

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tongass Federal Credit Union

Person to be contacted regarding this report:	Susan Fisher, CEO	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	1435	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	1,600,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	15523
Date Funded (first funding):	09/2010	City:	Ketchikan
Date Repaid ¹ :	0	State:	Alaska

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Hired our first commercial lending officer, created a Small Business Loans and Business Services program, obtained certification to participate in SBA programs and became approved to participate in Bureau of Indian Affairs loan guarantee programs. This is all new for our credit union.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Small Business Loans - collateralized, commercial property, equipment, lines of credit.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	We did purchase some securities at the outset - we maintain a diversified portfolio of MBS, government agency bonds and fixed term investments. However, we are spending it as we go, and new facilities eventually will account for about \$1.2 million.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Our net worth increased with this Secondary Capital as we continue getting hampered with the NCUSIF Share Insurance special assessments. We also purchased an adjoining property and are moving ahead with plans to build a branch on a Native Alaskan reserve.
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Earlier references to Secondary Capital supporting our net worth ratio.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

If we had not received the CDCI Loan, we would have been pushed to lower Share returns to our members and turn away deposits in order to hold onto our Net Worth position due to the hits from the special assessments to the federal deposit insurance fund. We would not have started our Business lending program. Our physical facilities were full, and we didn't have the resources to turn on business programs so sorely needed in our remote rural communities. We would not be building a new branch on the Annette Island Reserve in 2012, due to our net worth position.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Our resources were bolstered. We were able to buy adjoining property in Ketchikan and remodel a building; we opened our new loan center in half the building, and we're leasing half to a non-profit agency advocating against domestic violence. We are preparing to build a new branch on the Annette Island Reserve, to open in 2012, serving a Native community of 1,400 people, and where we are the only on-site financial institution. We are making a difference and building new relations with Native Alaska entities and new members in communities that have never had credit union services before. The pressure is off because our regulator can now acknowledge an adequate reserve, and we can strategically plan for the repayment of the CDCI loan in the future. This program made a big difference in Southern Southeast Alaska because our credit union is able to stretch and grow. We've been economically distressed for the past decade, and growing small businesses, sole proprietorships and budding entrepreneurs is where we need to focus. No one else has a real microenterprise loan program in our communities.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The remodeling of the building that is now our Loan Center generated jobs for an architect, construction tradespeople, retailers sellin