

CDCI ANNUAL USE OF CAPITAL SURVEY - 2012



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Freedom First Federal Credit Union

Person to be contacted regarding this report:	Dave Prosser	RSSD: (For Bank Holding Companies)	596286
UST Sequence Number:	1443	Holding Company Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	9,278,000	FDIC Certificate Number: (For Depository Institutions)	N/A
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	11111
Date Funded (first funding):	09/29/2010	City:	Roanoke
Date Repaid ¹ :	N/A	State:	Virginia

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.	FFFCU was able to implement and continue offering Impact Banking products that were specifically designed to serve the needs of low-income members. Despite the high level of credit risk involved, marketing and delivery of these products remained consistent, if not enhanced.
<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.).	The CDCI fund allowed us to implement and enhance products and services designed to help low-income/low-or-no-credit-individuals and households in our membership coverage-affordable housing, responsible rides, etc. These products are described in the 2nd to the last survey answer below.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	FFFCU was able to purchase FHLB, FNMA & FHLMC securities. This activity was outside the original capital plan.

<input type="checkbox"/>	Make other investments	N/A
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	\$1,392,000 credit loss reserves were funded in 2012 through credit expense. Although the secondary capital cannot be applied directly to credit losses, it permitted us to operate at a lower level of net income.
<input checked="" type="checkbox"/>	Reduce borrowings	One Federal Home Loan Bank (FHLB) loan in the amount of \$5,000,000 was paid off in 2011.
<input type="checkbox"/>	Increase charge-offs	N/A
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The \$9,278,000 CDCI funds received qualifies, by regulation, as a component of net worth. As a result, FFCU's net worth over assets ratio was higher by at least 3% in 2011 and 2012.

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

There were no potential impending events for Freedom First in 2012. As it is, the CDCI funds received greatly helped in pursuing more community development programs (financial or otherwise) that would have been less if not for the additional capital infusion. The \$9,278,000 capital was used to fund loans, projects, organizational structure expansion dedicated to focus in the low-income and no-credit/low-credit market.

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

Key Focus Area: Community Development/Business Financing - Hired support staff for VP of Member Business Loans (MBL). MBL policy approved in January 2012 and loan committee created for initial underwriting and subsequent loan review. Community Development and Participation Loans closed \$5.78mm. (\$1.50mm MBL Community Development & \$4.28mm MBL participations)

Key Focus Area: Affordable Housing – Loans for 2012: Low Income - \$2,818,894; Moderate Income - \$3,508,658; Total 2012 1st Mortgage AHL Loans \$6,327,552. Capacity Building includes: hired 4 additional staff persons, system capacity expanded, accessed down payment assistance programs, and impact reporting made possible with tracking records. Opened Title Company with 1 additional staff position.

Key Focus Area: Micro Branch - Targeted location established in Roanoke City target HUD revitalization neighborhood, partnered with West End Center (WEC) to open branch location, with WEC submitted a 2012 CDBG application and awarded \$343,173 to cover construction costs of the West End Project, continues work with the Roanoke Neighborhood Revitalization Partnership as they begin a 5-year emphasis in the West End/Mountain View neighborhoods. Key indicators developed to track un-banked and under banked demographic.

Key Focus Area: Financial Education – 1,460 Members attended financial education classes, 212 Members of which attended financial education classes in order to obtain a credit product; Actively participation in Roanoke valley Financial Fitness Coalition and Bank On initiative; Organized home buyers education program that will centralize education for Local Housing Partnership; expanded curriculum; outreach to over 39 non-profit, for-profit and government entities; expanded capacity to collect and track demographic data.

Key Focus Area: Impact Banking - Key focused areas included impact banking products: RESPONSIBLE RIDES for individuals within 300% of the poverty line to obtain safe reliable vehicles, CREDIT BUILDER helping low-income members with no credit, low credit scores, or damaged credit rebuild their credit, PAL (PAYDAY ALTERNATIVE LOAN) provides an alternative to using Payday lenders with no minimum credit score required, MICRO LOANS provide small unsecured loans ranging from \$250 to \$3,000 to meet unexpected needs, Borrow & Saving to provide households a credit builder and saving mechanism, and FIRT TIME HOMEBUYER LOANS available to low-income residents. For 12/31/2012: Responsible Rides Granted \$333,989, PAL's Granted \$117,000, Micro Loans Granted \$967,209, Credit Builder Loans Granted \$90,700, and Affordable Housing Granted 2.8M.

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

Key Focus Area: Community Collaboration – Participate on Roanoke City Community Development Committee/Allocation of HUD funds for Community Development Block Grants, Member of Roanoke Financial Education coalition, Participate in Roanoke Valley Sustainability Consortium – Livability Plan Initiative, Representation on Partnership for a Livable Roanoke Valley/Stakeholder appointment, Partnered with City on Roanoke Valley Fitness Coalition, Participated on Roanoke Valley-Alleghany Regional Advisory Council on Homelessness, Participated on West End Targeted Area Shareholders Roundtable, Strategic Partner in City's West End Neighborhood Revitalization Strategy Area Plan, On Salem City's Board of Appeals for RE Tax assessments, Collaborate with City on "Bank On Initiative", Supplies financial education for Montgomery County employees, Collaborated with Roanoke City on West End development, Partnership for a Livable Roanoke Valley, Roanoke Regional Housing Network, Served on United Way's Income Impact Team, Partnered with Energy Alliance, Partnered with Virginia Cooperative Extension and Local Environmental and Agriculture Project to design & fund a community kitchen, Partnered with Community Housing Partners to fund affordable housing projects, and Established relationship with TAP and Roanoke Regional Housing Authority to assist with home financing.

Other: Expanded field of membership to included Franklin and Craig Counties. Charter expansion allowed us to expand outreach in underserved markets. Expansion also amended wording for low-income designated community credit union.

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.