

Strength builds Community

2010 ANNUAL REPORT





Mary Beth Wilcher, CEO
Erie Federal Credit Union

Report of the CEO

Mary Beth Wilcher

Despite a challenging financial climate in 2010, I am pleased to report that the Erie Federal Credit Union remains fiscally sound. We experienced a year of transition with new leadership, along with a sizeable expansion of branch facilities and services. Through it all, we lived up to our commitment to serve you in the best manner possible and still found time and resources to give back to the very community that has allowed us to grow and prosper. We grew our membership by 8%, and we continue to provide financial services to more members than any other credit union in Northwestern Pennsylvania.

During the year, we introduced two new offices that delivered an added level of convenience for our membership. Our Peach Street Walmart branch provides financial services to our members seven days a week and features a 24/7 Fast Branch ATM. We also opened a neighborhood branch at West 32nd and Elmwood that offers two 24/7 Fast Branch ATMs and regular office hours.

The credit union launched two new FREE technology services. The first was EZ Alerts™, which allows members to customize text or e-mail alerts providing notification of key deposits or withdrawals, balance updates, and much more. We also introduced our EZ Mobile™ service, which allows members to manage their Erie FCU accounts on a web-enabled smartphone. These services have become popular because they allow members to access and receive financial information quickly and with less effort.

In 2010, your credit union proudly celebrated its 5th consecutive year as the number one auto lender in Erie County. We were also awarded a Best Practices Award from Credit Union Direct Lending® (CUDL) for our CUDL AutoSMART website. This resource provides a convenient way for members to find the car they want online and take advantage of our low-interest rate financing.

We were also honored to receive the Credit Union National Association's highly regarded Dora Maxwell Award for Social Responsibility. This national award paid tribute to our strong support of the Kanzius Cancer Research Foundation, which is only one example of our commitment to our community.

Like any year of transition, we saw the departure of some familiar faces and the appearance of new ones. We would like to thank retiring director Karyn Shaffer for her 33 years of dedicated service to the credit union and officially welcome Laurie Becker to our Board of Directors. We also extend our appreciation to former CEO Norb Kaczmarek, who retired in July after leading the Erie FCU for 41 years.

As I begin my first full year as your CEO, I am committed to meeting the needs of our membership as well as our community.

Thank you for a successful 2010, and I look forward to making the coming 75th anniversary year another one of milestones and achievements.



Erie FCU Board of Directors: Left to Right- Daniel Nawrocki; Laurie Becker; Joseph O'Hara; Edwin Dombrowski, Chairman; James Lazan

Report of the Treasurer

Daniel Nawrocki

We are once again proud to announce that the Erie FCU received a 5 STAR “SUPERIOR” rating from Bauer Financial, a firm that independently analyzes the performance of financial institutions. Their recommended report—along with the fact that we are well capitalized at 10.48%—speaks volumes about the strength and stability of the Erie FCU. This in turn helps protect member assets, allows for expansion, ensures our financial infrastructure remains strong despite external economic challenges, and promotes the financial success of our members. To review the complete financial report, please turn to page 11.

Election Committee Report

James Lazan

Joseph O'Hara was nominated for re-election to the Erie FCU Board of Directors. No additional nominations were received, and a mail ballot was not required. The position of Director is an important one that shapes the present and future course of the Erie FCU. Members who are interested in pursuing a Director position should first learn more about Erie FCU operations by joining the Supervisory Committee; from there, they may then join the Associate Directors Program to gain the necessary knowledge and experience to participate in an Erie FCU Board of Directors election.

Supervisory Committee Report

Joseph O'Hara

The Supervisory Committee is tasked with the important responsibility of monitoring all Erie FCU practices and procedures. In 2010, Popa & Associates and the National Credit Union Administration (NCUA), the federal regulatory agency for credit unions, performed independent audits of the Erie FCU. We are proud to report that the Erie FCU was in compliance with all required state and federal regulations, including the security of member assets and accurate financial reporting.



Strength

Credit Union Direct Lending[®] AutoSMART Website

We recently seized the opportunity to help members navigate the oftentimes confusing process of buying and financing a car with our Credit Union Direct Lending[®] AutoSMART website, a resource that provides an easy overview of the locations and vehicle prices at over 60 Erie and Crawford County dealerships. Then, when members visit a dealership, we make it easy for them to finance their purchase with an instant, low-interest rate loan through our Apply, Sign & Drive program. This effort led Credit Union Direct Lending[®] to recognize the Erie FCU with the 2010 Best Practices Award. This honor, along with being ranked number one for auto lending in Erie County for five consecutive years,* helped us solidify our reputation as the foremost auto lender in the region.

Two New Branch Openings

In our quest to provide the highest level of convenience for our members, we were proud to open two new branch offices. At our Peach Street Walmart branch, members quickly came to appreciate our extended and weekend hours along with the opportunity to take care of their finances and shopping during one excursion. Over at our new West 32nd Street and Elmwood Avenue office, members enjoy using our two Fast Branch ATMs for a variety of deposit and withdrawal functions. These ATMs also provide Shared Service Center Access, a 24/7 feature that allows members to transfer money, make loan payments, and complete withdrawals from any credit union account. We were proud to make 2010 an exceptional year for branch expansion. Combined with new technologies and online processes, this was only one way that we addressed our members' need for convenience.

EZ Mobile[™] and EZ Alerts[™]

In 2010, we launched EZ Alerts[™] and EZ Mobile[™], two free Web-enabled services that literally put member finances at their fingertips. With EZ Mobile[™], members can use their Web-enabled phone to check and transfer balances, make loan payments, locate ATMs, and more. With EZ Alerts[™], members can choose from over 30 customizable text and email messages so they'll know when a check clears, when a loan is due or when a balance dips too low. Together, these two technology-based services allow our members to effortlessly stay on top of money matters.

*Based on the ExperianSM AutoCount LenderSM Reports for 2006, 2007, 2008, 2009, 2010.



Meeting the Needs of Our Members and Community

At the Erie FCU, our mission extends beyond simply meeting the needs of our members to also meeting the needs of our community. This year we were proud to reach both goals in several important ways.

For our members, we introduced new and innovative services like EZ Mobile™ and EZ Alerts™ that allow members to take care of financial matters anytime and anywhere; strengthened our reputation as a trustworthy source of information and lending through our free financial seminars and Credit Union Direct Lending® AutoSMART website; placed continued focus on providing low-interest rate loans to our members so they may achieve their goals at every stage of life; and offered greater convenience to members by opening two new branch offices.

The mission of the Erie FCU emphasizes fundraising and service, and 2010 was a very special year for us. Our efforts, which supported food and supply drives for those in need, actively participating in a variety of charity fundraising events, and providing financial education to thousands of students, benefited Northwestern Pennsylvania in many ways. We were also impacted by the cancer-related deaths of two employees, Jane Holl and Linda Foley, in 2009. This led us to expand our support of the Kanzius Cancer Research Foundation through credit union donations and our EZ Saver initiative that allowed members to donate the rounded-up portion of each debit card transaction to the Kanzius Foundation.

The Credit Union National Association (CUNA) applauded our efforts—particularly recognizing the EZ Saver program—by presenting us with its Dora Maxwell Social Responsibility Award. Our CEO, Mary Beth Wilcher, was joined by Mark Neidig, the Kanzius Foundation's Executive Director, to accept the national award in Washington, D.C.

Though the spirit of community is not about winning awards or recognition, it was gratifying to have our efforts recognized for epitomizing the commitment to community and member financial education that Dora Maxwell, an original signer of the CUNA constitution and a tireless advocate of credit unions and the disadvantaged, espoused during her lifetime.

We were also proud to once again support the Erie City Mission, an organization that provides food, shelter, education, and counseling to people in our community, and Knock Out Homelessness, its signature annual event. Four years ago, the Erie FCU felt so strongly about the positive impact of this event in the community, we became its first major sponsor. Today, many other organizations now offer their support to this boxing event that raises much-needed funds to provide food and shelter to those in need. Erie FCU employees also support the City Mission by volunteering their time, collecting personal hygiene products, and donating non-perishable items that helped fill more than 1,000 Thanksgiving baskets for area families. While funding is always important for community causes, time and effort can also provide financial benefits. This became even more clear when we learned that without the 46,000 hours of volunteer time from the Erie FCU and other community-minded business and individuals, the Erie City Mission would incur an annual expense of \$333,500.

Our mission extends far beyond providing excellent value and added convenience to our members. We take pride in knowing that our employees also work hard to make Erie and Crawford counties stronger.



Larry Amenta

Job Change? Don't Ignore Your Retirement Plan Dollars.

A message from MEMBERS Financial Services

It is probably one of your biggest assets. Don't ignore it. People change jobs all the time, but many forget some important details – like their retirement plan money and leave it in their old employer's sponsored pension or 401(k) plan.

Could this be you? If so, you really owe it to your future to consider where to put the retirement assets you've worked so hard to build up. The wrong move could cost you thousands and greatly affect the quality of your retirement years.

One option is to consider moving over any retirement plans from a former employer into an IRA.

Benefits include:

1. **Simplicity** – Consolidate your retirement assets into one IRA. It will simplify your record keeping and give you a better picture of your overall portfolio.
2. **Eliminate Investment Overlap** – Having several accounts can have you holding many of the same type of investments in each account, and cause you to be out of balance for your set of financial circumstances.
3. **Wider Array of Investment Choices** – It is very common for employer plans to have only a few investment options. Rolling assets into an IRA will literally give you thousands of investment choices.
4. **Roth Conversions** – Once your plan is rolled into a traditional IRA, you may be able to convert it to a Roth IRA. You can only convert to a Roth IRA if your income does not exceed \$100,000 and you file a joint return if married.
5. **Beneficiary Distribution Options** – Many employer plans have very limited and rigid beneficiary distribution options, especially for non-spouse beneficiaries. Rolling your assets into an IRA offers many additional flexible distribution pay out options, such as the "Stretch IRA" (paying out the death proceeds over multiple generations of beneficiaries).

Need help deciding what option is best for you? Contact Lawrence Amenta, MEMBERS Financial Services Representative serving the members of Erie Federal Credit Union at 814-825-2436 ext. 1624 or 1630 for a no-cost, no-obligation Retirement Assets Consultation. Today is the best time to get started!

Representatives are registered, securities are sold, and investment advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, Iowa 50677, toll-free (866) 512-6109. **Nondeposit investment and insurance products are not federally insured, involve investment risk, may lose value and are not obligations of or guaranteed by the financial institution.** CBSI is under contract with the financial institution, through the financial services program, to make securities available to members.
BRMM-0405-24A3

Financial Overview

Year Ending December 31, 2010

	2010	2009
Assets		
Member Loans	\$ 170,869,410	\$ 172,414,148
Allowance for Loan Losses	-532,270	-391,188
Cash	27,073,533	20,806,711
Investments	111,770,772	98,431,229
Building/Equipment	9,522,439	8,315,847
All Other Assets	11,460,406	8,611,573
Total Assets	\$ 330,164,290	\$ 308,970,696
Liabilities		
Member Savings	\$ 294,629,981	\$ 276,043,092
Reserves	5,365,745	5,365,745
Unrealized Loss/Gain for AFS CMOs	-2,108	-17,026
Undivided Earnings	29,245,887	26,558,400
Other Liabilities	924,785	1,020,485
Total Liabilities	\$ 330,164,290	\$ 308,970,696
Earnings		
Loan Interest	\$ 10,673,605	\$ 9,865,809
Income from Investments	3,022,240	3,220,512
Fee & Other Income	4,714,274	4,158,656
Total Earnings	\$ 18,410,119	\$ 17,244,977
Interest Expenses		
Dividends	\$ 4,077,187	\$ 4,918,180
Total Interest Expense	\$ 4,077,187	\$ 4,918,180
Operating Expense		
Compensation, Taxes, Training	\$ 4,876,626	\$ 4,570,815
Occupancy & Operation	2,397,928	2,381,893
Promotion & Education	511,956	452,673
Loan Processing	1,398,978	1,490,145
Outside Operation Services	622,972	620,248
Member Insurance	1,222,515	602,973
Federal Supervision	69,778	59,951
Other Expenses	544,691	893,781
Total Operating Expenses	\$ 11,645,444	\$ 11,072,479
Profit	\$ 2,687,488	\$ 1,254,318





Branch Office Locations

1109 East 38th Street • 518 State Street • 1005 Greengarden Road
2436 Buffalo Road • 5500 Zuck Road • 1220 West 32nd Street
1825 Downs Drive (Walmart Supercenter - Peach & I-90)

