



ANNUAL REPORT



NATIONAL FEDERATION OF COMMUNITY DEVELOPMENT CREDIT UNIONS



2017

Letter from the President

Despite a challenging public policy environment, the Federation had a successful 2017. We ended the year in a healthy financial position with a clear purpose and commitment to our work of financial inclusion and to the credit unions that continue to make a difference in their communities.

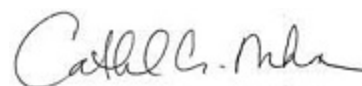
The year-end financials show strong and diversified revenue streams, with critical engagement and support from philanthropy and socially responsible investors. This sustained level of investment has enabled us to pursue our strategic plan of growing and deploying investment in low-income communities, expanding opportunities for affordable homeownership through the CDCU Mortgage Center, increasing our technology commitment to provide needed financial services at scale, and building the financial health and well-being of underserved consumers through high-impact programs relevant to their needs.

None of what we do would be possible without the support of our friends, supporters and partners in co-operative and community finance. Credit union leagues and associations have supported the rapid expansion of Juntos Avanzamos - Together We Advance - designated credit unions committed to the inclusion of Hispanic consumers. Our participation on the Board of Directors for the National CDFI Coalition has enabled us to combine and amplify the message of financial inclusion as a critical strategy for rebuilding America's infrastructure, preserving funding for the CDFI Fund and providing alternatives to high-cost predatory financing in our communities.

Through partnership with Neighborhood Trust Financial Partners, the Pathways to Financial Empowerment's financial coaching model is transforming the lives of credit-challenged members in a growing number of communities. The Mortgage Center is helping families realize their dream of homeownership and beginning to build generational wealth with the support of Federal Home Loan Banks, Freddie Mac, Fahe, and New Jersey Community Capital. Our partnership with faith-based and community-based organizations, as well as local funders and officials, has helped the Federation keep diversity at the forefront of our movement and engage in targeted strategies at the local level in Harlem and Bedford-Stuyvesant in New York, the southside of Chicago, Atlanta's Westside and many more communities that seek to build local cooperative solutions to the economic challenges they face.

With CU Impact, we are building a robust technology solution to support financial inclusion at scale, and we have forged a dynamic partnership with nonprofit fintech leaders through nLift. Together with the innovating organizations of nLift, we are exploring how to build a more responsive financial system that extends access to the financial mainstream for low-income and formerly excluded consumers.

At the heart of all these initiatives is the common thread of extending our mission of financial inclusion to all who have been unfairly or inadequately served by the financial system. Our mission is inclusion and our approach is inclusive. Together with our many friends, partners and allies, we will succeed in creating a more just and equitable financial system for all.



Cathie Mahon
President/CEO

Our Mission: The Federation helps low- and moderate-income people and communities achieve financial independence through credit unions.

Financial Overview

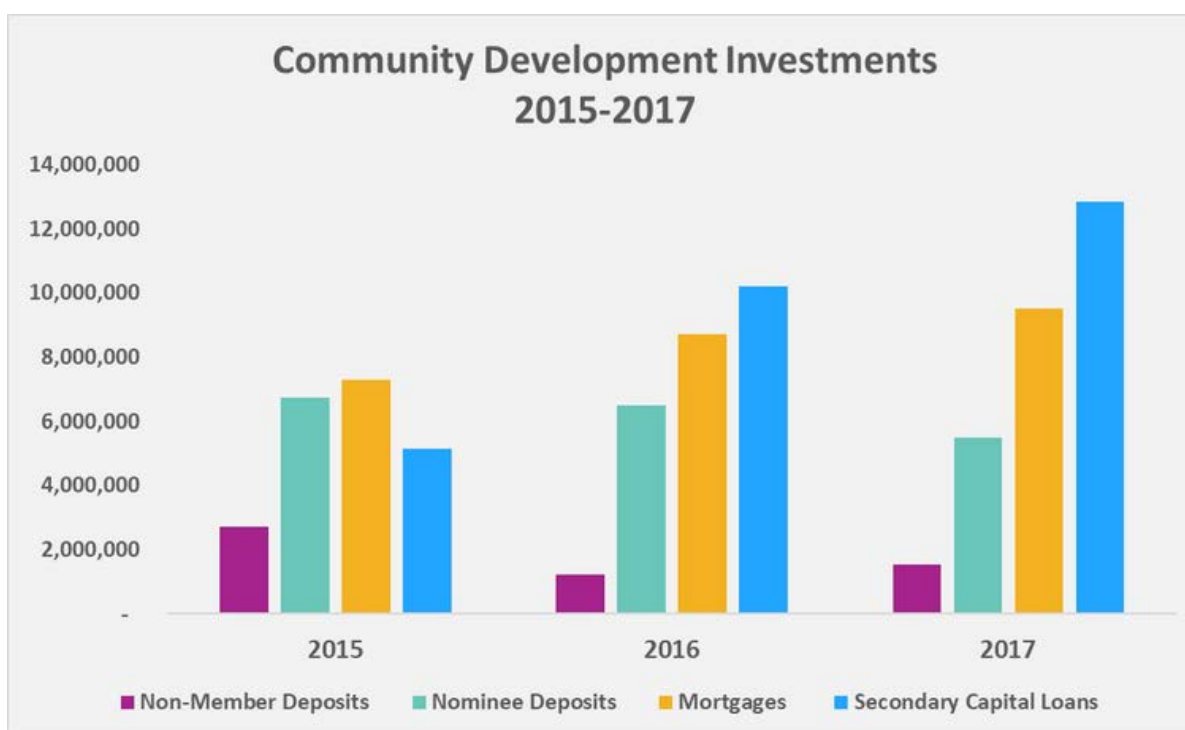
As of December, 31, the Federation had \$41.46 million in assets under management, which is comprised of both on and off-balance sheet assets. The Federation had \$33.99 million in on-balance sheet assets. Off-balance sheet activities are comprised of \$7.47 million in nominee deposits and secondary capital loan participations.

In 2017, the Community Development Investments Program invested \$12.26 million in deposits, secondary capital and mortgage purchases. The Federation managed \$31.36

million in investments in community development credit unions. All investments, excluding nominee deposits and loan participations, are reported on our balance sheet. Revenues and expenses related to these investments are also separately reported on our income statement.

As of December 31, 2017, the Federation reported \$1.60 million in changes in net assets. Net interest income generated by the Community Development Investment Program and CDCU Mortgage Center was \$602,412.

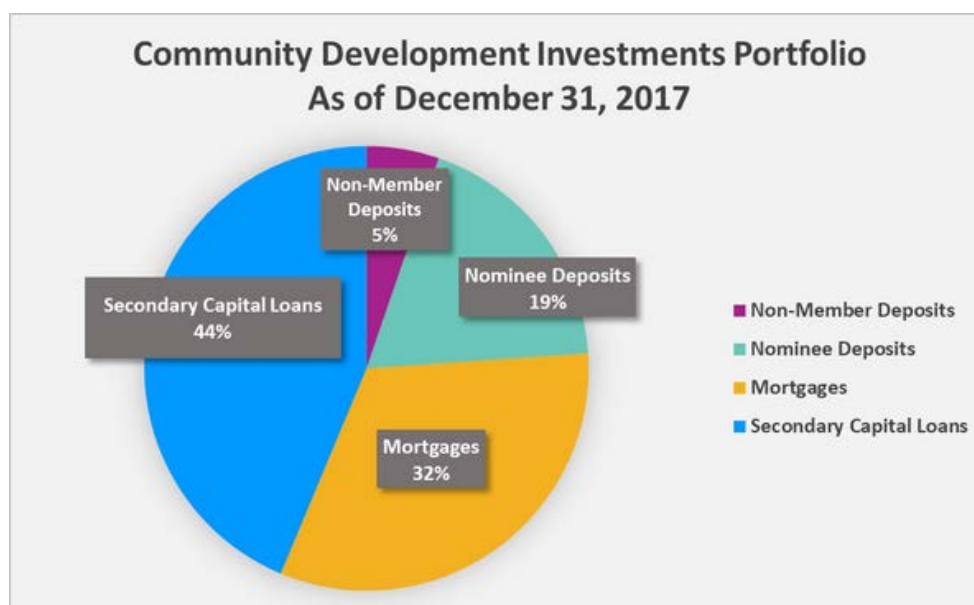
Year-End Summary As of December 31, 2017				
	12/31/17	12/31/16	Change	% Change
Total Assets	\$33,990,376	\$28,121,450	\$5,868,926	21%
Total Liabilities	\$19,723,980	\$18,241,608	\$1,482,372	8%
Total Net Assets	\$14,266,396	\$9,879,842	\$4,386,554	44%
Net Asset Ratio	42%	35%	7%	19%
Total Net Income	\$1,159,690	\$455,551	\$704,139	155%



Operating Results

REVENUES

At the end of the fourth quarter the Federation reported \$5.69 million in earnings and grant income. Total revenue includes \$3.16 million in contributions and grant support, of which \$500,000 was received as a grant award from the CDFI Fund to leverage continued growth in the investments program. The Federation's investment programs generated \$974,117 in interest income. An additional \$458,229 was generated from contracts and \$647,239 from membership dues. The Federation has an allowance for loan loss of \$486,996, derived from historical loss rates, environmental variables and special reserves for individually impaired loans.



OPERATING EXPENSES & PROGRAM INVESTMENTS

Operating expenses cover all the direct costs of the Federation's programs and initiatives, management and investments in our member CDCUs. The Federation reported total expenses of \$4.53 million year-to-date, an increase of 14% (\$575,029) compared to the prior year. The increase is attributed primarily to increases in subgrants (\$427,635).

STATEMENT OF POSITION

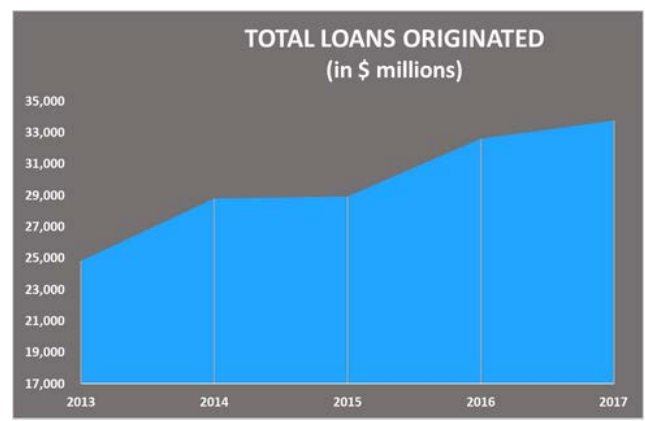
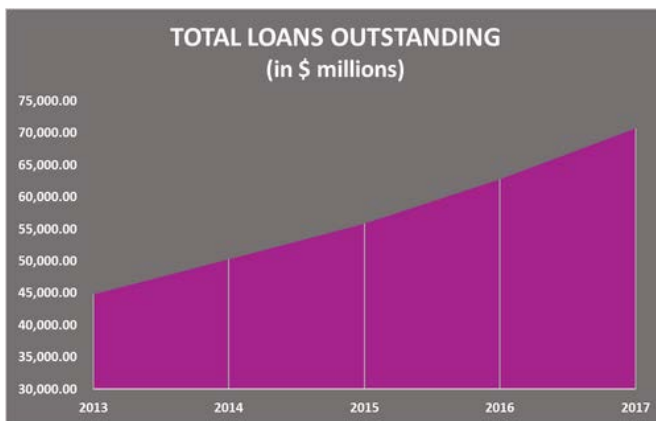
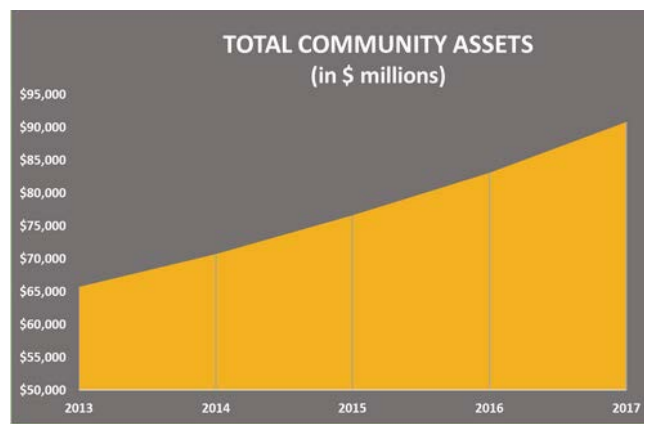
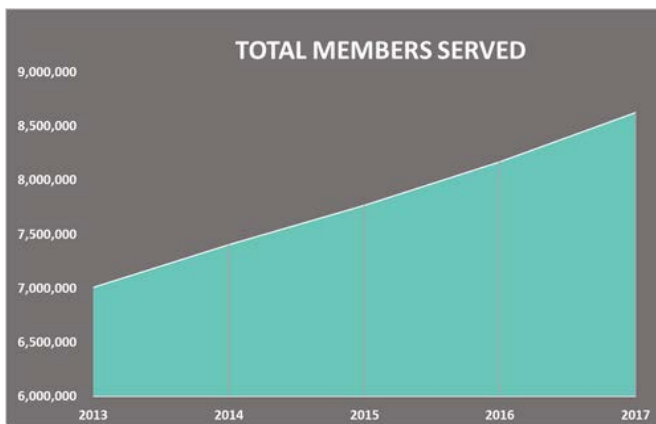
The Federation's total assets were \$33.99 million as of December 31, 2017. Of these assets, the Federation held \$12.83 million in secondary capital; \$9.51 million in mortgages; \$1.55 million in on-balance sheet deposits; and \$8.91 million in cash and cash equivalents. The Federation also managed \$5.47 million in off-balance sheet assets (nominee deposits), as well as servicing for \$2 million in a secondary capital loan participations to National Cooperative Bank. The Federation also holds \$314,090 in investments in preferred shares in EPL, Inc., a credit union technology company, and the Federal Home Loan Bank stock.

Total liabilities at the end of the first quarter were \$19.23 million. Net assets at the end of the fiscal year were \$14.27 million.

Member Impact

Among the general US population, the percentage of unbanked and underbanked households is estimated at 27%. The percentage is even higher for African-Americans at 49% and Hispanics at 45%. More than one third of Americans are considered credit challenged, with a subprime credit score or because they are unscorable due to a lack of a sufficient credit file.

Community development credit unions provide an alternative to high-cost fringe lenders. With a primary mission of community development and financial inclusion, CDCUs help low-income consumers weather financial shocks and income volatility, reduce debt, establish and repair credit, and build savings and opportunities for investment and ownership in their communities. The institutional impact is measured in the day to day improvement in their members' lives. Our collective impact is in the billions of dollars that are invested and reinvested in some of this nation's poorest communities.



Serving low-income consumers is a sustainable business model. From 2016-2017, the percentage growth in members, assets and loans outstanding was higher for community development credit unions vs. other credit unions. Only total loans originated was higher for other credit unions.



	CDCUs	Other Credit Unions
Total Members	+6%	+5%
Total Assets	+9%	+7%
Total Loans Outstanding	+13%	+10%
Total Loans Originated	+4%	+6%

Community Development Investment Program

The Federation's Community Development Investment Program provides the capital needed by growing credit unions to scale innovative financial products and services in low-income communities. As a CDFI intermediary and impact investor, the Federation invests in mission-driven credit unions with the programs and products to satisfy a double bottom line and bridge access and service gaps in distressed communities. Since the program's inception in 1982, the Federation has invested more than \$130 million in member community development credit unions.

Secondary Capital

Secondary Capital is a subordinated loan that can be counted towards a credit union's net worth. The Federation makes Secondary Capital Loans of up to \$2 million. The Federation currently manages a national portfolio of \$14.8 million in Secondary Capital Loans invested in 25 CDCUs.

Secondary Capital has been leveraged to reach new consumers through market and branch expansions, to give existing members increased financial stability and independence, and has promoted asset building through programs like first-time and affordable homebuyer mortgages.

Secondary Capital's Impact in 2017

Consumer lending to increase stability

2,461 Small Dollar and Alternative to Payday Loans

11,514 Wheels to Work Loans

Reaching new target populations

10% Member growth, including 4,000 non-citizen immigrants

Building assets

1,067 First-time homebuyer/affordable mortgages and foreclosure prevention



CDCUs receiving Federation Secondary Capital originated 373,440 loans totaling \$6.7B to 1,619,483 members in 2017

Members Credit Union Expands Opportunities in Cos Cob, CT

We had a husband and wife come to us as a result of a financial education that we did in Spanish at an organization called People Empowering People. They needed a car for the wife and equipment for their landscaping business. When we pulled the husband's credit score it was under 500. They had a car loan with a 22% interest rate and had made 11 on-time, consecutive monthly payments of \$710. During counseling the loan officer realized the couple had no understanding of how credit cards affected their credit. We advised them to pay at least the minimum balance on all cards on time. Our credit union was able to refinance the car loan, finance a car loan for the wife, and give them a collateralized loan to purchase the equipment they needed to grow their business. The credit union was able to work with the family on strengthening their financial future - helping them to save \$202 each month on the car loan while the husband increased his credit score by 66 points in one month!

The screenshot shows the Members Credit Union website. At the top, there is a navigation bar with links for Home, Join, Únete, and Location & Hours. Below this is a secondary navigation bar with links for About Us, Savings, Loans, Online Services, Rates, and Contact Us. The main content area is divided into several sections: a login section for the MCU Online Branch with fields for User ID and Password, a 'Find, Drive and Save' banner featuring a blue car and a 'Click here to shop today >' link, a 'Quick Links' section with a list of services, a 'news & announcements' section with a headline about the 2018 Trailblazer of the Year Award, and a 'member poll' section with a question about financial situations and three response options.



Federation Secondary Capital has given us the ability to offer more loans that are benefiting our immigrant members. It has given us the capacity to counsel each of those new members as they come in, and has given us the opportunity to become more involved in our community.

- Kathy Chartier, CEO, Members Credit Union

Community Development Investment Program

CDCU Mortgage Center



This family recently purchased their first home, thanks to a mortgage from North Jersey Federal Credit Union and the Federation's American Dream Loan

The CDCU Mortgage Center is growing our movement's commitment to fair and affordable housing for underserved consumers. The Center operates as a CDFI Loan Pool for the benefit of our members. By creating a pipeline for CDCUs to sell their mortgages, the Mortgage Center replenishes credit unions' capital, enabling CDCUs to magnify their impact in their communities. Loan sales to

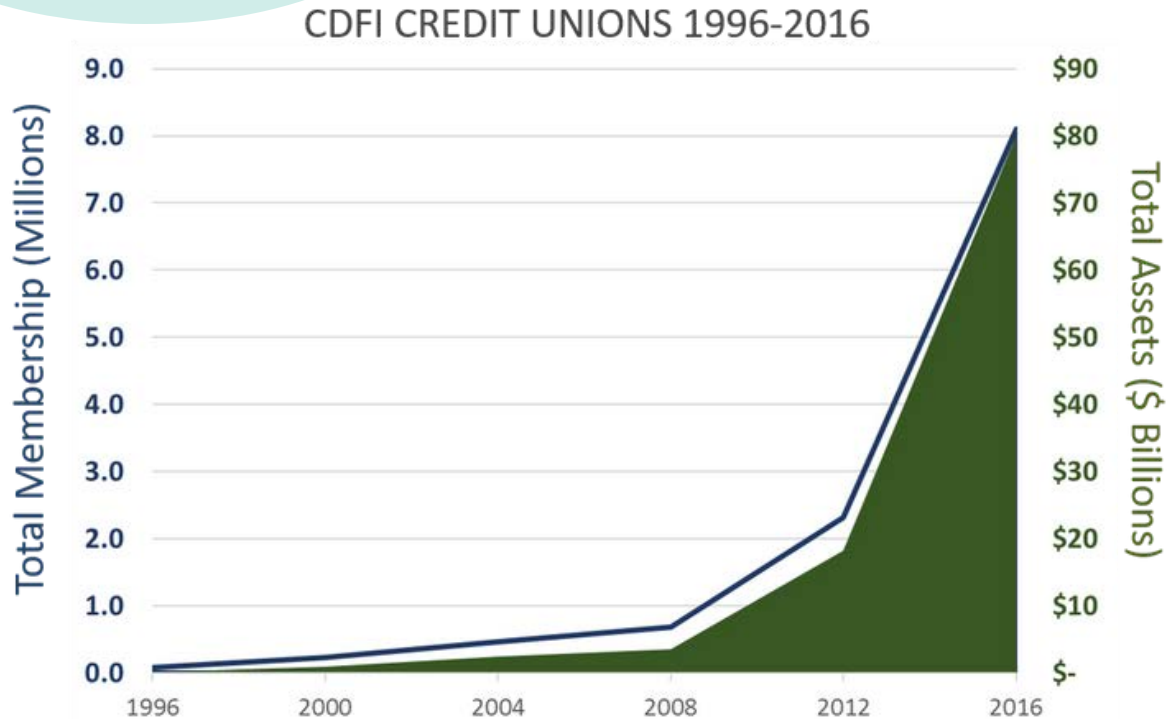
the Mortgage Center are structured to maximize our members' potential income while maintaining fair rates and terms for consumers. The family pictured above benefited from the Federation's American Dream Loan. Immigrants, permanent legal residents and DACA recipients can access the American Dream mortgages, regardless of immigration status.



The CDCU Mortgage Center closed its first American Dream Loan and established partnerships with Freddie Mac, the Federal Home Loan Bank and FAHE to expand the Center's product offering, secure funding and expand lending in Appalachia.

CDFI Advocacy

As of January 2018, there are 305 credit unions serving 9.5 million members holding \$100 billion in assets



The CDFI Fund is one of the Federal government's best market-based strategies for leveraging private dollars. CDFIs leverage \$12 of private capital for every \$1 of public investment.

Today, CDFI Certification is an essential credential for credit unions that seek a larger role in the development of their communities.

CDFI credit unions lend deeply, deploying a high percentage of loan capital in the lowest credit tiers. They lend profitably, outperforming their peers in growth of members, loans and assets.

CDFI credit unions also lend effectively, leading in mission and margin.

The Federation was instrumental in establishing the CDFI Fund in 1994, is a permanent member of the national CDFI Coalition, and is the CDFI and community finance authority for the credit union industry. Our member CDFI credit unions represent the majority of all CDFI-certified credit unions.

Supporting Minority and Faith-Based Credit Unions

AFRICAN-AMERICAN CREDIT UNION INITIATIVE

Twelve African-American credit unions in the New York Metro area are joining forces and sharing resources to grow their community impact. The Federation is working with member credit unions Concord, Paul Quinn, St. Augustine Presbyterian, Fidelis, St. Philips, Queens Cluster, Church of the Master, 1st Bergen, Mt. Vernon NY Postal Employees, New Covenant Dominion, University Settlement, and Grace Congregational to upgrade technology, develop new partnerships, and invest in the marketing of the credit unions' personal and business loans. The combined years of community service for these 12 credit unions is an amazing 597 years! The deep understanding these credit unions have of their members' needs and financial lives is unparalleled. Mable W. Richardson, a member of Concord Credit Union since 1985, is pictured here.

A similar initiative to support African-American and faith-based credit unions is taking root in Chicago.

TECHNICAL ASSISTANCE

The Federation offers a free technical assistance advice hotline that helps credit unions with assets less than \$20 million prepare for an upcoming exam, address issues identified in a prior exam, or help with issues ranging from Bank Secrecy Act risk assessment to Supervisory Committee compliance. Federation members also receive a discount on all fee-based technical assistance in the areas of accounting and compliance.



The Federation provided 2,740 hours of technical service to 46 credit unions at no charge or at deeply discounted rates.

Programs

JUNTOS AVANZAMOS

Juntos Avanzamos

Encuentre una unión de crédito de Juntos Avanzamos

Por qué la banca importa Acerca de Recursos Datos y Preguntas frecuentes Seleccione idioma
Español

Ayudándole a lograr sus metas financieras

Encuentre una Cooperativa de Ahorro y Crédito Juntos Avanzamos

Visit us at www.juntosavanzamos.org

Juntos Avanzamos - Together We Advance - is a designation for credit unions committed to serving and empowering Hispanic and immigrant consumers. The rapidly growing network includes 80 credit unions in 21 states, the District of Columbia and Puerto Rico. The Federation has launched juntosavanzamos.org, an easy to navigate bilingual resource for Hispanic

consumers interested in exploring their personal and business financial options. The site's primary objective is to connect consumers with a Juntos Avanzamos credit union, but also provides educational resources to help immigrants and unbanked and under-banked consumers better understand the U.S. financial system.

2017

In addition to the launch of juntosavanzamos.org, the Federation worked with the Mexican Consulate to begin to integrate Juntos Avanzamos credit unions with the Consulate's La Ventanilla De Asesoría Financiera, or Financial Empowerment Window

Programs

CU Impact



CU IMPACT

CU Impact was created out of a need unmet by other core providers. This customized shared core platform combines the Federation's 40+ years of expertise in serving low-income consumers with EPL's pioneering, open architecture i-POWER® system. CU Impact supports and measures the impact of credit union products and services that build members' financial security. By aggregating the accounting, compliance and processing

functions across credit unions with a shared mission, CU Impact achieves efficiencies that allow credit unions to invest more in their members and communities. Pictured above are the Federation and EPL CU Impact teams, along with Federation member Peach State Federal Credit Union, at a meeting to explore new opportunities for sharing resources.

The Federation introduced the first-of-its-kind app to automate and streamline CDFI certification and grant reporting. CDFI reporting that once took days to complete can now be completed in a fraction of the time.



Credit unions serving low-income members are twice as likely to offer financial counseling, but only a third are able to track the results of their counseling efforts

Pathways to Financial Empowerment is a new financial counseling model supported by a cloud-based CRM platform that measures member and community impact. Through guided counseling sessions, financial assessments, action plans and automated text message reminders for clients,

credit unions are now tracking increased savings, decreased debt, and improved credit for their members. While members increase their financial capability, credit unions deepen member engagement and increase safe and affordable lending.



Through 2017, Pathways credit unions provided 4,655 counseling sessions to 2,975 people. Over half of clients engaged in counseling for six or more months increased their credit score an average of 32 points.

Board of Directors

EXECUTIVE COMMITTEE

Chairman: Jack Lawson, Missoula FCU, Missoula, MT

Vice Chairman: Carla Decker, District Government Employees FCU, Washington, DC

Treasurer: Brenda Dominguez, Guadalupe CU, Sante Fe, NM

Recording Secretary: Sheilah Montgomery, 1st Choice CU, Atlanta, GA

Corresponding Secretary: Cheryl Fatnassi, Opportunities CU, Winooski, VT

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Richard Garcia, North Jersey FCU, Totowa, NJ

Paul Grinde, CoVantage CU, Antigo, WI

Armando Martinez, Texas Community FCU, Kingsville, TX

Shasta Leininger, New Orleans Firemen's FCU, Metairie, LA

Luis Peralta, Kinecta FCU, Manhattan Beach, CA

Paul Phillips, Freedom First FCU, Roanoke, VA

Richard Romero, Seattle CU, Seattle, WA

Mignhon Tourne, ASI FCU, Harahan, LA

Richard Williams, Essential FCU, Plaquemine, LA

Paul Woodruff, St. Louis Community CU, St. Louis, MO

EXECUTIVE STAFF

Cathie Mahon, President/CEO

Eben Shaeffer, Chief Financial Officer/Chief Investment Officer

Pablo DeFilippi, SVP, Membership and Network Engagement

Pamela Owens, SVP, Organizational Development and Capacity Building



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Bank of America
Deutsche Bank
Deutsche Bank Americas Foundation
FB Heron Foundation
Ford Foundation
The Kresge Foundation
Mercy Investment Services
Mizuho Bank USA
Riverside Church
Robert S. Bowditch Jr. Trust
Sisters of Notre Dame
Sterling Bank
Threshold Foundation
Trinity Health
Unitarian Universalist Association
Wells Fargo
Woodlands Investment Management Account
US Department of Treasury, CDFI Fund

FUNDERS

Arthur M. Blank Family Foundation
Bank of America
Capital One
Citi Community Development
CUNA
CUNA Mutual Group
Dedagroup, NA
Empire State Development Corporation
Equifax
FB Heron Foundation
Ford Foundation
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M&T Charitable Foundation
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Credit Builders Alliance
Credit Union Association of New Mexico
The Embassy of Mexico
Federal Home Loan Bank-NY
Federation of Protestant Welfare Agencies

Freddie MAC
Illinois Credit Union League
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Iowa Credit Union League
League of Southeastern Credit Unions & Affiliates
Mountain West Credit Union Association
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Network of Latino Credit Union Professionals
New York Credit Union Association
New York State CDFI Coalition
Northwest Credit Union Association
TCT Risk Solutions



Federation



CREDIT UNIONS UNITED TO SERVE THE UNDERSERVED



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