

ANNUAL  
REPORT

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**MIT**  
FEDERAL CREDIT UNION

*The smart money*

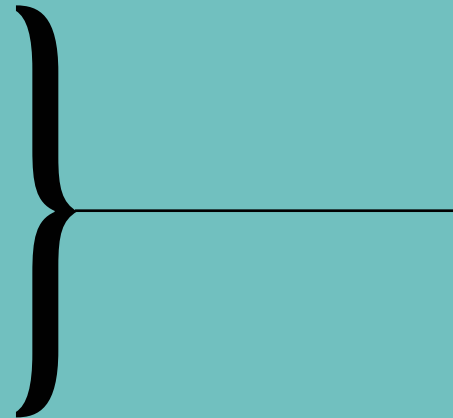
*Safe and Secure for our Members*

2008 Annual Report



# *Our Mission*

To provide quality financial services that meet the needs of our members, while ensuring the financial well-being of the organization.



# LETTER TO THE MEMBERSHIP

Everyday we find ourselves moving into uncharted waters where the past has no bearing on what the future may bring. This past year we witnessed the collapse of some of the pillars that the financial markets were built upon. The credit crisis, falling real estate values, the implosion of major financial institutions, and rising unemployment combined to create an economic climate which has not been seen since the 1930's.

## Clear of mind and sure of purpose

While your Credit Union is not immune to the overall economic environment, due to our prudent lending practices and sound financial policies, MIT Federal Credit Union (MITFCU) continues to be a strong, well-capitalized financial institution.

Despite the economic turmoil that was 2008, MITFCU's assets grew to just under \$240 million and membership rose above 23,900. During the year, over 2,000 new members called MITFCU their financial home. The value that we provide our members was recognized by Callahan and Associates in their "return to the member" or ROM analysis. ROM is a way to determine the value that a credit union provides its members. In 2008, MITFCU ranked 23<sup>rd</sup> of 681 credit unions with assets of \$100 to \$250 million.

## SERVING THE COMMUNITY

MITFCU is very fortunate to be a part of one of the most unique communities in the world. We recognize the social responsibility that comes with being a part of MIT. In 2008, we supported the community in several significant ways:

- **MITFCU People Helping People Award** – Recognizes an individual in the community who exemplifies the Credit Union's motto, "People Helping People," by valuing the needs of others before his/her own. Our 2008 winner, Marta Fernandez Suarez, has been working for five years with an organization focusing on rural farmers in Honduras which has inspired her to keep working and ultimately focus her career goals toward International Development.
- **MITFCU Memorial Scholarships** – Honors former volunteers and employees of MITFCU by granting \$1,000 scholarships to six exceptional college students.
- **Community Charitable Contributions** – In 2008, our Board of Directors donated \$60,000 to numerous non-profit organizations that provide support or assistance to our community.
- **Strategic Business Partnership Award** – Recognizes MITFCU business partners who prove instrumental in enabling us to achieve our mission of "providing quality financial services that meet the needs of our members while ensuring the financial well-being of the organization." Our Board of Directors selected Elaine Construction Co. and Potter Hoffert to receive the MITFCU Strategic Business Partnership Award.
- **Employee Volunteerism** – Our employees volunteer their time and effort to many deserving causes, including Child Identification Program (CHIPs), Christmas in the City, Toys for Tots, and our Financial Literacy Campaign.

## MITFCU ENHANCEMENTS

2008 was a year of several major developments for our Credit Union. Below are some of the key improvements we accomplished:

- **Lincoln Branch Expansion** – In mid-summer we re-dedicated our Lincoln Laboratory Branch recognizing the revitalized and expanded office space.
- **Nationwide Mortgage Program** – In the fourth quarter of the year we completed the infrastructure to offer first mortgage loans across the nation. We initially added first mortgage services in California, Florida, Alabama, Maryland, and Virginia.
- **CU Student Choice** – Last year we bought into a credit union service organization that focuses on providing private student loans. With this network of the very best vendors to originate, process, disburse, and service student loans, we were named MIT Sloan School of Management’s primary lender.
- **Shared Branching** – In July we joined Financial Services Centers Cooperative or FCSS. FCSS is a shared branching network that allows our members access to 5,000 branches.

- **Redesigned Website** – Our website is one of our primary communication tools. Last year we upgraded our site, making it more user friendly and easier to navigate.



## MEMBERS AND MITFCU

Members are taking advantage of MITFCU’s products and services more than ever before. Here are just a few ways members benefited in 2008:

- **Cooperative Spirit** – Members have borrowed 91.1% of the \$214 million in savings on deposit at MITFCU. These funds enabled members to finance their homes, buy cars, complete home improvements, finance educations, and attain other personal goals.
- **The American Dream** – MITFCU helped over 240 members purchase homes, refinance mortgages, or leverage the equity in their homes to finance other purchases.
- **Using MITFCU Online** – Nearly 11,000 members use e-Branch to access their accounts online. On average, 2,400 people visit our website every day – that’s over 875,000 visits a year!
- **MITFCU Visa®** – 50% of MITFCU members carry our credit card. Our MITFCU Visa® credit card penetration is higher than the 100 largest credit unions in the nation.

Thank you for your continued trust and confidence. On behalf of the Board of Directors, volunteers, management, and staff, we thank you for choosing MITFCU as your preferred financial institution.

Respectfully submitted,

**Gina M. D’Allesandro**  
*Chair, Board of Directors*

**Brian W. Ducharme**  
*President/CEO*

# REPORT OF THE SUPERVISORY COMMITTEE

In 2008, the Supervisory Committee continued its efforts to protect the interests of The Massachusetts Institute of Technology Federal Credit Union (MITFCU) members by meeting monthly to review MITFCU policies, procedures, and operations. The committee also retained the services of audit firms Anderson & French, P.C.; McGladrey & Pullen, LLP; and Trace Security to ensure that all Credit Union activities and personnel adhere to the highest levels of legal and ethical behavior.

Anderson & French, P.C. conducted internal audit services for the committee. These services included quarterly operational audits to review the MITFCU internal control environment and adherence to policies and regulations. These audits also sought to identify areas of potential improvement in policy and operational efficiency.

The Supervisory Committee issued a Request for Proposals (RFP) in September 2008 seeking proposals for internal audit services. We received four proposals and after a detailed review and evaluation of the merits of each proposal, the committee selected Wolf & Co.

McGladrey & Pullen, performed the 2008 Financial Statement Audit. This audit included a review of Credit Union

financial statements, consideration of the Credit Union's internal control structure, and verification of member accounts in accordance with procedures prescribed by the National Credit Union Administration (NCUA). McGladrey & Pullen's assessment concluded that the financial statements, in all material respects, fairly presented the financial position of the MIT Federal Credit Union as of September 30, 2008.

The MITFCU is committed to the highest standards of ethical, moral, and legal business conduct. To help ensure this commitment, the committee verified that all volunteers, employees, and management team members signed and agreed to abide by the conduct detailed in the Credit Union's Conflict of Interest and Code of Ethics policy.

The committee continued to maintain and monitor a whistleblower hotline and Post Office Box where MITFCU volunteers and employees can report concerns, potential unethical behavior, or breaches of policy. To date, the committee has not received any whistleblower communication.

Respectfully submitted,

**Stephen Boyer**  
*Chair*

Current members of our committee are:

Stephen Boyer  
*Chair*

Jennifer Lesswing  
*Secretary*

Stephen McAlarney

John McDonald

Sheelah Britt  
*Board Representative*

**D**uring a period of turmoil in the financial markets, your Credit Union remained a place of safety and security for our members. I am pleased to report that we continued to achieve new records for Total Assets, Shares, and Membership in 2008. Our Total Assets increased by \$17,745,229 or 8.0% to \$239,781,214; member Shares increased by \$17,907,766 or 9.1% to \$213,932,591; Loans decreased slightly by .4% or \$832,841 to \$194,090,496; and our Membership increased by 4.2% to 23,920.

Total Income increased by 2.4% to \$13,995,497 while Total Operating Expenses increased by 8.0% to \$8,353,253 primarily due to the increase in the Provision for Loan Losses of 30.4% to \$985,989. Dividends paid on member accounts increased by 0.4% to \$5,049,938.

One of the primary indicators of our financial strength is the Net Reserve to Asset Ratio. It ended the year at 8.52% and still remains well above the minimum government requirement.

A renovated and expanded Lincoln Laboratory Office was dedicated in June of 2008.

In spite of our many successes during the year, we faced the challenges associated with the credit crisis and the increasing unemployment rate. We continue to assist our members in any way that we can to resolve issues associated with these problems.

We would not be able to accomplish all of this without the dedication of our Board of Directors, Supervisory Committee members, senior management, and credit union employees, and the continued support of our members.

Thank you!

Respectfully submitted,

**Robert M. Dankese**  
*Treasurer*

# STATEMENT OF FINANCIAL CONDITION

## Assets:

	2008	2007	+ or (-)	%
Cash and Cash Equivalents	\$20,822,504	\$19,247,362	\$1,575,142	8.2%
Loans, Net	194,090,496	194,923,337	(832,841)	-0.4%
Investment Securities	18,268,249	1,369,339	16,898,910	1234.1%
All Other Assets	6,599,965	6,495,947	104,018	1.6%
<b>Total Assets</b>	<b><u>\$239,781,214</u></b>	<b><u>\$222,035,985</u></b>	<b><u>\$17,745,229</u></b>	<b><u>8.0%</u></b>

## Liabilities and Retained Earnings:

### Liabilities

Member Shares and Deposits	\$213,932,591	\$196,024,825	\$17,907,766	9.1%
Accounts Payable and Other Liabilities	5,430,019	5,944,674	(514,657)	-8.7%
<b>Total Liabilities</b>	<b><u>219,362,610</u></b>	<b><u>201,969,499</u></b>	<b><u>17,393,109</u></b>	<b><u>8.6%</u></b>

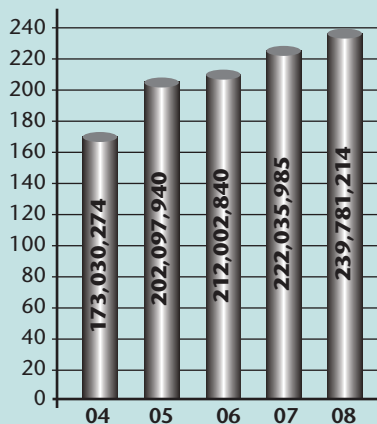
### Retained Earnings

Regular and Undivided Earnings	20,373,382	20,066,486	306,898	1.5%
Unrealized Gain (Loss) on Investments	45,222	-	45,222	0.0%
<b>Total Retained Earnings</b>	<b><u>20,418,604</u></b>	<b><u>20,066,486</u></b>	<b><u>352,120</u></b>	<b><u>1.8%</u></b>

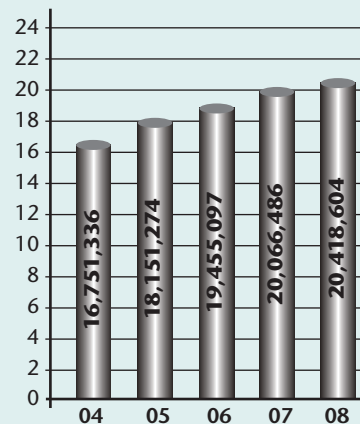
## **Total Liabilities and Retained Earnings**

	<b><u>\$239,781,214</u></b>	<b><u>\$222,035,985</u></b>	<b><u>\$17,745,229</u></b>	<b><u>8.0%</u></b>
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Total Assets (in millions)



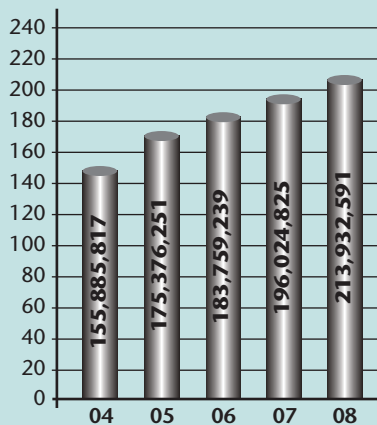
Total Retained Earnings (in millions)



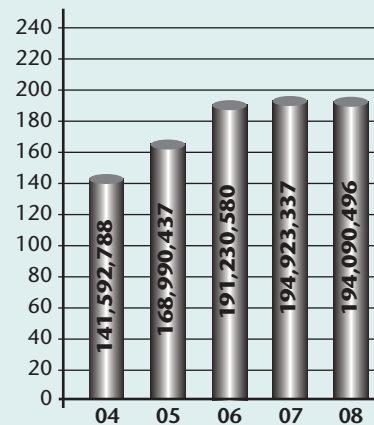
# STATEMENT OF INCOME AND EXPENSE

	2008	2007	+ or (-)	%
<b>Income:</b>				
Interest on Loans and Investments	\$12,379,536	\$12,292,803	\$86,733	0.7%
Fees & Other Income	<u>1,615,961</u>	<u>1,380,816</u>	<u>235,145</u>	<u>17.0%</u>
<b>Total Income</b>	<b><u>\$13,995,497</u></b>	<b><u>\$13,673,619</u></b>	<b><u>\$321,878</u></b>	<b><u>2.4%</u></b>
<b>Expenses:</b>				
Operating Expenses	\$8,353,253	\$7,732,292	\$620,961	8.0%
Dividend Expenses	5,049,938	5,028,536	21,402	0.4%
Interest on Borrowings	<u>285,408</u>	<u>301,402</u>	<u>(15,994)</u>	<u>-5.3%</u>
<b>Total Expenses</b>	<b><u>\$13,688,599</u></b>	<b><u>\$13,062,230</u></b>	<b><u>\$626,369</u></b>	<b><u>4.8%</u></b>
<b>Net Income</b>	<b><u>\$306,898</u></b>	<b><u>\$611,389</u></b>	<b><u>\$(304,491)</u></b>	<b><u>-49.8%</u></b>

Total Shares (in millions)



Total Loans (in millions)



# WHO'S WHO AT MITFCU

## Board of Directors

**Gina M. D'Allesandro**, Chair  
**Maura Lavallo**, Vice Chair  
**Edward (Ted) J. Hartnett III**, Secretary  
**Robert M. Dankese**, Treasurer  
**Sheelah Britt**  
**Richard R. Fenner**  
**Richard B. Flanagan**  
**Christopher M. Jones**  
**John L. Matarese**

## Supervisory Committee

**Stephen W. Boyer**, Chair  
**Jennifer L. Lesswing**, Secretary  
**Sheelah Britt**  
**Stephen J. McAlarney**  
**John M. McDonald**

## Credit Union Management

**Brian W. Ducharme**, President/Chief Executive Officer  
**David W. Cox**, Senior Vice President, Finance  
**Nancy J. Fales**, Senior Vice President, Lending  
**Kathryn V. Carty**, Vice President, Information Technology  
**Kimberly A. Shooter**, Vice President, Marketing  
**David R. Walsh**, Vice President, Member Services  
**Michele T. Bookbinder**, Training and Human Resource Manager  
**Deborah M. Atwood**, Executive Administrative Assistant

## Staff

**Roseann Aupperlee**  
**Najla Azadzo**  
**Nathanael Bluhm**  
**Craig Boulay**  
**Joanne Braccia**  
**Jodie Brothers**  
**Guadalupe Cabrera**  
**Bruno Caceres**  
**Colleen Curley**  
**June Davis-Phillips**  
**Mary Dow**  
**Leza (Shelly) Downie**  
**Nigel Drakes**  
**Rayon Ebanks**  
**Nicole Federico**  
**Andres Forero**  
**Sarah Gosselin**  
**Amanda Griffin**  
**Kate Hammond**  
**Victoria Hess**  
**Heather Jones**  
**Vicki Konstandakis**  
**Shanyu (Rose) Lao**

**Nate Lao**  
**Karen Lawlor**  
**Lydia Lo**  
**Lorna Maynard**  
**Tamar Monteiro**  
**Bernadette Mujica**  
**Kerry Perry**  
**Donna Reardon**  
**Keqi Ren**  
**Darlene Rogers**  
**Amy Sauer**  
**Robert Silva**  
**Tabatha Stasio**  
**Denise Stasio**  
**Patricia Sullivan**  
**Deborah Sylvia**  
**Laura Tramontozzi**  
**Alaina Vella**  
**Robyn Wolf**

**Gerald Tautkus**  
*MEMBERS Financial  
Services Representative*

## PRODUCTS

### Savings & Investments

- Saving Accounts—*Regular Savings and Select Savings*
- Vacation & Holiday Club Accounts
- Money Market Accounts
- Share Certificates
- Jumbo and Jump-Up Certificates
- IRA Share Certificates
- Jumbo and Jump-Up IRA Share Certificates
- Traditional and Roth IRAs

### Checking Accounts

*Basic Checking, Plus Checking, and Select Checking*

### Loans

- Visa® Credit Cards—*Classic or Platinum*
- Student Loans
- Automobile Loans—*new, used, or refinanced*
- Recreational Vehicle Loans—*new and used motorcycles, RVs, utility trailers, and boats*
- Home Mortgages—*new or refinanced*
- Home Equity Loans
- Home Equity Lines of Credit
- Personal Loans
- Tuition Assistance Loans
- Computer Loans
- Overdraft Protection Lines of Credit
- Share & Certificate Secured Loans
- Co-Applicant/Guarantor Loans
- Credit Builder Loans

## SERVICES

- e-Branch (online banking)
- e-Statements
- e-Bills (online bill payment)
- MIT TouchTone Teller
- 24/7 Loan Express
- Online Mortgage Pre-Approval with MortgageClick™
- Auto Loan Pre-Approval
- ATM Cards/Debit MasterCard®
- Surcharge Free ATM networks—*Sum<sup>SM</sup>, CO-OP<sup>SM</sup>, and MoneyPass<sup>SM</sup>*
- Share to Share Overdraft Protection
- Direct Deposit, Payroll Deduction, and ACH
- Insurance Products: *Credit Disability Insurance, Credit Life Insurance, AD&D, Life, Auto, and Home Owners*
- Guaranteed Asset Protection (GAP) for vehicle loans
- MEMBERS Financial Services™: *Investments, Retirement, Insurance, and Financial Planning*
- Shared Branching at 3,000+ branches and 1,700+ kiosks in the CU Service Center Network
- Smart Money Rewards
- Wire Transfers
- Funds Transfer Service
- Notary Public Services
- Medallion Signature Guarantee
- American Express® Products

# CONTACT US

WE'RE HERE TO SERVE YOU

## VISIT US

### Technology Square

Building NE48  
700 Technology Square  
Cambridge, MA 02139-3586  
*Monday – Friday: 8:30am to 4:00pm*

### Lincoln Laboratory

Building A-100  
244 Wood Street  
Lexington, MA 02420-9108  
*Monday – Friday: 8:30am to 4:00pm*

### Student Center

Building W20  
84 Massachusetts Avenue  
Cambridge, MA 02139-4300  
*Monday – Wednesday & Friday: 9:00am to 4:30pm*  
*Thursday: 9:00am to 5:30pm*

## CALL US

### Member Service Center

617.253.2845  
Representatives available by phone  
*Monday – Friday: 8:00am to 5:00pm*

### TouchTone Teller

800.648.4411  
*Your 24-Hour telephone account access*

## VISIT US ONLINE

### Website, FREE Online Account Access and e-Services

[www.mitfcu.org](http://www.mitfcu.org)

## E-MAIL US

[mitfcu@mit.edu](mailto:mitfcu@mit.edu)

## MAIL US

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