



2002

**ANNUAL
REPORT**

CHAIRMAN'S REPORT

Credit unions are member-owned financial cooperatives. What that means is that you are members of an exclusive group that provides a safe place for you to save and earn a good return on your savings. Those same funds are then loaned, but loaned only to other members—not the public at large. Those loans have enabled fellow members to borrow for less than what might be available elsewhere, thus saving them money. It is a dependent business model built on the premise that members coming together to save and borrow helps them all. A rising tide does lift all boats.

For a financial cooperative to function, it must be used by its members. Our ability to give back even more is driven by the relationships members build with U. S. Postal Service FCU. The more we are able to build together, the more we can return.

Last year in particular created conditions that challenged too many members financially. When a loan is not paid back, it can deprive other members from being able to borrow, as the funds not returned have to be made up from the Credit Union's reserves. In short, money is taken away from all members, which hurts everyone. We're not a bank; we're an organization of people in it together for the benefit of all members, not to maximize profits and not to put people in products that work against them.

When we see members fall behind on their obligations, we have to examine what has led them to this dilemma. We have to redouble our efforts to help prepare our members to be in control of their finances. We seek to empower, not entrap.

Just as the Credit Union keeps reserves, so must members. It doesn't come easy—hardly anything worthwhile does—but financial stability is something everyone needs and something most people can obtain by using the tools provided by the Credit Union to actively manage their funds. This Credit Union was built on the idea that by coming together for a common cause, we can help improve people's lives, and mutually helping others is a good thing. The Credit Union serves members in all fifty states and we provide the tools to access your funds and manage your account for free no matter where you live in the country.

The Credit Union did not make subprime mortgages and does not own any subprime mortgage-backed securities. While delinquency has risen to levels not experienced since the 1980's, we have adequately provided for future losses and formally evaluate the adequacy of the loan loss reserve on a monthly basis.

Unlike banks, credit unions didn't use taxpayer funds to offset losses. Credit unions are to a large measure self-reliant. When other credit unions, particularly some in the so-called "sand states," suffered heavy losses, credit unions, through the orchestration of our federal regulator, the NCUA, all contributed to absorb those losses. For U. S. Postal Service FCU, these extraordinary losses were about \$800,000. Taxpayer funds were not used and nothing was added to the federal debt. Because of our strength, credit unions didn't need a federal bailout and didn't use TARP funds.

Unfortunately, the need to help other credit unions will likely remain with us for several years to come. Due to the foresight of USPS FCU, steps had already been taken to improve efficiencies several years ago. Consequently, your Credit Union was able to absorb the large and extraordinary regulator mandated expenses and higher loan losses from our members while still having a slim, but positive, net margin for 2009.

USPS FCU is a well-capitalized credit union with over \$22 million in reserves. Had it been necessary to incur a loss, we could because management and volunteers recognize capital provides stability and continuity.

These are indeed uncertain times for a lot of people and many members are thinking this is a good time to reduce debt and build savings. Last year marked the first time since 2002 that loans outstanding declined, and they did so by approximately \$6.3 million. Member savings, on the other hand, increased over \$14 million. Assets grew \$24 million and totaled \$217 million at year-end. To help stimulate the economy, interest rates were brought to their lowest levels in half a century. The dividend rates we were able to offer also declined, but U. S. Postal Service FCU continued to pay higher than average dividends as reported by the NCUA.

The increase in savings means we have ample funds readily available to lend, so there is no credit crunch at USPS FCU. With that being said, the decline in loan collateral value and the stress some members are experiencing reinforce the need for member savings. President Obama has called for us to change and adapt as a people and to assume greater personal responsibility. Your Credit Union affirms those values.

We are adaptable and capable as a group. By drawing on the cooperative values of pooling, using, respecting, working together, and looking out for one another, we will individually and collectively, as reflected in what is your Credit Union, grow, become stronger and better able to help the next generation.

Michael E. McCartney
Chairman

STATEMENTS OF FINANCIAL CONDITION

December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and Cash Equivalents	\$ 15,348,837	\$ 5,613,450
Deposits in Other Financial Institutions	36,983,435	8,098,880
Securities - Available for Sale	6,683,210	14,738,727
Loans, Net	152,917,461	160,226,828
Accrued Interest Receivable	694,581	765,028
Property and Equipment, Net	489,853	395,765
NCUSIF Deposit	1,769,421	1,516,279
Other Assets	2,639,292	1,615,171
Total Assets	<u>\$ 217,526,090</u>	<u>\$ 192,970,128</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	\$ 182,992,339	\$ 168,580,941
Borrowed Funds	10,500,000	-
Interest Payable	604,455	895,016
Accrued Expenses and Other Liabilities	978,248	1,016,678
Total Liabilities	<u>195,075,042</u>	<u>170,492,635</u>
Commitments and Contingent Liabilities		
MEMBERS' EQUITY		
Regular Reserves	2,115,817	2,115,817
Undivided Earnings	100	100
Other Reserves	20,168,745	20,159,048
Accumulated Other Comprehensive Income	166,386	202,528
Total Members' Equity	<u>22,451,048</u>	<u>22,477,493</u>
Total Liabilities and Members' Equity	<u>\$ 217,526,090</u>	<u>\$ 192,970,128</u>



SERVICES

SAVINGS

Share Savings Accounts
Share Certificates
Money Market Savings Accounts
IRA Accounts & Certificates
Money Market Certificate Accounts
Club Accounts
Special Purpose Accounts

CONVENIENCE SERVICES

Access Checking Accounts
Interest Checking Accounts
Money Market Checking Accounts
Overdraft Line Of Credit Protection
USPS FCU ATM Card & VISA Check Card
QUE 24-Hour Telephone Teller
CU E-LINK (Online Banking, e-Deposits & BillPayer)
Direct Deposit & Payroll Deduction
Automatic Preauthorized Payments
Surcharge-Free ATM Locations
Electronic Funds Transfer
e-Deposit

LOANS

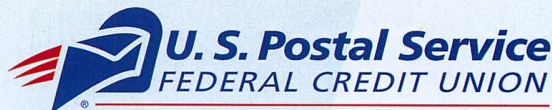
First Mortgages
Home Equity Loans & Lines Of Credit
Refinancing Loans
New, Used Vehicle/RV Loans
Personal Loans
Education Loans
Share or Certificate Secured Loans
Computer Loans
VISA Classic & VISA Platinum Credit Cards
VISA Classic Student Credit Card
Instant Online Loan Approval

ADDITIONAL BENEFITS

Family Membership
CU Realty Service
Enterprise Car Sales
United Auto Buying Service
Wire Transfers
Family Legal Access Plan
Financial Counseling
Credit Life & Disability Insurance
Discounted Home & Auto Insurance
Accident, Death & Disability Insurance
Low-Cost Term Life Insurance
Scholarships
Youth Clubs
Excess Share Insurance

MISSION STATEMENT

To consistently deliver innovative and quality financial services to postal employees and their families.



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STATEMENTS OF INCOME

Years Ended December 31, 2009 and 2008

	2009	2008
INTEREST INCOME		
Loans	\$ 10,846,655	\$ 11,413,884
Securities and Interest Bearing Deposits	<u>669,561</u>	<u>745,469</u>
Total Interest Income	11,516,216	12,159,353
INTEREST EXPENSE		
Members' Share and Savings Accounts	3,785,602	5,044,407
Interest on Borrowed Funds	<u>8,043</u>	<u>1,072</u>
Total Interest Expense	<u>3,793,645</u>	<u>5,045,479</u>
Net Interest Income	7,722,571	7,113,874
PROVISION FOR LOAN LOSSES		
	<u>2,477,700</u>	<u>1,306,663</u>
Net Interest Income After Provision for Loan Losses	5,244,871	5,807,211
NON-INTEREST INCOME		
Service Charges and Fees	2,962,988	2,848,463
Other Non-Interest Income	182,951	895,552
Net Gain on Sale of Assets	<u>4,316</u>	<u>3,818</u>
Total Non-Interest Income	<u>3,150,255</u>	<u>3,747,833</u>
NON-INTEREST EXPENSE		
Employee Compensation and Benefits	4,523,089	4,656,249
Office Occupancy and Operations	1,220,809	1,197,846
Other Operating Expenses	<u>1,844,021</u>	<u>2,957,578</u>
Total Non-Interest Expense	<u>7,587,919</u>	<u>8,811,673</u>
Net Income Before NCUSIF and Corporate Credit Union Costs	807,207	743,371
NCUSIF AND CORPORATE CREDIT UNION COSTS		
NCUSIF Impairment	1,039,255	—
Share Insurance Premium	265,413	—
Corporate Membership Capital Share Loss	532,097	—
Passback of Corporate Credit Union Stabilization Fund	<u>(1,039,255)</u>	<u>—</u>
Total NCUSIF and Corporate Credit Union Costs	<u>797,510</u>	<u>—</u>
NET INCOME	<u>\$ 9,697</u>	<u>\$ 743,371</u>



STATEMENTS OF MEMBERS' EQUITY

Years Ended December 31, 2009 and 2008

	Regular Reserves	Undivided Earnings	Other Reserves	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AT DECEMBER 31, 2007	\$ 2,020,092	\$ 100	\$ 19,373,966	\$ 48,899	\$ 21,443,057
Merger Entry-Equity Accounts of Raleigh Postal Employees Credit Union	95,725	-	41,711	-	137,436
Comprehensive Income:					
Net Income	-	743,371	-	-	743,371
Other Comprehensive Income:					
Change in Unrealized Gain/Loss on Securities Available for Sale	-	-	-	153,629	153,629
Total Comprehensive Income					897,000
Net Discretionary Transfers	-	(743,371)	743,371	-	-
BALANCE AT DECEMBER 31, 2008	2,115,817	100	20,159,048	202,528	22,477,493
Comprehensive Income:					
Net Income	-	9,697	-	-	9,697
Other Comprehensive Income:					
Change in Unrealized Gain/Loss on Securities Available for Sale	-	-	-	(36,142)	(36,142)
Total Comprehensive Income:					(26,445)
Net Discretionary Transfers	-	(9,697)	9,697	-	-
BALANCE AT DECEMBER 31, 2009	<u>\$ 2,115,817</u>	<u>\$ 100</u>	<u>\$ 20,168,745</u>	<u>\$ 166,386</u>	<u>\$ 22,451,048</u>

BOARD OF DIRECTORS

Michael E. McCartney, Chairman
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 Thomas Dale, Jr., Director of Membership
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 Charles McCullough, II, Esq., Director of Marketing
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 Darryl Williams, Member
 Martha Williams-Brown, Member
 A. Patrick Brown, Member