



CDCI ANNUAL USE OF CAPITAL SURVEY - 2015

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Independent Employers Group Federal Credit Union (IEG FCU)

Person to be contacted regarding this report:	Bernard A. Balsis, Jr.	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	1451	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	698,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	698,000	Credit Union Charter Number: (For Credit Unions)	5860
Date Funded (first funding):	Sep 29, 2010	City:	Hilo
Date Repaid ¹ :	Nov 18, 2015	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 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.).	
<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 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 checked="" type="checkbox"/>	Increase charge-offs	Because of the additional capital adequacy provided with the CDCI funding for secondary capital, IEG FCU was able to take appropriate charge off fin 2015 to cover historical delinquencies and maintain a respectable capital adequacy ratio.
<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 respectable capital position while it made a decision to merge and carry out that decision the merger was completed on December 1, 2015 with HawaiiUSA FCU.

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

IEG FCU was not forced into a merger with any Credit Union due to capital inadequacy and the possible subsequent prompt corrective action under NCUA regulations. The capital provided the opportunity for the Board of IEG FCU to systematically search for an appropriate merger partner which would add value to the membership it serves. As such, HawaiiUSA FCU was selected.

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

The Board of IEG FCU was able to make a well informed decision if it were to seek CDFI grant funding to provide a permanent increase in capital and provide funding to expand lending service in the food production and small business lending programs supported by the CDFI Fund; or merge with a larger Credit Union. The decision was made to merge. Because of the secondary capital and the continuing good daily operations of IEG FCU, the appropriate time needed to seek the right merger partner was available to the Board. The selection of HawaiiUSA FCU was based on the organizations commitment to a combination of a high touch and a high tech member service environment. In addition, there was a perception that HawaiiUSA FCU would provide new Human Resource and technical resources to add value to the membership. The merger was completed on December 1, 2015.

The reason the Board chose not to seek CDFI funding was primarily because that would have allowed the Credit Union to survive, not thrive in providing good financial products and services to its membership. The merger offered the opportunity to have a thriving branch and improve financial services to its membership and the community at large.

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

As 2016 was a year of merger activity, the secondary capital gave IEG FCU and HawaiiUSA FCU the necessary time to perform its due diligence, negotiate a mutually beneficial merger agreement and go through all the merger processes properly. During 2016 IEG FCU was able to continue to make good loans, predominately to consumers and small businesses.

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.