal Credit Union, your credit union. Without you we would have no reason to be here.

Continued On Next Page

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
Otis D. Collins	Director
B. Irene Koerner	Director
Monika F. Martin	Director
Roosevelt Jones	Director-Emeritus
John D. McNees	Honorary Director (1923-2000)
William J. Linane, Jr.	Honorary Director (1929-1997)

Supervisory Committee

Otis D. Collins	Chairman
Marvin Turner	Secretary
George Winzer	Member
Kenneth A. Latten	Member
Rudy V. McKinney	Member

Your Credit Union Staff

(At December 2010)

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	Loan Manager
Cinayda Amor	Loan Officer
Natalie Hubbard	Computer Operator
Lena Simon	Senior Accountant
Mavis Phillips	Accountant
Monique Sabir	Senior Member Services Rep.
Tanisha McDowell	VISA Card Services Rep.
Themicka Hill	Member Services Rep.
Kimberly Denney	Member Services Rep.
Gwendolyn Taylor	Member Services Rep.

Financials

Income and Expenses

	2010	2009
Loan Income	\$1,849,061	\$1,978,853
Investment Income	443,079	373,083
Other Income	679,713	633,770
Total Income	\$2,971,853	\$2,985,706

Operating Expenses

Salary and Benefits	\$1,231,305	\$1,081,717
Office Operations	909,807	1,081,717
Marketing	35,332	34,298
Loan Loss Reserve	377,798	320,000
Dividends	350,187	405,218
Total Expenses	\$2,904,429	2,948,851
Net Operating Income	\$67,424	\$36,855

Balance Sheet

	2010	2009
Loans	\$23,945,253	\$26,101,312
Allowance for Loan Losses	-242,659	-118,653
Cash and Investments	21,672,653	17,111,635
Fixed Assets	592,574	385,542
Other Assets	1,328,065	1,090,775
Total Assets	\$47,295,886	\$44,570,611

Liabilities and Equity

Accrued Dividends	\$0	\$47,356
Other Liabilities	213,504	102,465
Members' Accounts	41,773,693	38,872,799
Regular Reserves and Undivided Earnings	5,308,689	5,547,991
Total Liabilities and Equity	\$47,295,886	\$44,570,611

Chairman's Report Continued

To you and your families, as well as our Nation and her citizens, again this year 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

We appreciate your faithful support of your Credit Union through all of the ups and downs in the economy. I am sure that there are more challenges ahead. However, we are sure that our financial strength has positioned us to weather all of the storms that are on the horizon. We are determined to find solutions on many of your everyday needs in a financial institution. The Chairman and Treasurer have addressed the situations that we confronted in 2010, and how well we are positioned to prosper in 2011 and beyond.



There have been a myriad of new regulations, regulation changes, and required policies as a result thereof, in the last two (2) years to ensure the safety and soundness of credit unions. The changes include:

1. Concentration Risk
2. Enterprise Risk Management (ERM)
3. S.A.F.E. Act (Mortgage Lending)
4. Regulation Z (Truth in Lending)
5. Regulation CC (Expedited Funds)
6. Interchange Fees

Concentration Risk Regulation requires the proper allocation of credit union assets to ensure the continued performance of their primary functions.

Enterprise Risk Management involves identifying events or circumstances relevant to the organization's objectives (manage risks and seize opportunities), assessing them in terms of likelihood, magnitude of impact, determining response strategies, monitoring progress.

Secure and Fair Enforcement for Mortgage Licensing Act requires residential mortgage loan originators who are employees of agency-regulated institutions to be registered (furnish information and fingerprints for background checks) with the Nationwide Mortgage Licensing System and Registry.

Regulation Z promotes the informed use of consumer credit by requiring disclosures on terms and cost

- gives consumers the right to cancel certain credit transactions that involve a lien on a consumer's principal dwelling

President's Report Continued

- regulates certain credit card practices, and provides a means for fair and timely resolution of credit billing disputes
- contains the rules for open-end credit
- requires that account opening disclosures and periodic statements be provided; disclosures for credit and charge card applications, solicitations, and for home equity plans
- contains rules that apply to credit card transactions, treatment of payments and credit balance, procedures to resolve credit billing errors, APR calculations, rescission requirements, and advertising

Regulation CC contains rules on the duty of financial institutions to make funds deposited into accounts available for withdrawal, including availability schedules and exceptions to the schedules.

Other rules cover:

- disclosure of funds availability policies, payment of interest, and liability for failure to comply with the regulation
- expedited collection and return of checks
- the manner in which the paying institution and returning institution must return checks to the depository institution, notice of nonpayment by the paying bank, check endorsement and presentment, same-day settlement for certain checks, and liability for failure to comply with the regulation

Interchange Fees cover new regulations that are administered by the Federal Reserve to ensure that consumers are not charged unreasonable fees for transactions with financial institutions.

Our Marketing Department is responsible for keeping you informed of the regulations that affect you and the services that are offered by your Credit Union. Please log on to our web site **HUDFCU.ORG** to see the services, saving, loan, investment, insurance options. You can also get valuable information from the national awards winning newsletter **"Your Dollar\$Worth"**** that you receive with your statement on a quarterly basis. There are also several seminars that are held each year, including Estate Planning, Home Buying Process, Retirement Planning, etc. that you may be interested in.

Thank you for contributing to the success of your Credit Union. Please continue to recommend membership to your family/household and other potential members. We look forward to serving you and your financial needs in 2011.

Lee M. Hancock
President and CEO

*2010 Best Newsletter, Trailblazer Award for Excellence in Marketing and Communications from Maryland and DC Credit Union Association (MDDCCUA)
2005 Golden Mirror Award from Credit Union Executives Society (CUES)
2001 Diamond Award of Merit from Credit Union National Association (CUNA)

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 LarsonAllen LLP, 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.

Otis Collins
Supervisory Committee Chairman



Treasurer's Report

I am pleased to report that 2010 was a financially successful year overall. Assets increased to \$47.3 million from \$44.6 million. Members' share deposits rose to \$42 million from \$39 million. Loans dropped to \$24 million from \$26.1 million. Total income stayed the same. However, net income jumped to \$67,000 from \$37,000. The Chairman addressed the reasons in his report.

Members' net worth/equity decreased to \$5.308 million from \$5.547 million. Your Credit Union remains strong financially and continues to earn a CAMEL rating of "2" from the National Credit Union Administration (NCUA).

We expect 2011 to be challenging in many areas. However, with a very dedicated, experienced, professional staff, an unequalled volunteer force, and continuing member support, we shall meet the demands.

I am proud to serve as Treasurer for your Credit Union.

Thank you.

Paul A. Yates
Treasurer

