



On Your Account

SPRING 2009

MUNICIPAL EMPLOYEES CREDIT UNION OF BALTIMORE, INC.

MECU ANNUAL REPORT 2008

Growing Futures
Safely and Soundly



SPECIAL EDITION • 2008 ANNUAL REPORT

Dear Valued Members,

On behalf of the Board of Directors, the credit union's management team, staff and volunteers, it is our privilege to present MECU's 2008 Annual Report.

This past year we saw continued challenges in our economy, including the growing foreclosure problem and the failure of several major financial institutions. In the face of these challenges, we are proud of what we have accomplished to ensure that the members of MECU have access to a strong and stable financial institution.

There are certain similarities in today's economy to the period when MECU was founded in 1936. It was the height of the Great Depression. City employees were falling for unscrupulous lending practices similar to the scams that have affected some of today's homeowners. MECU remains as committed to helping our members today as we were when we were founded.

In this newsletter, we share with you our efforts to ensure the safety and soundness of the credit union for the benefit of you—our members. We are pleased to say that MECU is financially sound. This should be apparent by the over \$4.2 million returned to members as a cash bonus in the form of an Extraordinary Dividend and Loan Interest Rebate during 2008. While we take a conservative approach to managing the credit union, we are also open to new technology and ideas that are needed to ensure that we provide our members with the new products and services they expect in a growing, modern financial institution.

An exciting development in 2008, and a wonderful opportunity to encourage young members, was the opening of MECU's first student-run branch at Digital Harbor High School. This high school is home to the Academy of Finance, where a group of their best and brightest students operates the branch for students and teachers three days a week. These students exhibit the MECU commitment to helping members. In addition to their work at the credit union, they are teaching financial literacy classes to their fellow students.

In 2008, MECU continued its commitment to serve those less fortunate in our community. Through our active participation in a number of non-profit organizations, we have helped transform the face of our community and improved the lives of individuals. MECU employees donated over 4,500 hours of their time last year to programs that help people, especially children, seniors and the homeless. We packed countless lunches for clients of the Grace and Hope Mission and served meals to the clients of Our Daily Bread. We sponsored a group birthday party for the residents of Harborside Nursing Home, bringing welcomed fun and attention to the seniors who



live there. And we sponsored and helped run the third annual Money Power Day, a free financial literacy event that helped over 1,200 of our Baltimore neighbors learn more about managing their money. All of these activities and events help to make Baltimore a stronger community.

We also held our fourth annual MECU Charity Golf Tournament raising over \$44,000 for noble enterprises such as the CollegeBound Foundation. This program helps Baltimore City high school students, our community's future leaders, have a successful college experience. Also, we were able to support our partner schools and Credit Unions for Kids, which raises funds for the Johns Hopkins Children's Center.

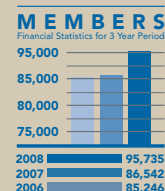
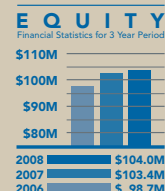
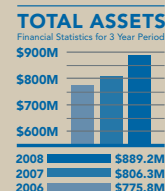
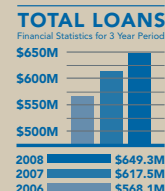
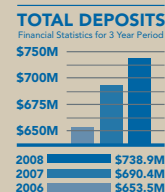
As with last year, our tireless efforts in helping our neighbors have been recognized by our peers in the credit union industry. In 2008, we were again proud recipients of a Dora Maxwell Award and Louise Herring Award for service to our community and our members. We also received a Desjardins Award for Youth Financial Literacy.

Although the coming year is expected to be as financially challenging as 2008, MECU is well positioned to meet your financial needs. We will continue to listen to your concerns and put innovative solutions in place so that we better serve you—the members and owners of MECU.

Sincerely,

Herman Williams Jr.
Chair

Bert J. Hash Jr.
President and
Chief Executive Officer



MECU's strength today means a strong future for our members.

Today, MECU is one of the strongest and largest credit unions in Maryland, and we have put in place programs and tools to enable our members to grow strong financially.

Whether MECU is developing programs to help our members, our community or our future members, it always brings innovation and a commitment to the process.

Developing financial tools for members

- Monthly workshops to help members learn more about managing their finances.
- Free access to financial counseling through Accel™.
- On-site educational sessions and account openings at our Partner Groups.
- Online banking and BillPayer with the latest online intrusion and detection software in place.

Helping develop a strong community

- MECU partners with local advocacy groups to work toward common goals. To promote financial literacy, MECU works with the Maryland Coalition for Financial Literacy (MCFL). Working with MCFL, the Maryland & DC Credit Union Association and others, MECU is helping the Maryland State Legislature research the benefit of mandating financial literacy in all school systems in the state.
- To help lower-income working people in the City take advantage of the Earned Income Tax Credit, MECU has partnered with the Baltimore CASH Campaign since its start. MECU also works with Baltimore CASH on MoneyPower Day—a free, one-day financial fair.
- MECU employees regularly participate in one of Baltimore's best-recognized outreach programs. The employee-managed Outreach Committee has built strong partnerships with organizations including Sandtown Habitat for Humanity, Meals on Wheels, Our Daily Bread and Grace and Hope Mission.

Building our future

Part of helping our members develop a bright financial future involves planning for the future strength and security of MECU itself.



- **Business continuity and growth**—MECU's board and leadership have prepared for future changes. They developed a plan for a smooth transition in leadership as key board members and department heads retire.

Also, MECU has a business continuity plan in place to ensure that the credit union is back up quickly and able to serve our members in the event of an unexpected business interruption. The plan is regularly tested and has proven successful.

- **Intern program**—A strong credit union requires well-trained and educated leaders. Every summer, MECU brings aboard business students from colleges participating in the African American Credit Union Coalition (AACUC) Intern Program to work in various departments of the credit union. A number of these students have returned to permanent positions at MECU following graduation.
- **Student credit union**—In 2008, MECU opened a new branch inside Digital Harbor High School. This branch is for the students and teachers of the school and is run by the students involved with the Academy of Finance located at Digital Harbor.

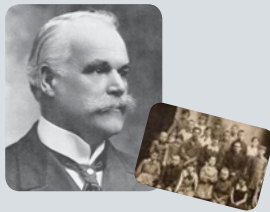
These programs and others bring in new, young members to MECU, ensuring its future. We will continue to develop the products and services needed to serve our growing membership, just as we have in our past.

MECU and the credit union movement: A shared history of success

The credit union movement—100 years of growth

1900

1900—Credit unions started in Levis, Quebec, when Alphonse Desjardins organized a credit union for people who were poor and facing extremely high interest.



1908–21

1908—The first U.S. credit union, **St. Mary's Bank**, was opened in Manchester, New Hampshire by the pastor of Sainte-Marie's parish to help mill workers save and borrow money.

1921—Edward Filene created and financed the Credit Union National Extension Bureau to help establish effective credit union laws at the state and federal levels.

1934–36

1934—The Federal Credit Union Act was signed into law by President Roosevelt authorizing the formation of federally chartered credit unions in all states.

1936—MECU was founded to help Baltimore City employees have access to affordable financial services.

MECU's growth under dedicated leadership

1930s – 1950s

1936—City Payroll Director Elmer Bernhardt and Mayor Howard Jackson open MECU to help City employees deal with financial difficulties that developed during the Depression. Elmer Bernhardt becomes the first Chairman of the Board.

1947—MECU becomes the largest credit union in Maryland with a membership of 4,102.

1950—MECU's assets reach \$1 million.

1960s – 1970s

1961—John T. O'Mailey succeeds Elmer Bernhardt as President and Chairman of the Board. O'Mailey also serves as secretary of the Baltimore City Fire Department's board and is an early advocate of hiring African-American firefighters.

1974—The first bonus dividend is declared.



1980s

1981—Charles L. Benton Jr. becomes Chairman of the Board. This marks only the third time in MECU's history that our chairmanship changed.

1981—MECU pays loan interest rebate and extraordinary dividend, starting a continuous streak that is still going today.

1982—Assets exceed \$100 million.

1985—Harry Deitchman becomes Chairman of the Board, succeeding Charles L. Benton Jr.

1987—MECU is insured to \$100,000 by the National Credit Union Administration (NCUA).

The year 2008 marked 100 years of the credit union movement in the United States. Today, most credit unions offer the full range of financial services that people expect from a bank, but with the low rates and fees people expect from a credit union.

1945–69

The end of WWII brought renewed credit union growth. In **1945** there were 8,683 credit unions in the country, by **1955** there were 16,201, and by **1969** the U.S. movement reached its peak of 23,876 credit unions.

1970s

The number of credit union members doubled during the **1970s** to more than 43 million.



Today

Today, nearly 85 million Americans are credit union members. And credit unions are able to provide their members with a full array of services at excellent prices.



One of the strengths of credit unions is their dedicated volunteer leaders. Only five Chairmen of the Board have served MECU since our founding. Their leadership has not only strengthened MECU, but has helped the growth of the credit union movement in Maryland and throughout the United States.

1990s

1992—Herman Williams Jr., Chief of the Baltimore City Fire Department, becomes Chairman of the Board, succeeding Harry Deitchman.

1997—Chief Williams leads the way for the first major reform of Maryland Credit Union Law since the 1930s, letting state-chartered credit unions become more competitive with federal credit unions and banks.

1999—MECU opens its first branch in the Fallstaff Shopping Center.

2000s

2000—MECU's second branch opens in the Parren J. Mitchell Business Center. Our third branch opens in the Hamilton Shopping Center.

2005—White Eagle Credit Union merges with MECU.

2006—The Lochridge and Westview branches open. Lever United Community Credit Union merges with MECU, becoming the Dundalk branch.

Today

2008—MECU opens its first student-run branch at Digital Harbor High School.



In a time of uncertainty, we're providing security...just as we did in our past.

MECU is your right financial partner. With dedication to managing our members' money well, and a conservative approach to lending, MECU has long been recognized as a well-capitalized financial institution ready to weather change. With recent changes in the financial market, members who planned with MECU have had a smoother time. MECU is here to serve our members—not to make money for investors. Because of this philosophy, the safety and soundness of our members' money drive the decisions made by the credit union.

MECU grew along with Baltimore. From the start, MECU took a sure and steady approach to building the credit union so that members knew the money they deposited was safe and their loans were secure. During our first decade, we offered basic share savings and basic loans. We grew steadily to assets of a quarter of a million dollars. By 1950, MECU had grown to assets of \$1 million. The first new products were introduced in 1955—a Christmas savings club and new and used car loans.

Over the next five decades, we expanded our products to offer a full line of deposit products, including a range of

high interest rate Certificates of Deposit and Money Market accounts, as well as a full range of loans including special *Buy in Baltimore* and *First Time Homebuyers* mortgages. The common link among all these products has been their excellent rates—usually the best in the region.

While MECU became known for having exceptional interest rates, we also developed a reputation in two other areas:

- The safety and soundness of the management of members' money. The NCUA and the State consider a credit union well capitalized if its net worth is greater than seven percent. As of December 31, 2008, MECU's net worth was 11.59 percent.
- Developing award-winning programs to help members and the community learn how to better manage their money and achieve financial goals.

MECU's roots are based in troubled times. Our very reason for being was to help City workers during the Great Depression. MECU was founded to keep City employees out of the hands of predatory loan sharks and start them on the path to savings.

MECU also protects members with:

- **Insurance through NCUA** — Currently, each member's deposits are insured up to \$250,000 by the federal government. And, the amount of coverage can increase based on the ownership structure of the accounts. IRAs are insured separately up to \$250,000.
- **Excess Share Insurance** — MECU carries additional insurance adding \$75,000 of protection on deposits, for a total of \$325,000.
- **Web-based technology** — MECU invests in technology, such as the FALCON system, to protect members from fraud and identity theft. The FALCON system analyzes credit card purchases, compares them to normal purchasing patterns and immediately notifies the card holder to verify legitimate purchases or stop fraudulent ones. MECU gives members tools to plan and grow their future.

MECU gives members tools to plan and grow their future

- **MECU workshops** — Monthly workshops help members better understand how to manage their money to meet their goals.
- **Partnerships** — MECU develops partnerships with organizations that can provide services to members for free or at reduced cost. Members receive free financial counseling and debt management through the Accel program, and they have access to affordably priced insurance through several different partnerships.
- **Informative newsletters** — So members can know about changes in products and special rates that let them reach their goals faster.
- **Web-based information** — Members can go to the MECU website for information on special promotions, and for links to other sites with useful financial articles and calculators to help them make the right decision.

MECU is here to help in tough times!

In these tough economic times it seems more and more people are having a difficult time staying on top of their credit card and utility bills, mortgage payments, child care expenses and just everyday living expenses.

MECU is committed to providing you with the tools you need to help manage your financial goals and to help relieve some of the pressure of today's ever-changing economic climate. We want to remind you that as a benefit for being a member, you have FREE access to our financial counseling partner—Accel®.

Since you are a member of MECU, Accel can help you with:

- Personal and family budgeting
- Understanding your personal credit report and how to improve your score
- Personal money management
- Debt repayment
- Avoiding bankruptcy, foreclosure and repossession

If you are in any kind of adverse financial situation, please give Accel a call. They can give personalized answers to your individual needs, and ALL calls are kept in strict confidence. They have helped thousands of people avoid foreclosure, bankruptcy and the stress of not being able to meet financial obligations.

Accel counselors are available Monday through Thursday, 8 a.m. to 10 p.m. (EST); Friday, 8 a.m. to 7 p.m.; and Saturday, 9 a.m. to 1 p.m. To use this service call 1-877-33ACCEL (332-2235) or go to their site at www.accelservices.org. Peace of mind is just a phone call away!

Talk With Us

If you find yourself in a tough economic situation and start to have problems paying your MECU loans, call us. We can help you look at your best options. The earlier you call us to talk about options, the more we can help. So call MECU at 410-752-8313.

Consolidate your debt

If you have multiple credit cards with balances, take a look at consolidating them into a MECU VISA® Platinum or Gold

Credit Card. Chances are good that you'll lower your monthly payments. And you won't be charged a balance transfer fee. Just click on "Apply for a Loan" in the MECU website.

Helpful Resources

Also on the MECU website under Member Resource Center:

- **Home and Family Resources**—articles and calculators on a wide variety of financial topics
- **Members Financial Resources**—help in making investment decisions
- **Your Credit Report**—How to order your free credit report

Some other useful websites

- www.dlir.state.md.us/county/—One Stop Career Centers operated by the State of Maryland
- www.dlir.state.md.us/employment/unemployment.shtml—Information about unemployment insurance and filing online
- moneycentral.msn.com/home.asp—information on money management

MECU Credit Repair and Homebuyers Workshops

MECU hosts monthly workshops to help members learn more about managing money and reaching financial goals. To see when they are scheduled, go to www.mecu.com and click on MECU Community, then MECU Events.

Help for Teachers

MECU can make managing finances easier for Baltimore City teachers who only get a paycheck ten months a year.

- **Sign up for PAY**—Pay all year. You can have MECU take an amount out of each of your paychecks, put it in savings, then put it back into your account in four equal amounts during the summer months.
- **Apply for your loans through MECU**—We can set up teacher loans so you only pay when you have a paycheck. That makes summer a little easier.
- **Get a MECU VISA Platinum or Gold Credit Card** and take advantage of the summer skip that we set up for teachers.

Sharing Baltimore's best kept secret could be worth up to \$125*

You can earn \$25 for each person you refer
that opens a MECU Checking Account.*

Limited time offer



*Visit www.mecu.com for complete promotional details.



Want to see MECU in the community?
Go to www.youtube.com/mecutv

Corporate Offices

7 East Redwood Street, Baltimore, MD 21202

Elmer Bernhardt Redwood Street Branch

7 East Redwood Street, Baltimore, MD 21202
Mon/Tues/Wed 8:30-4:30; Thu 9:00-4:30; Fri 8:30-5:30

Fayette Remote Teller System

401 East Fayette Street, Baltimore, MD 21202
Mon/Tues/Wed/Fri 8:00-4:00; Thu 9:00-4:00

Herman Williams Jr. Fallstaff Center Branch

6814 Reisterstown Road, Baltimore, MD 21215

John T. O'Mailey Hamilton Center Branch
2337 East Northern Parkway, Baltimore, MD 21214

Charles L. Benton Jr. Westview Center Branch
5910 Baltimore National Pike, Catonsville, MD 21228

Fallstaff/Hamilton/Westview Lobby: Mon-Thu 9-4; Fri 9-5:30; Sat 9-3
Drive thru: Mon/Tues/Wed/Fri 7:30-5:30; Thurs 9-5:30; Sat 9-3

Harry Deitchman PJM Business Center Branch

312 North Martin Luther King Jr. Boulevard, Baltimore, MD 21201
Mon-Wed 7:30-4; Thu 9-4; Fri 7:30-5:30; Sat 9-3

Loch Ridge Center Branch

8507 Loch Raven Boulevard, Baltimore, MD 21286
Lobby and Drive thru: Mon-Fri 12-7; Sat 9-3

Dundalk Branch

7220 Holabird Avenue, Dundalk, MD 21222
Mon-Thu 9-4; Fri 9-5:30; Sat 9-3

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BALTIMORE, MD



Your savings federally insured to at least \$250,000 and backed by the full
faith and credit of the United States Government, National Credit Union
Administration, a U.S. Government Agency. Additional coverage provided
through Excess Share Insurance Corporation to a combined total of at least
\$325,000. Equal Housing Lender — We do business in accordance with
Federal Fair Lending laws.