

## CDCI ANNUAL USE OF CAPITAL SURVEY - 2013



## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tongass Federal Credit Union

Person to be contacted regarding this report:	Susan Fisher, CEO/President	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):	09/28/2010	City:	Ketchikan
Date Repaid <sup>1</sup> :	N/A	State:	Alaska

<sup>1</sup>If 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 first commercial lender to lead a Member Business Loan program, focusing on microenterprise and small business lending, account support, and services support. We serve a remote rural area with sparse population. Most of the businesses on our island communities are microenterprises.
<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.).	Commercial property, commercial fishing vessels, equipment, business vehicles, mortgage lending (in-house, shorter term).
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input checked="" type="checkbox"/>	Make other investments	CDCI funds enabled our credit union to buy adjoining property in Ketchikan where we remodeled a foreclosed building into a Loan Center, renting half the facility to a youth-at-risk nonprofit. We used funds to build a new branch in Metlakatla AK on Annette Island Reserve (Alaska Native tribal land
<input type="checkbox"/>	Increase reserves for non-performing assets	
<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 type="checkbox"/>	Held as non-leveraged increase to total capital	

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

Secondary capital of \$1.6 million boosted our Net Worth to well capitalized while we undertook significant property and program expansion. This would not have occurred if Tongass Federal Credit Union had to build reserves over the years before undertaking expansion. We did not stagnate. We did not stay confined to consumer loans, accounts and deposits. Our peer credit unions during the recession and immediately afterward experienced declines or slowed growth in assets, loans and membership. This was not our experience. The funds enabled us to make broader management decisions based on serving our communities rather than reacting to external economic pressures. We were able to begin building relations with Alaska Native entities and organizations that did not exist for us.

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

We received our CDCI funds in late 2010. Consider:

12/31/2009: \$50 million assets, \$957,611 business loans/\$27 million all loans (3.6%), 32 credit union employees.

Net worth: 7.43%. Delinquent Loans/Total Loans = .29 (Peers = 1.78) Delinquent Loans/Assets = .17 (Peers = 1.00)

12/31/2013: \$66.2 million assets, \$4,389,747 business loans/\$36.3 million all loans (12%), 42 credit union employees.

Net worth: 9.06%. Delinquent Loans/Total Loans = .59 (Peers = 1.24) Delinquent Loans/Assets = .34 (Peers = .66)

Net worth in 2013 includes the \$1.6 million in Secondary Capital CDCI funding.

New jobs created at the credit union alone: 1 full-time commercial lender, an assistant branch manager in Metlakatla moved from part-time to full-time, a first-time mortgage loan processor, one additional loan officer, one additional loan processor.

Additional jobs created by businesses who borrowed from the credit union.

We completed four guaranteed loans through the Bureau of Indian Affairs program.

We qualified as a mortgage lender with the Alaska Housing Finance Corporation, much needed in our remote rural communities where homes often fail to meet conventional lending criteria due to lack of comparable values and appraisal challenges.

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

With our new commercial lender, we were able to use our CDFI status to qualify for lending programs with the Small Business Administration and the Bureau of Indian Affairs loan guarantee programs. This new opportunity expanded our ability to reach out to microenterprise and small businesses, and qualify them in new ways.

The Secondary Capital cushion enabled us to make bolder management decisions such as purchasing a new core computer system that will greatly enhance automation, give us real data, improve compliance efforts, and bring us into a new shared network of credit unions through collaboration on software development and services. It greatly enhances the credit union's ability to serve its members with modern, real-time internet banking.

We are following our eight-year plan for use of the CDCI loan.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.