

Fannie Mae Federal Credit Union

2002 Annual Report



Report of the Board of Directors

I am pleased to provide the Fannie Mae Federal Credit Union's Report of the Board of Directors for 2002.

In 2002, the credit union remained financially safe and sound and received the National Credit Union Administration's highest composite "CAMEL" rating of 1 for the ninth consecutive year.

In 2002, we continued to build on our successes, and we worked to further refine our services for our members. In addition, our assets continued to grow as did our membership and our services.

In 2002, the Board of Directors continued to offer an efficient, member-friendly home banking system through the audio response system. Members have the ability to verify balances, transfer funds between accounts, and request drafts. In 2002, we tested and began to offer these same services on line on a limited basis through CUSA's Home Financial Services system. In early 2003, this service became available to all members along with the ability to submit loan and membership applications online.

Fannie Mae employee members currently find detailed information on our products, services, and auto and personal loan offerings on Fannie Mae's intranet. Our ability to offer this service for our non-employee members through the internet is imminent, so watch for more information on this great service. In 2003, your Board will continue to look for improved communications with our members to ensure ongoing information about our activities.

During this past year, the credit union moved to a larger, more member-friendly location in the 4000 Wisconsin Avenue building. Watch for details on an Open House in our new home soon.

The Board of Directors and credit union volunteers appreciate your support and, as always, welcome your comments and suggestions.

Domenic S. Grillo
President 

Report of the Treasurer

The financial condition of the Fannie Mae Federal Credit Union continues to be excellent, as evidenced by the accompanying financial statements. In 2002, your credit union experienced growth in the following areas:

	% Increase
Total shares	14.56%
Total assets	15.41%
Total membership	10.79%
Total reserves and equity	13.19%

The success of the credit union during 2002 could not have been achieved if it were not for the support, patience and dedication of the members, volunteers, and staff of the credit union.

Thank you for your support. We look forward to serving you in 2003.

Helen Bunn
Treasurer 

Report of the Credit Committee

In 2002, the Credit Union had a good year of lending activity, disbursing \$2,483,646 for 207 loans.

Short-term rates fell in 2002 – and the new year brings heightened expectations of further easing of short term rates by the Federal Reserve. In this environment, our credit union was able to maintain very competitive interest rates for the various loan products offered to our members. Also, the credit union continued its various loan specials (including tax, vacation, auto and holiday specials) at below-market rates to accommodate the various borrowing needs of the membership.

In 2003, the credit union will continue to explore new and innovative lending products with competitive rates to ensure that we will always meet and exceed our members' financial expectations.

Kevin Hickey
Chairman 

Report of the Supervisory Committee

During 2002, the Supervisory Committee ensured that the activities of the Fannie Mae Federal Credit Union complied with the requirements of the Federal Credit Union Act, Bylaws, and Rules and Regulations. Members of the committee also monitored cash transactions, reviewed various policies and procedures, investigated members' complaints, and made recommendations for improving the operations and services of the Credit Union.

In 2003, we will continue to zealously protect members' interests.

James Paige
Chairman

Staff

Manager	Helen Bunn
Credit Union Analyst	Hope Graves
Credit Union Analyst	Jean Oates
Credit Union Analyst	Nancy Williams
Administrative Associate	Alva Moore

Credit Union Advisors

Paul Barretto
William F. Cragg
Elvira French
Lawrence Gordon
Darlene Smith
Scott C. Steiger
Jean Schreier
Denise Ouellette

Officers and Credit Union Staff (as of December 31, 2002)

Board of Directors and Officers

		Term expiring
President	Domenic Grillo	2003
Director	Helen Bunn	2004
Director	Robert Catalanotto	2003
Director	Woodrow Jenkins	2003
Director	Loleta Abdullah	2003
Director	Susan Mickelson	2004
Director	Mary Beth Preuss	2004
Director	Peter Savarino	2004
Director	Tim Hyde	2003
Director Emeritus	Bill Cupp	
Director Emeritus	Robert Reid	
Security Officer	Tim Hyde	
General Counsel	Randall McFarlane	

Credit Committee

Kevin Hickey, Chairman	2004
Darrell Grymes	2004
Bonita Jones	2003
Michelle McMahan	2003
Wendy Marcellino (Alternate)	

Supervisory Committee

James Paige, Chairman
William Cupp
Andrew Hogans
Stacey Montague
Karen Thompson

**Fannie Mae
Federal Credit Union
Comparative Balance Sheet
As of December 31, 2002**

Assets	2002	2001
Loans	\$ 5,396,606	\$ 5,882,815
Cash in Banks	702,468	740,540
Investments	7,628,304	5,339,954
Receivables and Other Assets	66,760	60,225
Pre-Paid and Deferred Expenses	22,480	23,436
Fixed Assets	13,984	25,038
Less: Allowance for Loan Loss	<u>(23,172)</u>	<u>(19,512)</u>
Total Assets	<u>\$13,807,430</u>	<u>\$12,052,496</u>

Liabilities and Capital

Accounts Payable	\$ 26,652	\$ 25,674
Accrued Expenses	2,372	7,771
Dividend Payable	<u>36,835</u>	<u>48,679</u>
Total Liabilities	\$ 65,859	\$ 82,124
Shares and Share Certificates	\$11,934,926	\$10,340,721
Regular Reserves	317,186	287,315
Undivided Earnings	<u>1,489,459</u>	<u>1,342,336</u>
Total Shares and Capital	\$13,741,571	\$11,970,372
Total Liabilities and Capital	<u>\$13,807,430</u>	<u>\$12,052,496</u>

**Income Statement for
Period Ended
December 31, 2002**

Income	2002	2001
Interest on Loans	\$ 364,720	\$ 355,151
Income from Investments	167,910	241,533
Miscellaneous Operating Income	<u>184,778</u>	<u>171,507</u>
Total Income	\$ <u>717,408</u>	\$ <u>768,191</u>

Expenses

Education and Promotions	\$ 3,000	\$ 3,850
Provision for Loan Loss	6,000	6,000
Examination Fees	2,520	2,520
Member Insurance	550	587
Association Dues	3,000	3,050
Loan Servicing Expenses	4,341	3,749
Travel and Conferences	6,131	3,497
Office Operations	44,635	44,540
Professional Services	62,582	62,164
Salaries	170,073	163,315
Miscellaneous Operating Expenses	<u>(32)</u>	<u>11</u>
Total Expenses	\$ 302,800	\$ 293,283
Net Earnings	\$ <u>414,608</u>	\$ <u>474,908</u>

**Statement of Reserves
and Undivided Earnings
as of December 31, 2002**

Balance – Regular Reserves and Undivided Earnings 2001	\$ 1,629,652
Add: Net Earnings	414,608
Less: Dividends Paid in 2002	(237,615)
Balance as of December 31, 2002	\$ <u>1,806,645</u>

Financial and Operating Highlights

	2002	2001
Assets	\$ 13,807,430	\$ 12,052,496
Shares	\$ 11,934,926	\$ 10,340,721
Loans (Outstanding)	\$ 5,396,606	\$ 5,882,815
Income	\$ 717,408	\$ 768,191
Expenses	\$ 302,800	\$ 293,283
Net Earnings (Before Dividends)	\$ 414,608	\$ 474,908
Members	5,076	4,520