



Fannie Mae Federal Credit Union

2008 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 2008.

The credit union remained financially safe and sound in 2008 and again received the National Credit Union Administration's highest composite "CAMEL" rating of "1" for the fifteenth consecutive year.

As you know, 2008 was a challenging year for the financial services industry. Although the Fannie Mae Federal Credit Union did not participate in sub-prime lending or high-yield, high-risk investments, it still was not totally immune to the negative economic impact that unfolded -- specifically, the downward pressure on investment portfolios. Return on investments decreased as higher yielding investments came due or were called by the issuers. These funds were then re-invested at significantly lower interest rates resulting in lower returns to the credit union for 2008.

In addition to the economic pressure on our investment portfolio, 2008 was the first year that salaries and benefits for the credit union staff were completely paid by the Fannie Mae Federal Credit Union. This was the result of a re-alignment of our sponsorship agreement with Fannie Mae completed in 2007.

In spite of the negative investment environment and the added administrative expenses, the Fannie Mae Federal Credit Union remained profitable and maintained a "CAMEL" rating of "1."

In 2008 the credit union finalized the purchase of a new computer system. This system is scheduled to be installed by the second quarter of 2009. The new computer system will ensure that the credit union continues to provide quality service to our members.

Undoubtedly we will face additional challenges in 2009 as the overall economy and the financial services industry recover from the economic crisis. However, I want to assure you that the Fannie Mae Federal Credit Union remains strong today and is prepared to manage effectively through the challenges of tomorrow.

We are regulated by the National Credit Union Administration (NCUA), a U.S. government agency, and your savings are federally insured through the NCUA. Your deposits are 100 percent insured to at least the standard maximum share insurance amount of \$250,000 for regular share accounts and \$250,000 for IRAs.

Credit union information remains available to all of our members via the Internet. Our Web site provides detailed information on our products and services, including our full line of first mortgage products, auto and personal loan offerings, as well as membership and loan applications. We will continue to evaluate our Web site for content and ease of use.

The Fannie Mae Federal Credit Union's Board of Directors and volunteers appreciate your support and, as always, welcome your comments and suggestions.

Robert Catalanotto
Chairman of the Board

Report of the President

The financial condition of the Fannie Mae Federal Credit Union continues to be excellent, as evidenced by the accompanying financial statements. Throughout the year the credit union provided a safe place for our members to save and invest. The Board continued to focus on managing risk and preventing losses.

Throughout the year the Board monitored expenses and kept most of them at the 2007 level. The significant increase in salary expense was due to the need for our credit union to become more self-sufficient. This was the first time that all the staff salaries and benefits were paid entirely by the credit union. Even with these additional expenses your credit union was able to increase its net worth ratio.

During 2008 your credit union continued to build capital and reserves. Your credit union currently has a healthy net worth ratio of 23.96 percent. Maintaining and building a strong capital base allows the credit union to offer new and improved services to its members.

The success of the credit union during 2008 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 2009.

Helen Bunn, *President*

Report of the Credit Committee

In 2008, the Fannie Mae Federal Credit Union disbursed 69 loans for a total of \$720K.

The credit union also processed 214 loans in support of Fannie Mae's Employer-Assisted Housing Program for a total of \$5.2M. These types of loans are just one of the many products and services offered to meet a diverse membership and their individual needs.

The risk-based pricing model continues to allow the credit union flexibility in approving loans for members that might not have stellar credit.

In times of economic uncertainty, your credit union continues to offer a wide range of competitively priced products to meet the individual financial goals of its members.

Robert B. Schmidt, *Chairman*

Report of the Supervisory Committee

During 2008, 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 2009, we will continue to zealously protect members' interests.

Jean Schreier, *Chairman*

Officers and Credit Union Staff (as of December 31, 2008)

Board of Directors and Officers

		Term expiring
Chairman of the Board	Robert Catalanotto	2009
Director	Loleta Abdullah	2010
Director/Treasurer	Helen Bunn	2010
Director	Kevin Hickey	2009
Director	Susan Mickelson	2010
Director/Secretary	John Richards	2009
Director	Peter Savarino	2010
Director	Jean Schreier	2009
Director	Larry Stowers	2010
Director Emeritus	Bill Cupp	
Security Officer	Jean Schreier	
General Counsel	Gregory Wach	

Credit Committee

Lois Alexander
Ezzard Alves
Scott Douglass
Staci Sakay
Angela Tillery
Wendy Wood

Staff

President
Credit Union Analyst
Credit Union Analyst
Administrative Associate

Supervisory Committee

Jean Schreier, *Chairman*
William Cupp
Stacey Bryant

Helen Bunn
Jean Oates
Nancy Williams
Hope Graves

Credit Union Advisor

Paul Barretto

Fannie Mae Federal Credit Union
Comparative Balance Sheet
As of December 31, 2008

Assets	2008	2007
Loans	\$ 2,159,298	\$ 2,976,824
Cash in Banks		
Regular Savings	682,956	973,968
Investments	11,038,960	10,892,292
Receivables and		
Other Assets	153,006	94,890
Pre-Paid and		
Deferred Expenses	29,858	30,641
Fixed Assets	31,939	0
Less: Allowance for		
Loan Loss	<u>(19,339)</u>	<u>(25,529)</u>
Total Assets	\$ <u>14,076,678</u>	\$ <u>14,943,086</u>

Liabilities and Capital

Accounts Payable	\$ 1,826	\$ 21,171
Accrued Expenses	46,140	24,770
Dividend Payable	16,157	18,174
Total Liabilities	\$ 64,123	\$ 64,115
Shares and		
Share Certificates	\$ 10,640,142	\$ 11,658,722
Regular Reserves	299,187	299,187
Undivided Earnings	<u>3,073,226</u>	<u>2,921,062</u>
Total Shares and Capital	\$ 14,012,555	\$ 14,878,971
Total Liabilities and Capital	\$ <u>14,076,678</u>	\$ <u>14,943,086</u>

Income Statement for
Period Ended
December 31, 2008

Income	2008	2007
Interest on Loans	\$ 161,311	\$ 210,060
Income from Investments	445,375	527,516
Miscellaneous		
Operating Income	<u>123,003</u>	<u>143,288</u>
Total Income	\$ <u>729,689</u>	\$ <u>880,864</u>
Expenses		
Education and Promotions	\$ 1,500	\$ 1,500
Provision for Loan Loss	24,000	19,000
Examination Fees	3,600	3,600
Member Insurance	812	776
Association Dues	3,120	3,120
Loan Servicing Expenses	2,636	1,875
Travel and Conferences	6,373	5,169
Office Operations	33,178	32,070
Professional Services	87,337	87,341
Salaries	295,929	180,184
Miscellaneous		
Operating Expenses	<u>(63)</u>	<u>0</u>
Total Expenses	\$ 458,422	\$ 334,635
Net Earnings	\$ <u>271,267</u>	\$ <u>546,229</u>

Statement of Reserves
and Undivided Earnings
as of December 31, 2008

Balance – Regular	
Reserves and Undivided	
Earnings 2007	\$ 3,220,250
Add: Net Earnings	271,267
Less: Dividends Paid	
in 2008	<u>(119,103)</u>
Balance as of	
December 31, 2008	\$ <u>3,372,413</u>

Financial and Operating Highlights

	2008	2007
Assets	\$ 14,076,678	\$ 14,943,086
Shares	\$ 10,640,142	\$ 11,658,722
Loans (Outstanding)	\$ 2,159,298	\$ 2,976,824
Income	\$ 729,689	\$ 880,864
Expenses	\$ 458,422	\$ 334,635
Net Earnings (Before Dividends)	\$ 271,267	\$ 546,229
Members	5,661	5,733