



**CDCI ANNUAL USE OF CAPITAL SURVEY - 2017**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Tongass Federal Credit Union

Person to be contacted regarding this report:	Helen Mickel, President/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:	1,552,000	Credit Union Charter Number: (For Credit Unions)	15523
Date Funded (first funding):	Sep 28, 2010	City:	Ketchikan
Date Repaid <sup>1</sup> :	Jan 24, 2017	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.	TFCU has been focused on small business loans. Our credit union serves rural coastal Alaskan communities where we have been able to increase lending for micro-enterprises including small business fisherman. In September 2017 we hired a new MBL manager for continued growth.
<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.).	TFCU has increased MBL lending for commercial residential properties, commercial fishing and charter fishing operations, business vehicles and equipment. We are servicing Alaska Housing Finance Corporation mortgages, and we recently were approved for USDA mortgages.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input checked="" type="checkbox"/>	Make other investments	Not long after we received CDCI funds we invested in a building for the Metlaktla branch and purchased a building for the loan center. We opened a branch in Wrangell, Alaska in 2016, the first credit union in that community.
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	TFCU's purchase of the bank foreclosure adjoining our main campus was an excellent opportunity for the credit union to expand. CDCI funds made the purchase possible. Half of the building is used as our loan center. The other half is rented to a youth-at-risk non-profit organization.
<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?

After the 2008 national recession, and the added burden of the NCUA Stabilization Assessments, Tongass Federal Credit Union would have lost our "well capitalized" status with the NCUA. Our net worth would have slipped below the minimum ratio. The assessments had a major affect on our net income in the years following the national recession. We were able to avoid dropping below the minimum and continue to make decisions for growth.

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

Fortunately due to the CDCI loan timing, we did not have to wait to make some long-term growth decisions such as acquiring adjoining property, building a new branch, and hiring our first business lender. Without the CDCI funds we would have had to wait to build capital and increase our reserves. We would have missed the opportunity to purchase the adjoining foreclosure property that now houses our loan center. The recession would have set us back years, instead we were able to continue to make timely decisions that improved and expanded our services in the remote communities we serve. The timing of the CDCI Loan fit perfectly with our local economic situation in terms of hiring contractors, building, and hiring personnel. Because of that early CDCI Investment we have continued to grow and in January 2017 we were able to repurchase our CDCI securities and still maintain a net worth ratio over 8.0%, ending 2017 at 8.35%.

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

CDCI funds have allowed us to expand our services in remote locations. We were able to make a major commitment in Metlakatla, Alaska and demonstrate to the community that we are a financial partner dedicated to a long-term relationship with the Alaska Native community. At the end of 2017 in Metlakatla, we had 1,193 members on an island of just 1400 people; with deposits of \$3.4 million and loans at \$6.6 million. We serve all businesses, non-profits, clubs, organizations, and groups. We encourage individual accounts and operate a School Savings program, with strong participation from the Metlakatla students. In 2016 the foundation laid with CDCI funds allowed us to open a new branch in Wrangell, Alaska, a small coastal town where credit union services have never been available. Finally the loan gave us funds to hire our first commercial lender to build our member business loan program, which has been very successful. Our total business loan portfolio at the end of 2017 was \$11.4 million compared to December 2010, the year we received the CDCI funds, when we reported just over \$1 million in business loans. In 2017 the board approved updated bylaws that lowered our share requirement from \$25 to \$5 to better meet the needs of our low-income members. We are committed to serving people of modest means, the self-employed, small businesses, and the underserved in our remote island communities. We now operate five branches on four islands in southern Southeast Alaska.

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.