

CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Freedom First Federal Credit Union

Point of Contact:	Dave Prosser	RSSD: (For Bank Holding Companies)	596286
UST Sequence Number:	1443	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	9,278,000	FDIC Certificate Number: (For Depository Institutions)	N/A
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	11111
Date Funded (first funding):	September 29, 2010	City:	Roanoke
Date Repaid ¹ :	N/A	State:	Virginia

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).

Increase lending or reduce lending less than otherwise would have occurred.

Despite the high level of credit risk experienced with credit services to low-income members, Impact Banking product deployment remained consistent and included the implementation of new products specifically designed to serve the needs of low-income members.

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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.).

The CDCI fund allowed us to enhance and implement new personal banking lending to low-income/low-or-no-credit-individuals and households in our community. Please see the last three survey answers below.

Increase securities purchased (ABS, MBS, etc.).

Make other investments.

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Increase reserves for non-performing assets.

\$1,714,000 credit loss reserves were funded in 2011 through current expense. Although the secondary capital cannot be applied directly to credit losses, it permitted us to operate at a lower level of net income.

Reduce borrowings.

One Federal Home Loan Bank (FHLB) loan in the amount of \$5,000,000 was paid off in 2011. This loan was allowed to mature without needing to obtain new credit from FHLB.

Increase charge-offs.

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Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

The \$9,278,000 CDCI funds received qualifies, by regulation, as a component of net worth. As a result, FFCU's net worth over assets ratio is higher by at least 3.5% in 2010 and 2011.

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

There were no potential impending events for Freedom First in 2011. As it is, the CDCI funds received greatly helped in pursuing more community development programs (financial or otherwise) that would have been less if not for the additional capital infusion. The \$9,278,000 capital was used to fund loans, projects, organizational structure expansion dedicated to focus in the low-income and no-credit/low-credit market.

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

Key Focus Area: Community Development/Business Financing - Hired VP of Member Business Loans (MBL), MBL policy approved in January 2012, enhanced account opening system to accommodate business accounts, training resources being researched, committees created for initial underwriting and subsequent loan review, and submitted Grant to the CDFI Fund requesting funds for MBL capacity building. The NCUA has approved our application for MBL loan cap exception to provide more small-business loans. Key Focus Area: Affordable Housing - AH Loans as of 12/31/2011: Low-income loans funded \$3,787,645/43 each and Moderate Income: \$3,966,358/31 each. Capacity Building includes: VP of Mortgage hired, Direct Endorsement underwriter hired, Operations Manager hired, Closer hired, Lock desk/shipper hired, Community Development Mortgage Originator hired, system capacity expanded, accessed down payment assistance programs, and impact reporting made possible with tracking records in host system. Key Focus Area: Micro Branch - Targeted location established in Roanoke City target HUD revitalization neighborhood, partnered with West End Center (WEC) to open branch location, with WEC submitted a 2012 CDBG application requesting funds to cover all the construction costs of the West End Station Project, Brownfield/EPA funds approved for project, joined a coalition focusing on community development efforts, working in conjunction with the Roanoke Neighborhood Revitalization Partnership as they close out work within the Hurt Park neighborhood and as they begin a 5-year emphasis in the West End/Mountain View neighborhoods. Key Focus Area: Non-Profit Banking Services - started non-profit market research and submit recommendations concerning: target market, product design, and marketing strategy. Others: The Credit Union, through its field membership expansion plan, was able to capture the lowest-income-county in the state. With the CDCI capital used in major office renovations this year, we were able to contribute to jobs improvement through the contractors. With our organizational expansion, we were able to hire more employees (20% increase in 2011). These services to low-income members required higher credit risk and more operating expenses which we would not have afforded without the capital.

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

Key Focus Area: Financial Education - 1,229 Members attended financial education classes, 82 Members of which attended the same financial education classes in order to obtain a credit product; Obtained \$3,128 grant funding financial education; Community Development Educator hired; Developed financial education marketing brochure that outlines basic financial education offerings to be used with community stakeholders and partner agencies; development outreach educational strategy with the Community Development Education that addressed employee development; non-profit partners and financial education for SEG's; established centralized coordination of non-profit financial education for community; supply education to non-profit partners; received funds from NCUA Financial Education Technical Assistance (TA) grant of up to \$5,824 approved in August of 2011 and award of subsequent NCUA Financial Education TA Grant of \$3,887 approved in December 2011; FiCEP certification process completed for Financial Educator Certification from the NCUA - four employees completed and on in process. Key Focus Area: Impact Banking - Key focused areas included impact banking products: RESPONSIBLE RIDES for individuals within 300% of the poverty line to obtain safe reliable vehicles, CREDIT BUILDER helping low-income members with no credit, low credit scores, or damaged credit rebuild their credit, PAL (PAYDAY ALTERNATIVE LOAN) provides an alternative to using Payday lenders with no minimum credit score required, MICRO LOANS provide small unsecured loans ranging from \$250 to \$3,000 to meet unexpected needs, FREEDOM VISA provides a credit card with a small limit for the purposes of establishing credit and for small-dollar transactions, and FIRT TIME HOMEBUYER LOANS available to low-income residents. Notables: Community Development Analyst hired, Received \$5,000 grant from NatFed of CDCU's for "Borrow & Save" program and Received \$850,000 from CDFI Fund for Micro Branch in the West End neighborhood. Key Focus Area: Community Collaboration - Investment Partners and Emergency Shelter Grant, Roanoke Financial Education Coalition, Participate in the Roanoke Valley Sustainability Consortium - Livability Plan Initiative, Roanoke Valley-Alleghany Regional Advisory Council on Homelessness, Partner with Darden Business School (UVA) in developing a statistical method to link Responsible Rides program to employment improvement, Innovation for Poverty Action (IPA) through Yale University/Ford Foundation measuring consumer behavior as it relates to borrowing and savings habits, partnership with the Energy Alliance - FFCU will be the partner financial institution to fund energy efficiency rehabs, Partnership with Virginia Cooperative Extension and Local Environmental and Agricultural Project (LEAP) to design and fund a community kitchen.