



**2009**  
ANNUAL REPORT

**University**  
FEDERAL CREDIT UNION<sup>®</sup>  
*Live Learn Prosper*



Thomas J. Ardis

# REPORT OF THE Chairman & President



Tony C. Budet

In its 73rd year, University Federal Credit Union (UFCU), like all federal credit unions, was met by several unanticipated challenges as the full effects of the economic downturn of 2008 came to light. Still, your credit union continued to excel at meeting the needs of its member-owners and achieved solid financial performance while maintaining high levels of safety and soundness.

These unanticipated challenges included a special assessment by the National Credit Union Share Insurance Fund, known as the Corporate Credit Union Stabilization Plan. This plan was designed to financially support a corporate credit union system facing unprecedented strains on liquidity and capital due to extraordinary market disruptions.

**Another challenge for education loan lenders like UFCU, as well as for students, parents and institutions of higher education, was the federal government's proposal of switching to direct government education lending as the only option for students and parents beginning with the fall semester of 2010.**

Due to the trust and confidence our member-owners have shown in UFCU, membership growth continued at the exceptional rate of 7.78%. Assets exceeded \$1.1 billion and financial performance, audit and examination results were exemplary. It's noteworthy that, despite extreme economic conditions, UFCU again earned the highest rating from the National Credit Union Administration (NCUA).

**Several 2009 milestones are worthy of mention:**

- Upgrade of UFCU's core transaction processing system. This project commanded the attention of a team of 60 employees to guide the efforts of a cross-functional project that began in late 2008 and concluded with a successful conversion on May 12 of 2009.
- Completion of an employee satisfaction and engagement survey. This survey was conducted by an independent third party. UFCU received an overall satisfaction score of 92, which is the highest the survey provider has seen among surveys it has conducted.
- Establishment of a Credit Union Service Organization (CUSO) in partnership with Dallas-area Advancial Federal Credit Union to jointly construct and operate a disaster recovery facility.
- Establishment of Trust Services, in partnership with A+ FCU. Our trust officer, Rick Ybarra, has been a UFCU member since 2004, is a graduate of UT, and has extensive trust experience.
- The opening of Longhorn Village at Steiner Ranch. UFCU provides ATM, personal banking and commercial account service to the residents and staff of this new retirement community affiliated with The University of Texas Ex-Students' Association.
- The purchase of a former bank facility with four drive-thru lanes and one drive-thru ATM. At the intersection of FM 1431 and Parmer Lane, this facility is scheduled to open as a UFCU branch mid-April 2010.

- Completion of strategic planning to guide service delivery for the next five years, focusing on strategic positioning and supporting strategies and tactics.
- The enhancement of UFCU's employee 401(k) plan to add a Roth 401(k) feature. This will allow employees to make 401(k) contributions with after-tax dollars rather than pre-tax dollars, if they so desire.
- Participation in a Habitat for Humanity home construction project. UFCU and its employees supported the construction of a home for a well-deserving fellow citizen of Austin. A committed team of 80+ employees volunteered to work the construction site on six weekends this past fall.

As UFCU continues to grow and expand services and branch locations, you, our members, remain our only focus. This is your financial cooperative. You own us. We are unique in our structure, unique in our mission, and unique in how we've measured success for 73 years.

Thank you for your membership and your business!

Warm regards,

Thomas J. Ardis  
Chairman

Tony C. Budet  
President/CEO



## REPORT OF THE

# Supervisory Committee

Neal E. Armstrong, Ph.D.

The primary responsibility of the Supervisory Committee is to ensure that University Federal Credit Union's (UFCU) financial statements are fair and accurate. To accomplish this goal, the committee retained certified public accountants Orth, Chakler, Murnane & Company to audit the financial statements. We are pleased to announce the auditor expressed an unqualified opinion in its Independent Auditors Report, meaning it agreed with UFCU's reporting of financial position and results of operations. They noted in their Report to the Supervisory Committee, "We are pleased to report that the accounting records were in *excellent* condition as of December 31, 2009." Copies of the report are available upon request.

The board-appointed, volunteer members of the Supervisory Committee are concerned with all issues of safety and soundness. We regularly review management practices to ensure UFCU's assets are protected properly. We attend board meetings to stay apprised on matters of governance, and meet with management on a regular basis to review UFCU policies, regulatory compliance and risk management. The committee also directs the internal audit activities of Assurance Services, including review and follow-up of all audit issues.

The committee also is responsible for answering member letters of complaint sent to the federal regulator, the National Credit Union Administration (NCUA), to ensure issues are addressed fairly. Throughout the year, we attend educational conferences and stay abreast of industry news through professional publications.

The Supervisory Committee is grateful to the board of directors for its support and for the exemplary working relationship we have established. We commend management for its responsiveness and commitment to all audit and NCUA examination issues, as well as network and information security, member privacy, and employee safety.

For their time, efforts and devotion to committee goals, I personally thank individual committee members: Chris Plonsky, Dr. Ned H. Burns, Dr. Marilla Svinicki, C. Brian Cassidy and associate member Les W. Carter.

Warm regards,

Neal E. Armstrong, Ph.D.  
Supervisory Committee  
Chairman



## REPORT OF THE

# Treasurer

Mary A. Seng

UFCU is fortunate that, despite challenges, we recorded exceptional 2009 financial performance due to members' continuing support for our cooperative and our unwavering commitment to deliver quality and competitive products and services to meet members' financial needs. This is evidenced by loan disbursements to members totaling \$732 million, which boosted total loans outstanding to \$775 million, an increase of \$41 million, or 6%. We also recorded growth of \$133 million, or 15%, in members' deposits, bringing the year-end total to \$1.009 billion. Total assets ended the year at \$1.113 billion, representing annual growth of 13%. On total revenue of \$82 million, UFCU generated net income of \$7 million, representing a return on average assets of .66%, and increased members' equity by 7% to \$86 million.

Even with our growth, 2009 was especially challenging as financial markets and economic conditions experienced major weaknesses. Specifically for the credit union industry, the intervention of the National Credit Union Administration (NCUA) to prevent failure of two corporate (wholesalers) credit unions resulted in substantially higher operating expenses, in the form of federal deposit insurance premiums, for natural person credit unions (retailers) such as University Federal Credit Union (UFCU).

However, it is important you know UFCU volunteers actively lead and influence the cooperative's financial performance and decision-making through actions of the Asset Liability Management/Budget Committee, which is chaired by the board-appointed volunteer treasurer and composed of five volunteer directors. This committee meets monthly to review national and local economic conditions, develop and recommend financial policies to the board of directors, determine long-term financial objectives and annual financial plans, and monitor ongoing financial performance relative to those objectives.

I am proud to report that, despite extreme financial conditions, UFCU again earned NCUA's highest rating, remains financially strong and fully committed to further expanding and enhancing its products and services to meet the evolving financial needs of its 140,000 members.

Warm regards,

Mary A. Seng  
Treasurer

# 2009

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

ASSETS	As of December 31,	
	2009	2008
Cash and Cash Equivalents	\$118,827,718	\$63,990,151
Investments	174,906,941	145,050,685
Loans to members (Net of Allowance for Loss)	767,894,118	728,715,868
Property and Equipment	28,225,550	26,683,912
NCUA Insurance Fund Deposit	9,515,903	7,605,202
Other assets	13,130,074	11,938,603
<b>Total assets</b>	<b>\$1,112,500,304</b>	<b>\$983,984,421</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' share and savings accounts	\$1,008,675,312	\$875,682,511
Borrowed funds	557,377	617,874
Accrued expenses and other liabilities	16,895,565	26,895,767
<b>Total liabilities</b>	<b>1,026,128,254</b>	<b>903,196,152</b>
Members' equity	86,372,050	80,788,269
<b>Total liabilities and members' equity</b>	<b>\$1,112,500,304</b>	<b>\$983,984,421</b>

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the years ended December 31,	
	2009	2008
Interest income from loans to members and investments	\$55,997,135	\$53,391,902
Dividend expense paid to members' deposits and interest on borrowed funds	13,742,633	19,261,183
<b>Net interest income</b>	<b>42,254,502</b>	<b>34,130,719</b>
Provision for loan losses	9,063,167	6,996,654
	<b>33,191,335</b>	<b>27,134,065</b>
<b>Non-interest income</b>	<b>25,596,310</b>	<b>24,133,955</b>
Operating expenses	48,772,179	44,749,150
NCUA Corporate Credit Union Stabilization Expense	3,088,649	—
<b>Net income</b>	<b>\$6,926,817</b>	<b>\$6,518,870</b>

# Branch

## LOCATIONS

**BEN WHITE**.....130 E Ben White Blvd, Austin, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7:30 - 7  
Saturday 9 - 2

**BRODIE** .....9925 Brodie Ln, Austin, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7:30 - 7  
Saturday 9 - 2

**DOWNTOWN** .....702 Colorado St, Austin, TX  
Monday - Friday 9 - 5:30

**GALVESTON** .....428 Postoffice St, Galveston, TX  
Monday - Thursday 8 - 4  
Friday 8 - 5

*Drive-Thru*.....Monday - Friday 7 - 6  
Saturday 9 - 1

**HIGHWAY 79**.....201 West Palm Valley Blvd,  
Round Rock, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7:30 - 7  
Saturday 9 - 2

**LAKELINE**.....13860 North US Hwy 183,  
Austin, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7:30 - 7  
Saturday 9 - 2

**N GUADALUPE**....4611 Guadalupe St, Austin, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7 - 7  
Saturday 9 - 2

**S MoPac**.....5033 US Hwy 290 W at MoPac,  
Austin, TX

Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 8 - 7  
Saturday 9 - 2

**STECK**.....3305 Steck Ave, Austin, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7 - 7  
Saturday 9 - 2

**TAYLOR** .....407 N Main St, Taylor, TX  
Monday, Wednesday, Friday 9 - 4  
Tuesday, Thursday Closed

**UNIVERSITY** .....2244 Guadalupe St, Austin, TX  
Monday - Friday 8:30 - 6

**WHITESTONE**.....3200 E Whitestone Blvd, Cedar Park, TX  
Monday - Friday 9 - 5  
Saturday 10 - 2

*Drive-Thru*.....Monday - Friday 7:30 - 7  
Saturday 9 - 2

### YOU CAN REACH US BY DIALING

Austin.....(512) 467-8080

Galveston.....(409) 797-3300

US Toll-free.....(800) 252-8311

TDD Number.....(512) 421-7477

### MAILING ADDRESS

PO Box 9350  
Austin, TX 78766-9350

### WEB ADDRESS

[ufcu.org](http://ufcu.org)



# Board of DIRECTORS

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Carl E. Hansen, Ph.D.

Dana M. Malone

John A. Martin

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Frank J. Peters, Director Emeritus

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Ned H. Burns, Ph.D.

C. Brian Cassidy, J.D.

Marilla D. Svinicki, Ph.D.

Les W. Carter, D.B.A., Associate Member

## Principal Officers

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James A. Nastars, SVP Lending and Collections

Yung V. Tran, CPA, SVP Finance/CFO

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