



# POLICE

## FEDERAL CREDIT UNION



# Joint Letter from The Chairman and President

Police Federal Credit Union and our membership entered 2020 with expectations of a continued focus on the present economic stability, visions of continued prosperity and celebrating our 85th Anniversary. By mid-February our country was introduced to a health concern called COVID-19. One month later, significant changes to our normal way of life were forced upon each of us to counter what became an epidemic.

Police Federal Credit Union was tasked to adapt to the circumstances presented to us by meeting the membership needs during an unconventional period of time. Our focus was to ensure the health and safety of our staff and membership. We, along with businesses throughout our nation, were shuttered from our customary way of doing business. As a financial institution, Police Federal Credit Union, we are an essential business. With a number of changes to the way of doing the business of serving your financial needs and with the incredible support of our membership, we made it work. Our law enforcement couldn't and didn't turn their backs to the challenge of serving the public during the pandemic and we remained committed to serving you, our members.

Financial Relief Programs were quickly enacted to assist our members to weather the hardships experienced due to the economic impact of the COVID-19 pandemic. Some of these programs included:

- Mortgage and Loan Forbearance/Payment Deferral – up to 180 days
- Loan Modifications
- Skip-A-Payment Service
- Bridge Loans with extended first payment date
- Share & Certificate Secured Loans with reduced rates
- Waived early withdrawal penalties on Share Certificates

Police FCU ended 2020 with a year over year growth in total assets of 13.7 percent or \$20.3 million. This increase was largely a result of the decline in consumer spending and the large influx of the U.S. Government stimulus payments. Over the year, Share Deposit balances grew at a historic rate of 15.4 percent or \$19.3 million. Share Draft (Checking) balances increased by \$5.0 million or 39 percent from 2019. Due to the increase in deposits, the credit union's net worth ratio (total assets / (total reserves + undivided earning) declined to 13.48 percent. The cost of funds remained steady over the past year and Police FCU dividend rates continue to remain higher than similarly regulated financial institutions in this region. Economists are projecting little change in short-term rates for 2021 and through 2022, as the Federal Reserve remains wary to increase fed fund rates for the time being.

Our total loan portfolio was reduced by 4 percent or \$4.6 million year over year although, real estate lending continued its growth by increasing by 12% or \$5.4 million in 2020. The reduced rates triggered refinancing and led the overall loan portfolio growth with a 12 percent increase in 2019. Over \$18 million of first mortgages were closed during this period. Consumer loans paid down balances and new loan demand decreased as economic uncertainty sustained most of 2020. As interest rates remain near historic lows, loan demand is expected to remain strong in Real Estate and Consumer Loans are poised to increase to pre-pandemic levels.

The robust deposit increase coupled with the reduction in the overall loan portfolio balances resulted in the growth of our investment portfolio by 11 percent. This excess liquidity provides us the ability to meet the anticipated borrowing needs of our members into the coming year.



At the October meeting of the membership, we introduced our efforts and commitment to provide improved digital and remote services to our membership. These new platforms include our new website, online membership application process, and enhanced online/mobile banking platform. We also integrated the mobile check deposit and bill pay services along with the CardNav Debit Card control and fraud prevention features within the Police FCU mobile app. Each of these services have been well received by our membership and we thank you for embracing these tools to better serve your needs when it's convenient for you. These services (and future enhancements) certainly don't reduce our staffing needs, but they do provide us the opportunity to better serve you. Our newly formed Digital Banking Services Department is ready to support you with any of your digital and remote service needs.

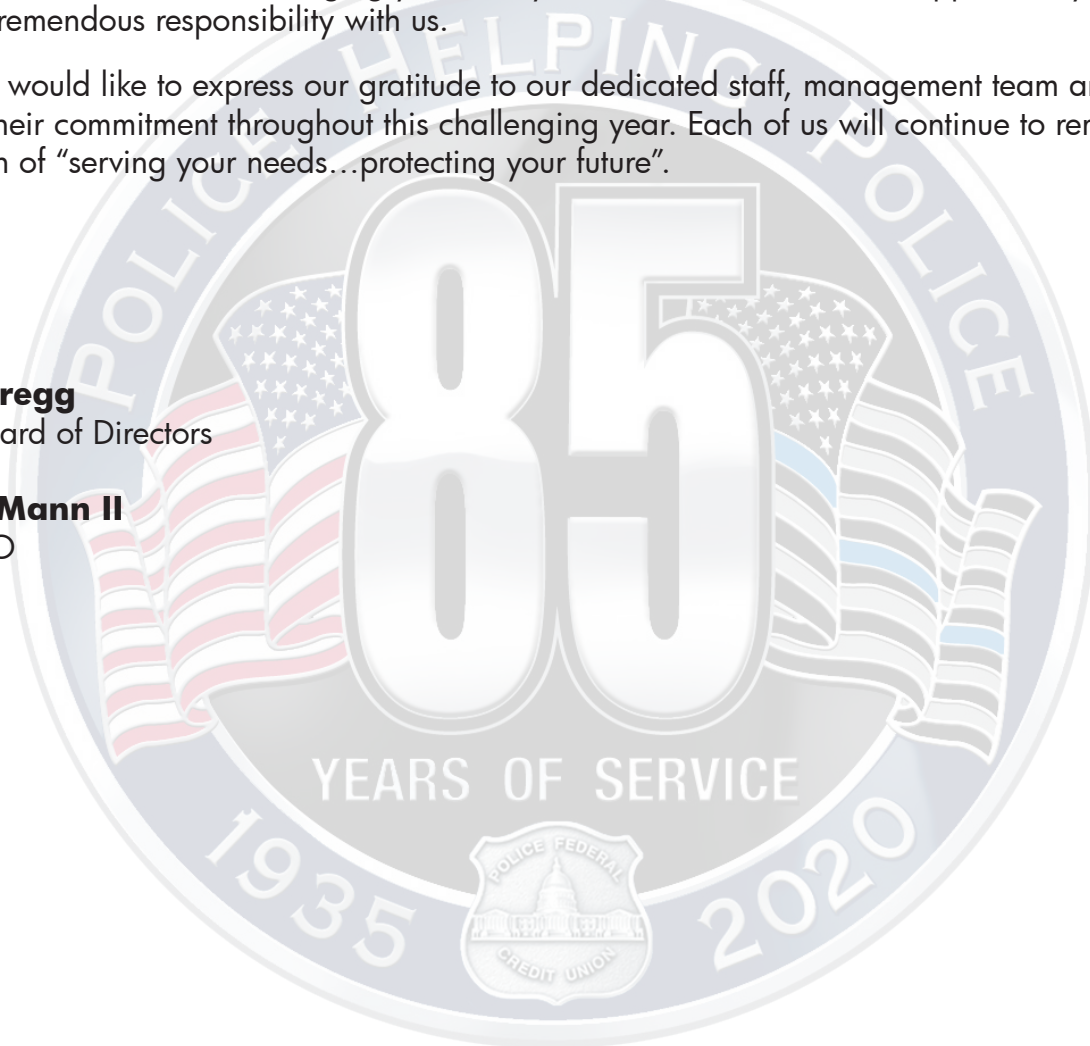
We want to thank you for choosing and trusting Police FCU as your financial partner. We know you have many options when it comes to managing your family's financial affairs and we appreciate your decision to share that tremendous responsibility with us.

In closing, we would like to express our gratitude to our dedicated staff, management team and Board of Directors for their commitment throughout this challenging year. Each of us will continue to remain true to our foundation of "serving your needs...protecting your future".

Respectfully,

**Danny C. Gregg**  
Chairman, Board of Directors

**Norman F. Mann II**  
President/CEO



# Treasurer's Report

The Police Federal Credit Union is required to submit a comprehensive financial report to the National Credit Union Administration (NCUA) following the closeout of each quarter of a calendar year. The NCUA uses these financial reports to compare the performance of credit unions in relationship to industry standards and the credit union's respective asset-sized peer groups. I am once again proud to report that Police FCU ended 2020 with a net worth ratio to total assets well above the regulatory requirement of 6.00 percent. At year-end, the net worth of Police FCU represents a 13.49 percent of total assets thereby once again earning the distinction of a "well capitalized" financial institution.

Police FCU ended 2020 with total shares at \$144,400,000; total loans at \$102,899,000, (with an allowance for future loan losses at \$1,508,000); and total investments at \$27,753,000. Police FCU ended 2020 with over \$168 million in assets. Our net income for 2020 was \$733,084, and our reserves and undivided earnings was a very strong \$22,694,000.

The Police FCU loan portfolio experienced a 4.30 percent decrease over the prior year. The Federal Reserve Bank two rates cuts last March, for a total of 1.50%, triggered loan yields to decline slightly in 2020. Throughout 2020, the yield on the loan portfolio continued the previous year's trend with an increase with the run off of seasoned loans replaced by loans with lower interest rates through 2020. This rate action by the Federal Reserve Bank fueled consumer refinancing over the past year, resulting in strong mortgage loan growth, increasing by 12.1%. Consumer confidence was rattled due to the effects of COVID-19 on the economy and uncertainty of job security resulting in demand for consumer loans to subside in 2020, but is expected to resume its previous trends pre-pandemic.

At year-end, our cost of funds (dividends paid) to average assets was 0.90 percent whereas the national average of our peer group paid 0.51 percent. The additional 39 basis points paid to the Police FCU membership, in the form of dividends, is about \$525,899. Despite a higher cost of funds, Police FCU's overall net operating expense to average asset ratio was 3.06 percent, well below peer group of credit unions that registered a net operating expense of 3.53 percent.

Herein are just a few of the indicators the Board of Directors review regularly to discern how Police FCU is performing in relationship to similarly asset-sized financial institutions. The Board of Directors is unrelenting when it comes to a sound balance sheet and a net worth well above regulatory requirement. Our collective commitment to these fundamental principles is what supports the efforts to make Police FCU stand out from among its peers.

*(The accompanying figures and charts will provide you with a snapshot of your credit union's performance for the year 2020.)*

Respectfully Submitted,

**Alfonza Kelly**

Treasurer, Board of Directors

# Supervisory Committee Report

The Supervisory Committee, created under the Federal Credit Union Act and appointed by the Board of Directors, operates independently on behalf of Police Federal Credit Union members to assure the financial integrity of the credit union. The Committee is responsible for ensuring credit union compliance with the Credit Union Act, the Credit Union bylaws and related policies and procedures, and the regulations of the National Credit Union Administration. In addition, the Supervisory Committee serves as your representative and the official auditor of Police Federal Credit Union.

One of the primary duties of the Supervisory Committee is to ensure an independent financial audit and a verification of member accounts are completed annually. To fulfill this obligation, the Supervisory Committee in 2020 contracted with the auditing firm of CliftonLarsonAllen to perform financial audits in accordance with generally accepted accounting standards. It is the opinion of CliftonLarsonAllen that the financial records and statements fairly reflect the financial condition of the credit union.

Along with the Board of Directors, our mutual goal is for all Police FCU members to receive quality service in a professional manner. The credit union's service standards serve as a benchmark to which you can measure staff performance. *Should you find an error or experience a problem of any kind with your financial statements or with services provided to you by the credit union or its staff, we encourage you to write to the Supervisory Committee at the following address:*

**Supervisory Committee**  
**P.O. Box 471293**  
**District Heights, MD 20747**

The Committee appreciates the cooperation and support of management and staff during the past year, and we look forward to continuing our work on behalf of the membership in 2021.

Respectfully Submitted,

**George Hill, II**  
Chairman, Supervisory Committee

# POLICE FEDERAL CREDIT UNION

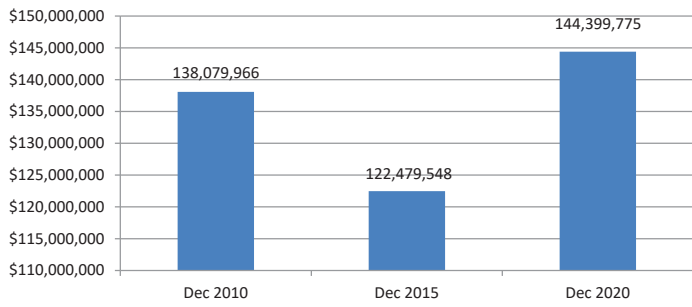
## STATEMENT OF FINANCIAL CONDITION

### *Ending December 31st*

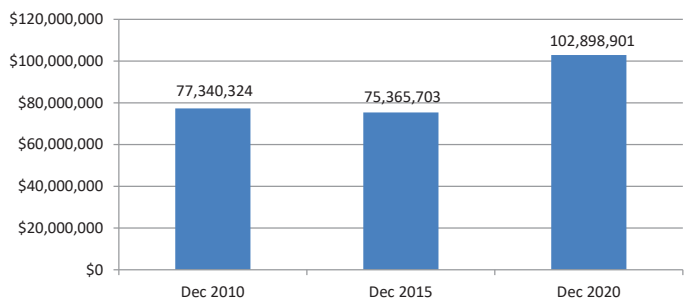
<b>Assets:</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 22,311,552	\$ 2,635,379
Loans (net of Allowance for Loan Loss)	101,390,436	106,280,915
Investments	27,753,211	24,919,493
Prepaid Expenses	244,929	246,269
Fixed Assets	6,800,536	6,973,880
Accrued Income & Other Assets	8,385,863	5,672,051
 NCUA SIF	 \$ 1,300,986	 \$ 1,186,946
<b>Total Assets:</b>	<b>\$ 168,187,514</b>	<b>\$ 147,914,934</b>
 <b>Liabilities &amp; Equity:</b>		
Accounts Payable/Other	\$ 734,249	\$ 908,725
Dividends Payable	111,238	116,884
Regular/Draft Shares/CD/Money Market Funds	144,399,775	125,080,269
Reserve	3,707,139	3,707,139
Undivided Earnings	18,987,098	18,254,014
Accumulated Unrealized Gain/(Loss)	248,015	(152,096)
<b>Total Liabilities &amp; Equity:</b>	<b>\$ 168,187,514</b>	<b>\$ 147,914,934</b>
 <b>Income &amp; Expenditures:</b>		
Operating Income	\$ 6,921,378	\$ 7,599,279
Dividends Paid & Interest on Borrowed Money	(1,426,871)	(1,332,712)
Operating Expense	(4,840,231)	(4,881,259)
Provision for Loan Losses	(300,346)	(48,860)
 <b>Net Income/(Loss) Before Non-Operating Income</b>	 \$ 353,930	 \$ 1,336,447
Non Operating Income	\$ 379,154	\$ 88,831
 <b>Net Income/(Loss):</b>	 <b>\$ 733,084</b>	 <b>\$ 1,425,278</b>

*If you desire more detailed information, a copy of the credit union's audited financial statement is available for inspection in our main office during regular business hours.*

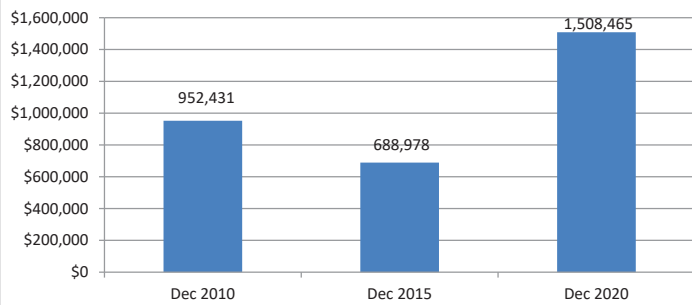
## Shares



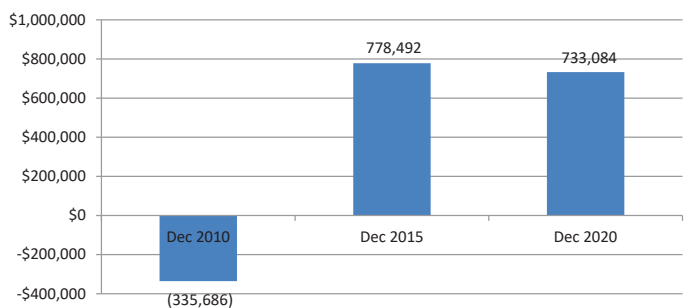
## Loans



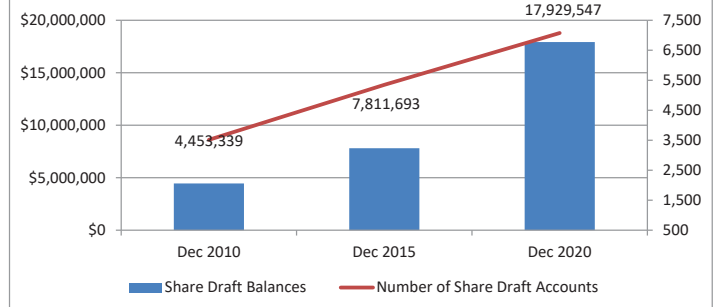
## Provision for Loan Losses



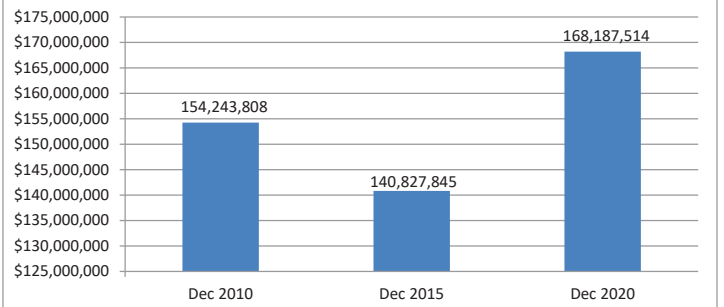
## Net Income



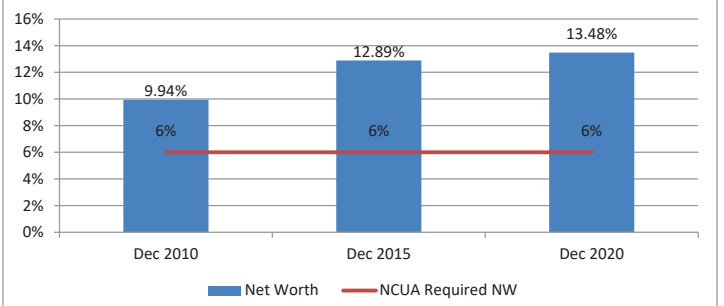
## Share Draft (Checking)



## Assets



## Net Worth





# POLICE FEDERAL CREDIT UNION

## 2021 Board of Directors and Committee Members

### **BOARD OF DIRECTORS**

Danny C. Gregg, Chairman  
Robert V. Boggs, Vice Chairman  
Alfonza Kelly, Treasurer  
Anthony J. Medoro, Secretary  
Henry C. Banks, Director  
Junis T. Fletcher, Director  
George Hill, II, Director  
Joseph C. Akers, Director Emeritus  
Clay W. Goldston, Director Emeritus  
Gary W. Hankins, Director Emeritus

### **SUPERVISORY COMMITTEE**

George Hill, II, Chairman  
Will Goodwin, Member  
Kevin O'Bryant, Member  
Ronald Oliver, Jr., Member

### **LOAN REVIEW COMMITTEE**

Jenny McIntire, Chair  
Stanley Organ, Member  
Robert Short, Member

### **PRESIDENT/CHIEF EXECUTIVE OFFICER**

Norman F. Mann II

### **Headquarters and Branch**

9100 Presidential Parkway  
Upper Marlboro, MD 20772

### **Downtown DC Branch**

300 Indiana Avenue NW, #4067  
Washington, DC 20001

### **Metropolitan Police Academy Branch**

4665 Blue Plains Dr. SW  
Washington, DC 20032

Telephone: 301-817-1200

Toll-Free: 877-ARU-PFCU

Website: [www.policefcu.com](http://www.policefcu.com)



Serving Your Needs. Protecting Your Future.

