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2024 Annual Report

Chairman's Report

Hello Members!

Happy Spring and thank you for your support over the past year. We thank you for trusting us to safeguard your financial affairs.

During the past few years, our Credit Union has faced several challenges. Each time we learn from these challenges to improve the Credit Union and to better serve our membership.

This year, we have been focused on reinventing our Credit Union. One of the changes that members will encounter is a new team to serve our membership. When you come into our branch, you will see new faces, and callers will speak with staff they have not spoken with before. We are making these changes to better serve everyone.

Other efforts to enhance the Credit Union include:

- **Shared Branching** – We recently discovered a bug in the underlying code that controls shared branching transactions. Our vendor has promised to fix that bug by the end of May 2025 so that members will be able to use shared branching services with less hassle. We will be sending emails providing updates regarding this change.
- **Audio Teller** – This is the platform where you can check your balances over the phone. We were using an outdated system that failed on us at the end of February, and it took several weeks to troubleshoot and get it up and running. We anticipate that the new system will be up and running in May 2025 with new features and additional security.
- **Credit Scores** – If you have logged into Online Banking recently on your phone or your computer, you probably noticed that you now have the ability – for FREE – to see your credit score and read several articles about how to improve your financial health. Additional changes are expected in the next 90 days, so please download our mobile app and check out these new features.
- **Financial Advisor** – Starting in May 2025, we will have a financial advisor sitting in our branch one day per week. The advisor is very knowledgeable and has been featured on TV and radio shows. They will be available to meet with you for FREE, to answer questions about your TSP, help plan for retirement, and manage your investments.
- **Loans** – We are making changes to our lending products and have recently started offering first mortgage loans again. Please check with a member of our staff.
- **Notary Services** – In the past, we only had one employee who could provide notary services, which caused issues when they were unavailable. We now have a second employee to provide this service.
- **Debt Protection** – We will soon be offering a debt protection product, so if you have a loan and you lose your job, this protection will continue to make your minimum monthly payments on your behalf.

- **New Hours** – We recently updated our hours to 10am-3pm for both the call center and the branch Monday-Friday. On Fridays, the branch remains closed, and staff are remote. We made this change is part so that our team can have more time to implement these changes.

Please know that our commitment to excellent member service has not changed. As you will see firsthand, we strive to provide the best possible service for each and every Credit Union member.

Thanks for this opportunity and for your support.

Otis Collins
Chairman

Supervisory Committee Report

On behalf of the HUD FCU Supervisory Committee, (the Committee), I am pleased to extend a warm welcome to our annual meeting. The Committee, authorized by the National Credit Union Administration (NCUA) is an independent oversight body that works with you, the Members, the Board of Directors, the Staff and the Management of our credit Union. Our primary functions are to:

- Ensure that there are adequate internal controls and audits
- Recommend efficient safeguards to protect members' financial interests
- Review and promote sound accounting policies and practices
- Serve as a confidential resource for members' inquiries regarding unbecoming actions by those entrusted to serve HUD FCU

The Committee is also responsible for an annual independent audit and assuring members that the credit union financial statements are presented following NCUA guidelines. The Committee arranges for our annual audit by an independent certified public accounting firm and reviews the results for accuracy and full compliance. The committee also reviews the results of our annual examination of the NCUA for internal compliance.

There were no material weaknesses identified during the 2024 audits, but there were a handful of deficiency findings for which the Credit Union has initiated mitigation strategies. The Credit Union's management practices and procedures are aligned with

the Board of Directors' policies and management is operating in a manner to safeguard the members' interests.

Finally, the Committee, together with the Directors, Staff and Management, is part of the team involved in managing and protecting financial soundness and is an essential part of the financial integrity and safety of our Credit Union.

The Committee will continue to assist the Credit Union and identify and respond to inadequate controls and procedures, identify, and mitigate existing and emerging risks, and ensure the Credit Union is operating in a manner consistent with fostering the sustained prosperity of the Credit Union's members.

I encourage your input and participation through your feedback, questions and sharing your concerns to help guide our decision-making process. I look forward to working with Directors, Staff, and Management as an independent oversight committee.

David Noguera
Supervisory Committee Chairman

Treasurer's Report

The HUD Federal Credit Union is a business that is owned by its members. In 2024, the business had total income of about \$2.3 million, operating expenses of about \$2.5 million, and a net loss of about \$170,000.

It is some small consolation that in 2023 the net loss was larger, about \$630,000. The reduced loss was largely due to reductions in operating expenses of about \$600,000.

The loss in operating income is reflected in a reduction in equity, from about \$2.3 million at the end of 2023 to about \$2.1 million

Financials

Income and Expenses

	2024	2023
Loan Income	\$1,628,190	\$1,587,673
Investment Income	394,324	372,024
Other Income	323,233	533,078
Total Income	\$2,345,747	\$2,492,775

Operating Expenses

Salary and Benefits	\$613,689	\$712,456
Office Operations	1,424,164	2,244,342
Marketing	22,581	19,145
Provision for Credit Losses	127,500	(8,973)
Dividends	327,091	152,089
(Gain)/Loss on Investment Sales	0	3,856
Other Non-Operating Income	0	0
Total Expenses	2,515,025	3,119,059

Net Operating Income (\$169,277) (\$630,140)

Balance Sheet

	2024	2023
Loans	\$34,129,537	\$35,851,649
Allowance for Credit Losses	(340,982)	(516,342)
Cash and Investments	12,449,732	12,751,311
Fixed Assets	50,977	93,778
Other Assets	1,109,454	1,109,421

Total Assets \$47,398,717 \$49,289,816

Liabilities and Equity

Accrued Dividends	\$24,471	\$15,857
Other Liabilities	44,957	1,841,652
Members' Accounts	45,631,869	45,751,351
Unrealized Gain/(Loss)	(\$412,697)	(\$598,438)
Regular Reserves and Undivided Earnings	2,110,117	2,279,394

Total Liabilities and Equity \$47,398,717 \$49,289,816

at the end of 2024. Equity was 4.45% of assets at the end of 2024, which is below the target of 7% set for credit unions by our regulator and insurer, the National Credit Union Administration.

The business faces twin challenges: stagnation in membership and stagnation in loan growth. The two challenges are related, but members seem to be increasingly looking for loans from other institutions. The new US Administration has announced plans to reduce the number of HUD employees, especially in Headquarters, and to vacate the Weaver building. This gives a new perspective to those challenges.

Mark Shroder
Treasurer

CFO's Report

I want to personally thank everyone for attending this year's annual meeting. I greatly appreciate the opportunity to serve as your Credit Union CFO. We continue to make strides on improving our Credit Union through higher service levels, technology, and member support.

Our Credit Union is small and may not offer the same resources and services offered at larger institutions. It is important to recognize, however, that we have eight full-time employees, and with that size comes opportunities that other credit unions cannot offer, such as access to speak directly with and provide feedback to the CEO, the CFO, the Chairman of the Board.

I recognize that most members have accounts at more than one institution. I hope that everyone chooses to bring more of your accounts to HUD Federal Credit Union. You will not be disappointed in the new and improved HUD FCU and the exciting things we have in store for everyone.

Jonathan Hefter
Chief Financial Officer

Board, Committees and Staff

Board of Directors

Otis Collins	Chairman
David Noguera	Vice Chairman
Mark Shroder	Treasurer
Kim Adams	Secretary
John Bravacos	Director
Terry Rouch	Director

Supervisory Committee

David Noguera	Chair
Michael Jenson	Committee Member

Credit Union Staff

Roni Krupnick, EVP	Interim CEO
Jonathan Hefter	CFO
Ramona Suggs	Branch Manager
Brittany Jackson	Loan Officer
Jamila Davis	Lead Accountant
Lisa Morris	Collections Administrator
Elyse Anderson	Operations Specialist
TaChe' Hawkins	Member Service Representative
Ja'Mya Suggs	Member Service Representative



Federally Insured
by NCUA