

2016 CHAIRMAN OF THE BOARD'S REPORT

April, 2017

Dear Credit Union Member:

2016 was another banner year for your Credit Union as we grew in membership, assets and market exposure to its existing membership for which we can all be proud.

During 2016 the Board of Directors continued to work very hard at providing you with robust and enhanced products and services. Some of which we are most proud that were enhanced or introduced during 2016 were:

1. Enhanced out marketing campaign to increase the membership in the Credit union and the services were offer our members. This resulted in an increase of our membership by 2% from 1,092 to 1,098 members.
2. Established a building fund with a current balanced as of 12/31/2016 of \$650,000 which continues to grow towards the purchase of a new building to further benefit the members in the years to come.
3. Continue to update and modernize the web site to better serve you – the member. Check it out at www.carfcu.org.
4. Continue to position ourselves in the world of social media with Facebook and Twitter. This has proven to be of great benefit in the promotion of the Credit Union to existing and potential new members.
5. Introduced our newest savings product, a business money market account which is paying a 1.5% dividend [minimum balance of \$50,000]. This has brought in over \$2M in deposits.
6. Introduced our newest loan product – 2-year balloon, interest only “mortgage flipping” loan. This has been a huge success, lending over \$745,000, effectively replacing the “Hard Money” option.
7. Continued to work closely with our sponsor – Greater Capitol Area Association of REALTORS – GCAAR. We participate in their monthly orientation/luncheon session to new members outlining the benefits of becoming a member of the Credit Union.
8. Continued to offer very competitive rates on shareholder deposits and attractive rates for our various loan products.

9. We continue to keep focused on our mortgage lending products and services. We are maintaining a few loans within our portfolio but brokering others through Credit Union Mortgage Association (CUMA).
10. The offering of the Visa Credit Card has proven a great benefit of membership in the Credit Union with a steady increase in the number of members taking advantage of the reduced rates and terms that it offers. This has given us the opportunity of making more loans at favorable rates.
11. Our net income continues to increase from year to year as well as our asset base which is currently almost \$12M – an increase of 22% over 2015 asset base.
12. We continue to control our delinquencies through member friendly negotiations. However, they are very negligible for our size credit union.

We continue to promote our e-banking services to the membership. The membership is taking full advantage of this benefit which allows the Credit Union to better serve the member. We are hopeful that additional members will take advantage of this invaluable service in the days to come.

Your investment in the Greater Capitol Area Realtors Federal Credit Union continues to remain safe, secure and your deposits insured up to \$250,000. Unlike the banks and other lending institutions, your credit union continues to have no exposure to risky loans. Our standards and lending policies have been created and maintained to exclude high risk loans. We also do not encourage our members to take on more debt than they could reasonably manage as this would not be in the best interest of the Credit Union and its shareholders.

We continue to receive high marks from the Federal Examiner – a 2 rating for the twentieth consecutive year. This is potentially the highest rating given by NCUA for a credit union of our asset size. We rely heavily on the advice and counsel of the Federal Examiner as we continue to grow and prosper.

We continue to maintain policies for the safety of the credit union and its members. They are constantly updated in accordance with NCUA standards. Staff and Board members continue to be educated in the many intricate rules, regulations and standards that must be observed through our involvement with the MD/DC Credit Union Association. This has made us stronger and more proficient in the operation of this Credit Union.

We are always looking for ways to better serve you with products and services that assist you with your financial decisions. If there is any way that we can better serve you, please let us know.

It has been my privilege and honor to serve as the Chairman of the Board of your credit union this past year. The decisions that we make are done with you, the member in mind. The Board members are very active and forward thinking and I thank them for their ideas and suggestions that continue to make this Credit Union thrive and benefit you as a member.

We continue to seek credit union members to serve on the Board of Directors who can help increase membership, deposit and loan growth. Let me know should you be willing to serve and offer your expertise, vision and knowledge as a Board member. I would be willing at any time to discuss this opportunity for service to your Credit Union.

Allow me to take this opportunity to thank our front office staff for their hard work and dedication. Tony Launi has served as President/Manager for over 25 years and continues to serve us well. Andy Flores assumed the role of Asst. Manager/Head Teller one year ago and has performed well.

Our emphasis is always on increasing membership, enhancing products and services to the members as well as overall growth of the Credit Union. Whenever you have a need for our assistance please feel free to call on us. We are here for each of you.

Respectfully Submitted,

CAPITOL AREA REALTORS FEDERAL CREDIT UNION

Harold H. Huggins

HAROLD H. HUGGINS, CCIM, CIPS, CPM, CRB, CRS, GAA, GRI, MCRS

Chairman of the Board

"Enjoy the Credit Union Difference"