

Annual Report
1999

Arkansas Federal Credit Union

99

new millennium

M i s s i o n s t a t e m e n t

Arkansas Federal Credit Union is a **financial**

cooperative dedicated to being the

primary financial institution

for all members by providing

quality services while maintaining a

strong financial foundation.



senior management team

Left to Right: Don Cypert, Controller; Bettyann Hawk, Vice President/Administrative Support; Bill Williams, Vice President/Branch Operations; H.C. Klein, President/CEO

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Left to Right: Fred Van Driesum, CFP, Secretary; Phillip B. Boudreaux, Chairman; Garold L. White, Director; Robert Batton, Treasurer; Art Williams, Vice Chairman

In looking back at the year 1999, I must comment on the fine work done by the staff of Arkansas Federal Credit Union in preparing for the potential problems resulting from the Y2K Bug. We all know Y2K was basically a nonevent for our credit union members; it was business as usual on January 3, 2000 when we opened our doors to the new millennium. But it was our three-year dedication to prevention that resulted in this success story. The board would like to acknowledge the hard work of the credit union staff and the patience and dedication of the membership. The dawning of this new century means exciting times for us all.

I am very proud to report that 35 new sponsor groups were added to our field of membership in 1999. This is significant in light of federal regulatory changes resulting from new legislation put in place January 1, 1999. You'll recall that this new legislation was the outcome of the lawsuit filed by bankers back in 1991 to stop credit unions from expanding their membership base. Consumers from across our country banded together to fight the bankers' lawsuit in 1997 and 1998. New legislation put in place in January of 1999 allowed credit unions, like Arkansas Federal, to expand their membership for the first time in over two years. Membership growth is key to the success of Arkansas Federal's overall growth and prosperity. The 35 companies and organiza-

tions added in 1999 represent a potential of 6,421 new members.

Long-time members and new members were delighted with our special 6.0% auto loans offered for a 60-month term during the third and fourth quarters of 1999. By positioning the credit union as The "Auto Loan People" through branch advertising, television advertising and special car sales, over \$40 million dollars in new and used auto loans were added to the credit union's auto loan portfolio. We ended 1999 with 65% of the loan portfolio in new and used auto loans.

Your credit union closed-out 1999 with a strong financial finish that resulted in an extra 2.00% APY bonus dividend being posted to every member's Share Savings Account for the fourth quarter of 1999. The sharing of profits with all members is true to the cooperative philosophy of credit unions. We are happy to share the product of a good financial year with you, our members.

Without the support and confidence of its members, Arkansas Federal Credit Union could not be the fine institution it is today. Thank you for your trust and dedication. We look forward to serving you fully and competently in the year 2000 and beyond.

Phillip B. Boudreaux
Chairman of the Board

report of the supervisory committee



Left to Right: Jay Simmons, Member; Don Greene, Member; Kristy Vest, CPA, CFSA, CIA, Internal Audit Director; Robert Rodgers, CPA, Secretary; William Sprinkle, Member; Jerry E. Spratt, CPA, CFE, CGFM, CFSA, Chairman

The role of the Supervisory Committee is to ensure the financial health of Arkansas Federal Credit Union and to protect the credit union's assets. It serves as the official auditor and member representative in the review of overall financial operations of the credit union. Through this review, it ensures that all regulations, policies and procedure governing the credit union are followed.

The Internal Audit Department has made further advances in automating many of the internal audit processes. The Internal Audit Director, Kristy Vest, CPA, CFSA, CIA, has focused on reviewing the operations of the credit union, auditing select functional areas and verifying member accounts.

In 1999, the committee retained the services of McGladrey and Pullan, a certified public accounting firm, to perform its annual audit. The audit found Arkansas Federal Credit Union's June 30, 1999, financial state-

ments to be fairly presented and in conformity with generally accepted accounting principles.

The National Credit Union Administration (N.C.U.A.) examiners also conducted an examination in 1999 and found your credit union to be in compliance with federal rules and regulations and the by-laws of this credit union.

Bauer Financial Reports, an independent firm that measures the financial practices of financial institutions across the country, assigned Arkansas Federal Credit Union a five-star rating in 1999 identifying it as one of the strongest and safest credit unions in the country.

Arkansas Federal Credit Union has proven to be well managed and ready to meet the challenges of the future through its strong financial performance.

Jerry E. Spratt, CPA, CFE, CGFM, CFSA
Chairman of the Supervisory Committee

report of the credit appeals board



Left to Right: Dale A. Duell, Chairman; Pat Hudon, Member; (not pictured, Leo Miller, Member)

Arkansas Federal Credit Union's Credit Appeals Board is appointed by the Board of Directors and meets on a required basis to review special loan requests. Loans to members are the driving force behind the growth and financial strength and stability of your credit union. In 1999, Arkansas Federal Credit Union continued to set exemplary standards with consistent and responsible lending practices.

Your credit union strives each year to give members the greatest lending options at the lowest lending rates. In 1999, we were successful in offering the very best in consumer loans at highly competitive rates and terms. Automobile loans continue to make up the highest percentage of Arkansas Federal's loan portfolio.

Starting in July of 1999, an exciting promotion for auto loans called 6-60 FOR U increased new and used autos 21% by year-end bringing in over \$40 million dollars in auto loans through the six-month promotion. Auto loan growth was also fueled by some changes made to our auto lending policy. Extended 84-month financing was added as a choice for members financing new autos through their credit union. Used car financing terms

were liberalized with the change to financing NADA average retail value on used vehicles. In the past, average trade-in value was the benchmark.

Equally exciting was the 87% growth in home equity loans experienced in 1999. Extremely low rates and many choices in loan terms fueled this extraordinary growth in home equity lending.

In total, 9,410 loans were approved in 1999. Overall, loan growth resulted in an outstanding increase of 19%. Through the concerted efforts of the credit union's Collection Department, delinquency was held at .55% for 1999, charged off loans showed a decrease from .71% in 1998 to .50% in 1999.

The year 1999 can be characterized as another successful year in providing quality and low cost loan services to members. Great emphasis was placed on making loan services convenient for members.

Thank you for helping us prove that Arkansas Federal is the best source for member borrowing needs.

Dale A. Duell,
Chairman of the Credit Appeals Board

financials

Loans to Members	\$202,365,819	\$170,376,129
Less Allowance for Loan Loss	(1,690,927)	(1,635,938)
Net Loans	\$200,674,892	\$168,740,191
Cash	3,656,634	1,810,298
Other Accounts Receivable	2,835,141	3,086,023
Investments	35,153,715	60,699,421
Loans held for sale	81,600	660,450
Accrued Interest Receivable:		
Loans	1,200,383	695,542
Investments	108,924	424,796
Property, Equipment & Leasehold Improvements		
At Cost, Net of Accumulated Depreciation	9,399,839	9,303,892
Prepaid and Other Assets	460,222	741,041
Total Assets	\$253,571,350	\$246,161,654
Liabilities & Members' Equity		
	1999	1998
Accounts Payable	1,169,872	\$1,403,745
Other Accrued Liabilities	1,500,265	1,642,184
Members' Shares and Share Equivalents	218,682,503	213,707,360
Regular Reserve	6,159,718	5,472,237
Appropriated Undivided Earnings	26,058,992	23,936,128
Undivided Earnings	—	—
Total Liabilities & Members' Equity	\$253,571,350	\$246,161,654

operation summary


for the years ended December 31, 1999 & 1998

Source of Income		
	1999	1998
Interest on Loans	\$14,768,706	\$14,243,027
Income from Investments	2,771,040	2,672,987
Other Operating Income	3,343,343	3,081,745
Non-Operating Income	22,450	17,370
Total Income	\$20,905,539	\$20,015,129
Distribution of Income		
	1999	1998
Employee Compensation and Benefits	\$3,734,312	\$3,436,898
Travel and Conference	145,510	142,978
Association Dues	29,043	30,929
Office Occupancy and Operations	3,662,486	3,086,259
Loan Servicing	376,427	266,660
Professional and Outside Services	972,357	820,089
Provision for Loan Losses	983,333	1,200,000
Member Insurance	128,775	151,900
Federal Examination and Supervision	65,602	60,611
Miscellaneous Operating Expenses	57,269	89,303
Total Expenses	\$10,155,114	\$9,285,627
(Gain) or Loss on Disposition of Fixed Assets	(1,223)	(1,155)
Dividends Paid	7,941,302	8,283,126
Increase to Reserves and Undivided Earnings	2,810,346	2,447,531
Total Income Disbursed	\$20,905,539	\$20,015,129

member statistics

1 9 9 9
51,838

1 9 9 8
49,931

 up 3.82 %

members

1 9 9 9
20,492


1 9 9 8
19,204

 up 6.7 %

checking accounts

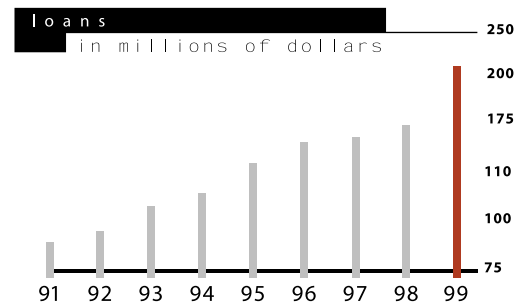
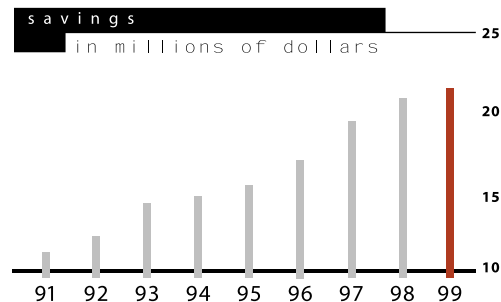
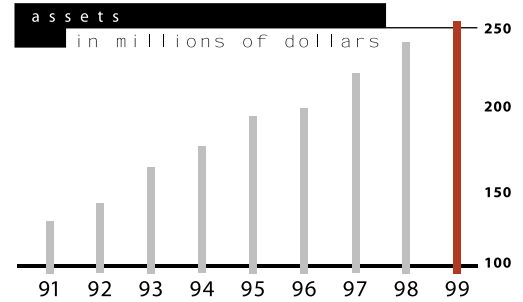
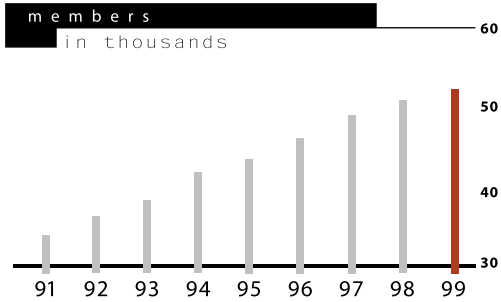
1 9 9 9
14,923

1 9 9 8
15,151

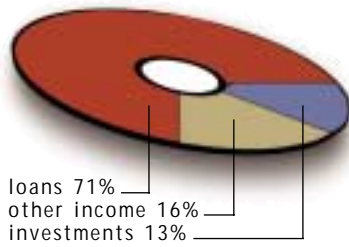
 down 1.5 %

credit card accounts

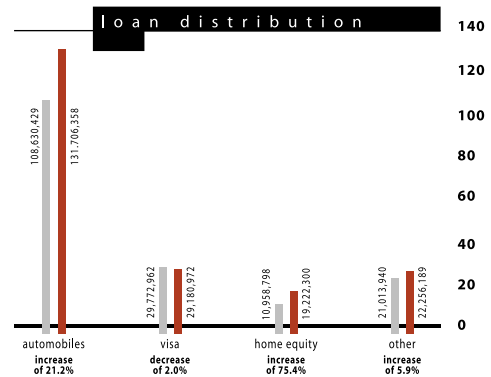
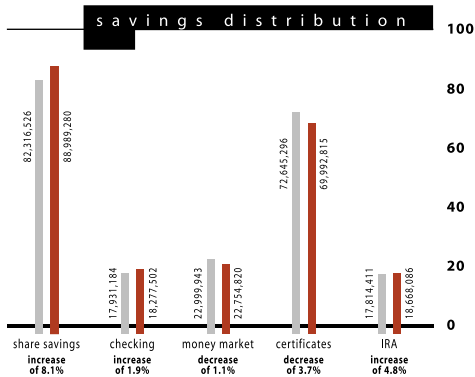
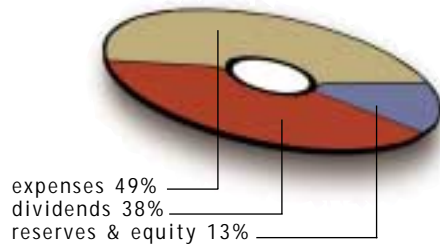
statistics



source of income



distribution of income



total savings
 \$218,682,503
 increase of 2.3% over 1998 which totaled \$213,707,360

total loans
 \$202,365,819
 increase of 18.8% over 1998 which totaled \$170,376,129



your credit union future

H. C. Klein, President/Chief Executive Officer

Personal service is the cornerstone of credit union product delivery. The old adage, "we're going to treat you like a person, not a number," is key to the recruitment and retention of Arkansas Federal Credit Union members and potential members. The year 2000 will begin the two-year process of establishing a service and sales culture at Arkansas Federal. We want the concept of service and sales to be embraced and become incorporated into the way we do business — with the needs of the member always in the forefront.

In the area of technology, a more up-to-date design of our Web site will be introduced in the summer of 2000. With more and more members using the Internet to reach out and "touch" their credit union accounts and acquire credit union information, a facelift to our Web site is needed. Automation will be the focus in the services we offer on-line via the Internet and through the telephone. Loan decisions will be made in a matter of minutes almost instantaneously, in some cases. In this push-button world, consumers demand quick response to their requests for service. We are paving the way for personal service in a 15-second world.

The Camp Robinson Branch has become the prototype for our electronic branch of the future. In a recent remodeling of this branch, self-service computer and telephone kiosks have been installed to assist members in their account transactions. Using the telephone kiosk, members can apply for loans either using Phone-A-Loan or by talking to a Telephone Branch loan officer during business hours. Computer kiosks assist members in accessing their account, transferring funds, acquiring information about the credit union and surfing the Internet. Access to this branch (after hours) is through your ATM, Check or

Credit Card. Electronic branches will be the wave of the future for your credit union.

On the subject of branching, the concept of shared branching will be introduced in 2000. This is a new concept being embraced by the credit union movement across the country. In essence, we will soon be sharing our branches with members of other Arkansas credit unions. Through an integration of our computer system with computer systems of other credit unions, we will be able to serve members of other credit unions with transactions on their unique credit union accounts.

In return, our members will be able to take their Arkansas Federal transactions into branches owned by other credit unions throughout the nation. This sharing of branches will, over time, put more branch locations within reasonable distance for our members all over the state and nation.

While it may seem extreme to marry the ideas of personal service and technological advances, it makes sense in this new millennium. Our lives are moving faster and faster. Computers are almost as commonplace in the world as televisions. But through the lines of digital communication, we still have people on both the giving and receiving end of the service. Our members are always foremost in our minds as we make future plans. Yes, these are exciting times.

Without the support and confidence of its members, Arkansas Federal Credit Union could not be the fine institution it is today. The staff and I look forward to serving you in this new century.

H. C. Klein,
President/Chief Executive Officer

Mark Allen, North Little Rock Branch Manager
 Lorraine Baisdon, Marketing Director
 Terri Bauman, Payroll and Benefits Administrator
 Jennifer Bearden, Little Rock Branch Head Teller
 Renee Bennett, Account Research Representative
 Jennifer Boyd, Air Force Base Branch Teller
 Kristy Braswell, Little Rock Branch Teller
 Betty Bratton, Telephone Service Representative
 Lisa Caldwell, North Little Rock Branch Loan Disburser
 David Cavender, Membership Development Coordinator
 Tammy Christian, Little Rock Branch Loan Officer
 Peggy Clark, Telephone Branch Loan Officer
 Millie Cross, Mail Clerk
 Elizabeth Crouch, Air Force Base Branch Teller
 Don Cypert, Comptroller
 Joan Davidson, Account Research Manager
 Pat Davis, Collection Clerk
 Stacy Davis, North Little Rock Branch Savings Counselor
 Tina Davis, Part Time Teller
 Alicia Dryden, Telephone Service Representative
 Shannon Eden, Part Time Teller
 Tim Edwards, Telephone Service Representative
 Robbin Eilts, MEMBERS Financial Services Coordinator
 Katie Feldhouse, Air Force Base Branch Loan Disburser
 Evelyn Frost, North Little Rock Branch Head Teller
 Patricia Fuquay, West Little Rock Branch Manager
 Nina Furman, Collection Officer
 Audra Gerrald, Little Rock Branch Savings Counselor
 Brad Glass, Computer Operator
 Melody Grigg, Fort Smith Branch Teller
 Sharon Hageman, Records Control Clerk
 Loan Hall, Air Force Base Branch Loan Officer
 Sandy Hancock, Camp Robinson Branch Member Services Representative
 Jennifer Harrelson, Telephone Service Representative
 Virginia Harris, North Little Rock Branch Teller
 Bettyann Hawk, Vice President/Administrative Support
 Angela Heard, Purchasing Manager
 Amanda Hendrickson, Part Time Teller
 Debbie Hendrix, Head Telephone Service Representative
 Tina Higgins, Collection Officer
 Debra Holman, Mortgage Loan Processor
 Vanessa Horn, West Little Rock Branch Teller
 Patricia Howard, Check Processor
 Anna Hudson, North Little Rock Branch Teller
 Kelley Jackson, Air Force Base Branch Senior Teller
 Carla Jacobs, North Little Rock Branch Teller
 Erma Jarry-Vier, Telephone Branch Loan Officer
 Sharon Johns, Mortgage Loan Shipper
 Helen Johnson, Accounting Manager
 Teresa Johnson, Telephone Service Representative
 H. C. Klein, President/CEO
 Louise Kroft, Accounting Clerk
 Debbie LaFave, Accountant
 Pamela Lara, Executive Secretary
 Virginia Larson, Account Research Representative
 Susan Mansfield, Check Proofer
 Nicole Matsoukas-Eilts, Manager Trainee
 Valeria May, Little Rock Branch Teller
 Yumiko McCaulley, Records Control Clerk
 Gay McGough, Air Force Base Branch Teller
 Michele Mosley, Little Rock Branch Manager
 LaDanna Mowry, Air Force Base Branch Head Teller
 Cindi Nash, Telephone Branch Loan Officer
 Crystal Painter, West Little Rock Branch Teller
 Sherri Patrom, Air Force Base Branch Teller
 Angela Perry, Air Force Base Branch Teller
 Gayle Pipkin, ATM Processor
 Cheri Pruet, North Little Rock Branch Loan Officer
 Andy Reed, Network Administrator
 Tythann Rockamore, Mail Clerk
 Angela Rockins, Telephone Service Representative
 Sandy Rodriguez, Air Force Base Branch Teller
 Koren Rouse-Marcum, Marketing Assistant
 Shelley Sefcik, Telephone Branch Loan Officer
 Steven Sewell, Telephone Branch Loan Officer
 Brenda Sharp, Fort Smith Branch Manager
 Scott Sims, Information Systems Director
 Cora Smith, Fort Smith Branch Teller
 Karen Smith, EFT Manager
 Patti Smith, Mortgage Loan Underwriter
 Mary Spotts, Account Research Representative
 Carol St. John, Mortgage Loan Manager
 Robin Stager, Little Rock Branch Teller
 Drew Stanton, Air Force Base Branch Teller
 Sue Stiles, Account Research Representative
 Joan Taylor, Payroll Processor
 Loleatha Thornton, Air Force Base Branch Teller
 Stacy Tollett, Membership Development Coordinator
 Theresa Travaglini, Part Time Teller
 Jennifer Triplett, Little Rock Branch Teller
 Kristy Vest, Internal Audit Director
 Terry Vick, Air Force Base Branch Manager
 Rebecca Waldrop, Telephone Service Representative
 Shelly Ward, North Little Rock Branch Teller
 Janie Warner, Human Resources Director
 Brenda Whaley, Courier
 Don Whiddon, Collection Manager
 Chaundra Williams, Air Force Base Branch Teller
 Bill Williams, Vice President/Branch Operations
 Evelyn Witham, Air Force Base Branch Savings Counselor
 Sandy Wood, Manager Trainee
 Pamela Yielding, Telephone Service Representative
 Angela Zrebski, Part Time Teller

i n f o r m a t i o n



Air Force Base Branch, 2424 Marshall Road, Jacksonville

Little Rock Branch, 1001 W. Capitol Ave.

West Little Rock Branch, 301 North Shackleford Road (at Markham)

North Little Rock Branch, 4848 North Hills Blvd.

Camp Robinson Electronic Branch, Building 5400, Camp Robinson Canteen (Closed 1:00-2:00)

Ft. Smith Branch, 1301-C South Waldron Road

Hours: Monday - Thursday, 9:00-5:00, Friday 9:00-6:00

Telephone Branch

P.O. Box 9, Jacksonville, AR 72078-0009

Local: 501-982-1000

Ft. Smith Local: 501-782-1000

Toll Free Services: 800-456-3000

TDD: 501-982-8732

E-mail: info@afcu.org

Internet Branch: www.afcu.org

