

CDCI ANNUAL USE OF CAPITAL SURVEY - 2013



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Buffalo Cooperative FCU

Person to be contacted regarding this report:	Brian Barrington	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	1395	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	145,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	23495
Date Funded (first funding):	Sep 30, 2010	City:	Buffalo
Date Repaid ¹ :	N/A	State:	New York

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	USC obtained through the Treasury CDCI has augmented net worth and allowed the BCFCU to expand lending activities which have the potential to have a significant negative impact on net worth.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	During 2013, the BCFCU originated more than \$1.25 million dollars in mortgages for sale on the secondary market and began retaining long term fixed rate mortgages in its portfolio. The BCFCU performs shock tests on a quarterly basis to assess the impact of lending activities on net worth.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input checked="" type="checkbox"/>	Make other investments	During 2013, increased liquidity resulting from asset growth made possible by CDCI capital was invested in certificates of deposit with maturities of three to five years in accordance with our investment policy. Liquidity was maintained at a minimum to avoid a decline in gross income.
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	CDCI capital has been critical to facilitating continuing asset growth and membership growth necessary for long-term viability. This has been accompanied by increased lending volume. It is anticipated the additional revenue from lending will be used to expand our service structure.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

As of December 31, 2013, the capital ratio of the BCFCU was 4.44%, exclusive of USC, which is undercapitalized under Prompt Corrective Action (PCA) guidelines. The persistence of a low interest rate environment makes it unlikely that the BCFCU will be able to significantly increase its capital ratio in the next few years. Therefore, it is very likely the BCFCU will have to monitor its capital ratio for the foreseeable future to avoid being subject to PCA requirements for undercapitalized credit unions.

The low level of capitalization would subject the BCFCU to numerous requirements under PCA, including the requirement to submit a net worth restoration plan to our regulatory agency, NCUA. Compliance with Prompt Corrective Action could result in the postponement of initiatives outlined in our business plan which are necessary to promote long term viability.

Finally, in a less direct way, CDCI capital has allowed the BCFCU to avoid lapsing into an institutional culture of retrenchment and risk avoidance during a period when opportunities for membership growth and asset growth have arisen in the financial services industry. However, where appropriate, risk mitigation measures have been instituted.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As stated in prior annual surveys, CDCI capital has allowed the BCFCU to implement initiatives in its business plan which would have been postponed or cancelled if CDCI funds had not been received. In 2013, the BCFCU made renovations to its teller line.

As mentioned above, real estate lending activities were also expanded in 2013. The volume of real estate loans originated for sale on the secondary market during 2013 was 19% greater than the total for the year ending December 31, 2012. The income earned from the sale of mortgages on the secondary market offset the decline in debit card interchange income which fell by 13%, or \$6,000 when measured as a percentage of the dollar volume of transactions. The BCFCU also increased the maximum real estate loan amount so that it will be possible to retain long term mortgages in its portfolio, which will provide an additional source of interest income. It is anticipated that this change will promote member growth and retention.

Finally, CDCI capital has also allowed the BCFCU to continue to pursue asset growth in order to promote the long term viability of the institution. Asset growth was 7.9% during 2013. The increase in assets was necessary to maintain gross income which fell from 5.78% to 5.37% of average assets.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.