
Syracuse’s community development credit union.
Board of Directors Report

The Board of Directors consists of elected volunteers from the membership and has responsibility for setting Credit Union policies, monitoring finances and overseeing the Credit Union activities.

In 2008, the Board focused special attention on the following matters:

**Economic Situation** | The current financial and economic crises have had some unavoidable effects on Cooperative Federal’s business. The Board has been more carefully monitoring operating expenses, interest rates, and loan quality in order to minimize loss and manage our members’ deposits responsibly. In cooperation with management, interest rates especially are being monitored more frequently than in the past and changed as conditions warrant. The current economic environment has required us to reluctantly lower interest paid on deposits in order to maintain some balance with lower loan rates.

Cooperative Federal entered this recession with a generous cushion of capital, which has resulted in the flexibility to adjust to conditions as they develop, without being driven by a crisis reaction. The Credit Union remains committed to offering financial services in underserved areas and working closely with members, improving credit-worthiness and offering quality deposit and loan services. The Board is committed to prudent operations in support of our mission.

**Operating System** | Cooperative Federal has outgrown its previous core operating system. During the past year, staff, management, and the Board evaluated many options and selected a newer, more comprehensive solution. The process of converting to the new system has begun, and we will make the switch in May 2009. This change will enable our staff to provide higher quality services and to make the processing of routine transactions much faster. You’ll see a difference immediately!

**Northside Office** | The Northside office opened in late Summer 2008 at 800 North Salina St. We are proud to extend the Credit Union’s services to a new portion of the City, and to be partnering with the Northside Collaboratory, which brings together business and community groups serving the north side of Syracuse. This location also provides a generous amount of space for back-office functions, giving the Credit Union room to grow behind the scenes as well.

**Southwest Office** | We expect the office at the Southwest Community Center to triple in size this year. The financing plan for the construction is in place, and we expect the expansion to be complete by Fall. This will provide much needed space for member services, including loan closings and financial counseling in the Southwest Office.

**Grants** | The Credit Union continues to actively extend financial services in underserved areas and to offer financial education through courses and one-on-one counseling. Both of these areas have been supported extensively by grants, and we continue to actively pursue grant funding for these and all areas of service. While we expect to be challenged to support our non-financial services with less grant funding, our ongoing relationships with funding sources have been extremely positive. We anticipate being able to continue providing these services in the future.
Personal Financial Services
Cooperative Federal is dedicated to providing effective financial services that meet the needs of our community, and wise financial guidance to empower our members.

2008 Personal Finance Highlights
Accounts: Start Over Accounts
If you owe money to a bank – from bounced checks or fees for example – and don’t pay, you’ll end up on a list called “ChexSystems.” If you’re on ChexSystems, many banks and credit unions won’t open an account for you. This leaves many people forced into using high-priced check cashers and with no place to save.

Cooperative Federal started to offer an alternative in 2008 – our “Start Over” Accounts. If you have a ChexSystems history, you can open a Start Over account and have a place to save, get your direct deposit, and access credit union services.

Personal Loans

| Total Personal Loans Originated in 2008: | 365 loans, $1,755,052 |
| Total Personal Loans Outstanding, 12.31.2008: | 1,327 loans, $2,746,524 |

Combating Predatory Lending
PRIDE, or Predatory Relief and Intervention Deposit, is a program that helps the credit union make loans to people who would otherwise likely turn to high-cost predatory services. We began with lines-of-credit to people with no or very low credit scores, as an alternative to payday loans. We added auto title loans in 2007. In 2008, we expanded to loans for assistive technology.

In 2008, we made 89 PRIDE loans in all, for a total of $223,277. Total PRIDE loans outstanding is $377,888. Delinquency on outstanding PRIDE loans is only 0.13%.

Financial Education
The credit union has a comprehensive financial education program. We offer one-time classes and multi-session courses; classes for youth and for adults; classes in English, in Spanish, or in any language with volunteer interpreters!

In 2008, over 383 individuals attended a class/course on personal finance or homeownership. An additional 1800 students in the CNY Works summer program attended a money-management session.

In 2008, Cooperative Federal piloted a youth credit union program at Ed Smith Elementary. The accounts start to earn dividends with just a $5 minimum balance, so students can see their savings grow right away. This lets our students put what they learn in class into action!
Community Impacts

Mortgage Lending and Housing Counseling

Helping people become homeowners is one way to build stronger neighborhoods, a key part of the credit union’s mission. By owning a home, families can build assets to pass on to future generations.

We work to make homeownership affordable, understandable, and accessible in our community.

2008 Mortgage Lending Highlights

Cooperative Federal made 36 residential mortgages in 2008, for $2.3 million. 9 of those were to first-time homebuyers. 27 were to people with low-to-moderate incomes.

Total Residential Real Estate Loans Outstanding, 12.31.2008: 154 loans, $5,753,032

New Mortgage Products in 2008

• FHA Mortgages. FHA mortgages are more flexible than conventional mortgages, which gives us another option to serve more homebuyers. This also provides a good refinance option for someone in danger of foreclosure.

• 5:1 Adjustable Rate “Hybrid” Mortgages. Also new in 2008, this mortgage has a fixed rate for the first five years, after which the rate adjusts annually. This can be good if you plan to live in the home for just a few years, or if you plan to work on your credit during those five years. You could refinance to a fixed rate mortgage later.

All of our adjustable rate mortgages have caps on how much they adjust in a year — and how much they can adjust over the life of the loan.

2008 Homeownership Education

59 people attended our homebuyer education classes.

241 people received one-on-one counseling, including preparing for homeownership, saving, and building stronger credit, and also financial management help for current homeowners.

50 people received foreclosure prevention counseling.

As a HUD-approved counseling agency, we work with all members of the local community who are in danger of foreclosure. At the end of 2008, we launched a collaborative Foreclosure Prevention Coalition to respond to the increasing number of homeowners threatened with foreclosure.

Our coalition partners are Home HeadQuarters, Northeast Hawley Development Association, Syracuse United Neighbors, Legal Services of CNY and Hiscock Legal Aid Society.
Service to Small Business
Cooperative Federal fosters a strong, independent local economy by supporting small business. We offer business accounts, loans, and one-on-one advising as well as topical workshops.

Advising
In 2008, Cooperative Federal provided 28 business workshops, with total attendance of 164. 71 businesses received one-on-one counseling.

61 of those businesses were owned by women or minorities, with a total of 124 full-time employees.

Business Loans

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Business Loans

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<td>In 2008, we originated 28 business purpose loans, for a total of $619,393. 6 of these loans, a total of $340,778, were NCUA “Member Business Loans”, to members with more than $50,000 in aggregate business loans. 71% of loans made in 2008 were to minority or woman-owned businesses. Total Business-Purpose loans outstanding: 140 loans, $2,993,945</td>
</tr>
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We serve a variety of businesses and non-profits, including wineries, restaurants, farms, landlords, and local retail. The average business loan made in 2008 was approximately $22,100. Not including real estate loans, our average business loan is $6,900, reflecting our service to very small businesses.

Working Capital Loan Fund for Minority- or Woman-owned Contractors
Minority- and woman-owned contractors working on a project for a housing non-profit or the City of Syracuse are eligible for this special Cooperative Federal loan program, with funds provided by the Syracuse Economic Development Corporation (SEDCO).

These working capital loans help contractors cover gaps for project expenses. This program also helps non-profits and the City to work with more minority- and woman-owned contractors, particularly small contractors who may not otherwise have capital to get a project started.

Start-Up NY Partnership
In 2008, Cooperative Federal developed a partnership with the Start-Up NY program. Start-Up NY, an initiative of Syracuse University’s Burton Blatt Institute, supports entrepreneurs with disabilities.

Start-Up NY provides business plan assistance and financial education to participants. Cooperative Federal offers special matched savings accounts, credit review and credit repair, budgeting help, and access to microloan funds supported by both SEDCO and Onondaga County Economic Development Corporation. In 2009, this initiative will expand statewide.
Paulette was referred to Cooperative Federal by Syracuse Model Neighborhood Corporation, for a special Community Initiatives home improvement loan.

The loan would allow Paulette to have numerous home improvements completed, including some that will reduce her home energy costs. This loan was to be funded through a City of Syracuse revolving loan fund, with funds contributed by Onondaga County. Syracuse Model Neighborhood Corporation administers the program, and Cooperative Federal services the loans.

But there was a snag - her credit score was below the guidelines set for this program, due in large part to an open judgment and a number of small collections.

Paulette has had the same job for 11 years, owned her home for 7 years, and not made a late mortgage payment in the past 22 months – she went through some rough times but is now on the rebound.

Immediately, we started to find a way to make this work.

After verifying that the judgment was actually satisfied in June 2007, credit union staff filed a dispute with the credit reporting agencies on her behalf, to get the judgment status updated.

Then, we approved and closed a personal loan to pay all the collections, after negotiating some reductions with the collection agencies. As a result, the City's "second look" Committee approved the home improvement loan funding for $10,000.

"I was impressed by the credit union's approach to this and the way they handled Paulette's application," said Tom Francis, Executive Director of the Syracuse Model Neighborhood Corporation.

Now, Paulette's home improvement work has begun, and her credit score will increase significantly due to the status updates and additional new credit references.

“My daughter just got her first job and wanted to open an account somewhere. I brought her to the credit union,” Paulette reported. “They were really good with her!”

Paulette’s story is just one example of the Cooperative Federal difference – that we take extra steps to work with our members and their families to help them reach their goals, and we develop creative yet sound lending initiatives to meet community needs. Using the tools of finance, we can build a stronger Syracuse.

Community Impacts

Building Stronger Neighborhoods, one member at a time
In 2008, as turmoil shook the financial system, Cooperative Federal was protected by policies and practices developed over the last 26 years. Your credit union has no investments in the stock market, no collateralized debt obligations, no credit swaps, no mortgage derivatives and certainly no irrational exuberance. Instead, we invest in our members and our community.

**Fiscal Fitness & Sustainability**

The fiscal fitness and sustainability of credit unions are traditionally measured through four key ratios that indicate **capital adequacy**, **earnings**, and **assets quality**. (See figure 1.)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Ratio</th>
<th>3-yr Avg. (2005-07)</th>
<th>12/31/08</th>
<th>12/31/08 Peer Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Adequacy</td>
<td>Net Worth</td>
<td>10.49%</td>
<td>10.18%</td>
<td>14.11%</td>
</tr>
<tr>
<td>Earnings</td>
<td>Return on Assets (ROA)</td>
<td>1.05%</td>
<td>0.59%</td>
<td>0.30%</td>
</tr>
<tr>
<td>Asset Quality</td>
<td>Loan Delinquency</td>
<td>8.03%</td>
<td>6.31%</td>
<td>1.58%</td>
</tr>
<tr>
<td></td>
<td>Charge-Off</td>
<td>0.42%</td>
<td>0.71%</td>
<td>0.66%</td>
</tr>
</tbody>
</table>

*Figure 1: 2008 Key Ratios vs. Peer*

**Capital adequacy** indicates our capacity to grow, cope with fluctuations, and assume risks to promote our mission and serve our members. This is measured by our net worth ratio, a ratio of our equities (capital that’s not from member shares, nonmember deposits, or borrowing) to our assets (the cumulative value of our loans, investments, and property).

At year-end our net worth ratio was 10.18%, exceeding the NCUA goal of 7% and indicating that we are well-capitalized as we implement our strategic growth plan and weather the economic storm. Although our peer average is slightly higher, higher net worth may indicate a failure to serve more members, to increase services, or to take risks to serve people who need it the most. Our net worth ratio indicates that we are fulfilling our community development mission, and we are prepared to manage our planned growth over the next 3 - 5 years.

Our **earnings** ("bottom line") are represented by the return on assets ratio (ROA), our net income to our average assets over the last year. While our 12/31/08 ROA ratio is less than our three-year average, we increased net income by 32% between 2007 and 2008. We achieved a stronger ROA than peer in 2008, which experienced a 53% drop from 2007 to 2008. (See figure 2.)

Operating expenses continued to be high in 2008, as we increased staff and education & outreach activities; added new Community Development & Administration space; and opened our third member service office. We offset those costs with strong grant income, helping us finish the year solidly in the black with net income of $83,871. This income will enable us to better absorb the costs we anticipate for 2009, as we transition to a top-of-the-line, but expensive, new Core System, and take on the additional operating costs of an expanded Southwest office.
**Treasurer’s Report**

**Figure 3: Delinquency & Net Charge-Offs**

Asset quality is measured by two ratios: loan delinquency (the percentage of loans 60+ days past due) and charge-offs (the percentage of loans charged off, after recoveries). These ratios measure our vulnerability to, & actual level of, loan losses.

As figure 3 shows, we’ve historically managed an above-peer delinquency ratio as part of our mission to serve people and communities that are not served well by banks. The proof that our approach works is that our charge-off ratio has consistently been near or below peer. However, due to a spike in delinquency in 2005, we devoted extra effort to reducing delinquencies in 2006-2008. We were able to bring our delinquency from 10.10% in 2005 to 6.31% at year-end 2008—despite the foreclosure crisis hitting most financial institutions—while keeping charge-offs in the same range as our peers.

**Credit Union Growth**

To get a fuller view of Cooperative Federal’s financial situation, we also need to consider growth—specifically growth in assets, loans, and shares & deposits. (See figure 4.)

We finished 2008 with $14.8 million in assets, $11.5 million in loans, and $12.7 million in shares & deposits. Through these figures, results of our strategic expansion plan become apparent: after relatively flat growth in 2005—which followed rapid growth in 2002 & 2004—volume has picked up at a gradually increasing pace in 2006, 2007, & 2008. Share and deposit growth remained just ahead of loan growth, preserving the careful balance that allows us to serve more members. Given that most of our members have modest means, we bolstered our lending capacity with capital grants and mission-driven nonmember deposits. This helps us meet the high demand for fair and accessible loans.

Finally, one of our best success indicators is our loan-to-asset ratio, which demonstrates how much of our resources are deployed in the community. This ratio demonstrates the impact we have on our community—which sets us apart from most other financial institutions. (See figure 5.) Likewise, our Member Deposit to Loan ratio shows that we reinvest more than 100% of member dollars right here in Syracuse neighborhoods as mission-driven nonmember deposits increase our lending capacity. (See figure 6.)
Looking forward
We all face recession and uncertainty in the economy. The credit union is well prepared and has sufficient reserves for hard times. While we have not been affected directly by the crises, we will be affected indirectly. Low interest rates will squeeze our earnings. Members’ uncertainty about the economy may cool borrowing. Some members will lose jobs or income. And all credit unions will share the cost of bolstering the credit union system.

This credit union was formed in 1982, in what was the deepest recession since WW2. Since then we have worked hard to help our members and our community overcome adversity. Our plans for the future are simply to do more: To help more of our members and neighbors achieve a better life. To serve more people in Syracuse’s neighborhoods and communities. To overcome the structures of injustice.

From all that we have seen this year, we hope more people will come to view the cooperative credit union model as a better model for the financial system. With the help of members, community partners, allies in government, and the credit union movement, we shall achieve our dreams and move Syracuse closer to a prosperous and just economy.

Supervisory Committee Report
The Supervisory Committee is appointed by the Board, and is responsible for engaging the annual audit, overseeing compliance with audit & regulatory exam findings, validating and testing internal controls & procedures, member account verification, and other activities to prevent and detect fraud.

Highlights of Committee Activities in 2008
The CPA firm Sciarabba Walker & Co LLP conducted the external audit for the fiscal year ending March 31, 2008, and issued a “clean” opinion. The audit included verification of financial statements, confirmation of loan and share balances, exam of loan files, and consideration of internal control procedures. The auditors made recommendations for improvements in policies and procedures, for follow up by management and the Board.

Routine Committee activities during the year included:
- Quarterly meetings to review committee work and plan internal auditing activities.
- A meeting with the auditor to review the audit report.
- Two unannounced cash counts at the Westcott office and two at the Southwest office.
- One audit of loan file folders.
- Review of the Allowance for Loan Loss procedure.
- Communicating with staff on a priority list for internal control improvements.
- Tests of account restrictions and mandatory vacation policies.
- Consultation with staff for the annual state Abandoned Funds review and report.
- A verification of 100% of member accounts with the mailing of the December 2008 statements. No indications of fraud were found.
2008 Highlights

New Program | VITA Partnership

In 2008 we partnered with LeMoyne College’s free tax prep site at 800 North Salina St. At each session, we opened accounts and offered an alternative to a Refund Anticipation Loan. We also did free credit counseling, and connected people to resources for homeownership and small businesses. We opened 14 accounts and did 24 credit review sessions. We’ll be back at it in 2009!

Awards & Recognition | Accolades for Anti-Predatory Lending and Financial Education

❖ Wachovia NEXT Award for Community Impact
Opportunity Finance Network

❖ School/Community Partnership Best Practice Award
NYS Rehabilitation Association. Awarded to the Syracuse City School District for the third consecutive year, for the Life Skills Program. Cooperative Federal is a lead partner in that project.

❖ Desjardins Awards for Youth Financial Education
Credit Union Association of New York (First Place in Asset Category)
Credit Union National Association (Honorable Mention)

New Program | VITA Partnership

Community Development Coordinator Christina Sauve accepts NEXT Award at ceremony in Albuquerque, NM. The NEXT Awards are some of the most prestigious responsible lending honors in the US!

Financial Education Coordinator Thom Dellwo (third from left) and Treasurer/CEO Ron Ehrenreich (second from right) pose with fellow Desjardins winners.

New Office | Northside Office Grand Opening Celebration

The Northside Office, located at 800 North Salina Street, opened to members in August – but there’s no opening like a Grand Opening! On December 2, over 80 community partners, leaders, and members joined Cooperative Federal to celebrate this milestone in style. After compelling remarks from community activist Dominic Robinson, Economic Development commissioner David Michel, and our own Ron Ehrenreich (Treasurer/CEO) and Julie Gozan (Board President), guests and staff sat down to a delicious dinner and dessert spread catered by two local businesses: Tommy Jackson’s St. Louis Finest Catering and Linda Barbour’s Tunura’s Homemade Specialties.
Member Services
Amber Broome
Carmen Castro
Wilhelmina Dey
Patricia Farfán-Caceres
Maribel Gonzalez
Rae Kramer
Nancy Legra
Laurie Mantor
Jack Michaels
Karina Muñoz
Mike Musler
Brienne O’Neill
Leyanis de la Peña

Lending and Housing Counseling
Carmen Castro
Nate Dow
Patricia Farfán-Caceres
Paula Graham
Susan Hamilton
Jim Hartman
Greg Knipe
Jack Michaels

Treasurer/CEO
Ron Ehrenreich

Board of Directors
Carmen Acevedo
David Andrews
Jessica Azulay Chasnoff
Cheri Capparelli
Liz Crockett
Ron Ehrenreich
Heather Engelman
Valerie Escoffery
Julie Gozan
Linda Hall
Kennia Matos
Peter Scheibe
Pamela Spearman
Larry Young

2008 Staff and Officials

Development, Financial Education, & Outreach
Nick Cavanaugh
Kira Crawford
Lisa Davis
Thom Dellwo
Sunshine Ebeling
Chukwuma Ndulue
Michelle Plyem
Christina Sauve
Charles Sliter
Richard Vallejo
Geordy Wang
Meagan Weatherby

Bookkeeping, Operations, and IT
Tom Hart
Amanda Hogan
Mike Kopacko
Paul Melnikow
Sheila Rees
Maritza Rua
Gerry Russo

Supervisory Committee
Stephen Bittner
Liz Crockett
Margaret Gelfuso

Credit Committee
Lisa Bailey
Ron Ehrenreich
Frank Forward
Simon Morrin
Osupa T-Davis

Credit Committee Alternates
Joe Branagan
Mike Burton
Sheila Rees
Christina Sauve
Meagan Weatherby
Build the Local Economy. Foster Social Justice.

Together, we can make Syracuse thrive. Invest in that future with a Secondary Capital deposit.

Every dollar you deposit at Cooperative Federal helps us do more: more mortgages to first time homebuyers, more microbusiness loans to create jobs and strengthen our economy, more chances to empower people to take control of their financial lives.

Organizations and businesses can magnify that impact with an uninsured Secondary Capital deposit.

Call Ron to learn how.
473-0201 or info@coopfed.org