



CDCI ANNUAL USE OF CAPITAL SURVEY - 2014

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Independent Employers Group Federal Credit Union (IEG FCU)

Person to be contacted regarding this report:	Bernard Balsis, Jr
UST Sequence Number:	1451
CPP/CDCI Funds Received:	698,000
CPP/CDCI Funds Repaid to Date:	0
Date Funded (first funding):	Sep 29, 2010
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	
Credit Union Charter Number: (For Credit Unions)	5860
City:	Hilo
State:	Hawaii

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 type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	
<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.).	By having a satisfactory level of capital IEG FCU was able to concentrate efforts promoting, underwriting and dispersing loans. IEG was able to continue to grow its member business loans, make alternative energy loans and begin to formalize a micro-enterprise lending program
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input checked="" type="checkbox"/>	Make other investments	IEG FCU was able to have a small positive arbitrage on the funds. Investments were made in strict compliance with the rules and regulations of the NCUA.
<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 checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The secondary capital assisted IEG FCU to maintain a strong capital position while it works through some issues cleaning up and regrowing its loan portfolio. Lending activities have had a direct positive impact on the socioeconomic development of Hawaii Island.

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

IEG was not be forced into a merger that would have adverse effects on the socioeconomic benefit the Big Island community. We are able to develop our own institution's plans to recoup retained earnings so the repayment of the CDCI loan in late 2018 is realistic. By maintaining a capital ratio over 9%, and working with our NCUA regulators, IEG avoided Prompt Corrective Action and is allowed to develop realistic long range plans to improve its financial condition and continue to serve the financial needs of the Hawaii Island community.

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

IEG FCU continued to make small business loans as well as clean up its loan portfolio. 2014 was a tough year for IEG for loan growth. Nevertheless, IEG FCU was able to book small business and micro-enterprise loans in excess of \$100,000. We have continued this initiative in 2015 and have received a small grant from the County of Hawaii to fund the formalization of our micro-enterprise lending activities. These are much smaller loans appropriate for the island community. Because of the additional CDCI capital IEG was able to charge off two business related loans without dropping capital below that which might require Prompt Corrective Action. Thus, we are in a position of strength to make well underwritten business and consumer loans to benefit the socioeconomic development of the Hawaii Island community. With a clean loan portfolio, evidenced by a delinquency ratio below 1%, IEG FCU is positioned to grow loans. In 2015 we will emphasize alternative energy, micro-business and are investigating the potential of food security related program.

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

The ability to methodically and realistically develop long range plans to improve the organizations financial capacity to serve the financial needs of the Hawaii Island community is the main advantage of having the CDCI secondary capital.

It is also noted the alternative energy loans of approximately \$1,000,000 on our books now, have assisted individuals in saving on their energy costs. That allows for improved money flow through the economy. These loans also help government initiatives to lessen our dependence on fossil fuels.

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.