



The Credit Union That Is Different . . . On Purpose!

C U NOTES

Your Shares Are Federally Insured To At Least \$250,000

December 31, 2012

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

DIVIDENDS FOR FOURTH QUARTER, 2012 ANNOUNCED

These are not generally encouraging days for savers. Yields on saved money all over the world continue to be at levels not ever before seen. You can see from the comparison table below that average yields on CDs have continued to gradually slump over the last year. You can also see that share and IRA dividends at Knoxville Teachers Federal Credit Union have held firm during that same year. While dividends appear to be small compared to the 1980s, we are proud to yield a rate of **0.5% APY** on all funds on deposit over \$4,000 and all IRA balances for the fourth quarter in a row. Shares below \$4,000 continue to earn **0.15% APY**. As always, all dividends paid are credited to the account that earned them, with the exception of share draft accounts. To make balancing easier, those dividends are immediately transferred to your regular shares.

IT AIN'T FUN NO MORE!!

You may have noticed that your credit union has changed in some ways. The financial crisis of the past four years has caused an over-reaction by regulators. The old concept of locking the barn door after the horses are all gone comes to mind. However, even though our horses are still safely in the barn we are being told when to feed the horses, when to wake them up and how far we can take them out of the barn each day.

In this "one size fits all" environment, we are facing strong regulatory opposition to our ability to use common sense and judgment. In today's world, accounting rules supersede both common sense and judgment. When a member hit a personal "rough patch," he or she knew that the credit union was the first place to go. Now, we are frustrated by the fact we must check the latest memo to see what we are allowed to do to help our members. Just one example is the member whose loan balance is less than half the value of the property securing the loan. A temporary loss of income causes payments to be late. No longer can we use judgment and work out a plan with the member. Now, we must classify that member and the loan as a perpetual delinquent. All other transactions by that member are then subject to federal scrutiny.

About a year ago, we shared our frustrations and concerns with the membership in a similar announcement in this newsletter. We asked for direction from the membership. We received calls and letters. A uniform consensus was that your credit union management and officers should "push back" as far as was legally possible. That we have done. Efforts to intimidate us have been made and resisted. We shall continue to struggle to maintain the right of the owner/members of this credit union to operate their institution to benefit the members and not to conform to unnecessary bureaucratic demands.

	1st Quarter 2012	2nd Quarter 2012	3rd Quarter 2012	4th Quarter 2012	Yearly Average APY
Credit Union Premium Shares	0.5%	0.5%	0.5%	0.5%	0.5%
Credit Union IRA	0.5%	0.5%	0.5%	0.5%	0.5%
Bank 6 Month CD*	0.25%	0.22%	0.19%	0.18%	0.21%
Bank 1 Year CD*	0.43%	0.34%	0.3%	0.27%	0.34%

(Rates are as of first of each quarter.)

The yield rate printed on your statement is the composite rate of your first \$4,000 and the remainder of your share deposit.

**Published by Bankrate.com*

MEMBERS ARE THE OWNERS

One of the things that makes credit unions unique among financial institutions is that the members are the owners. One of the things that makes Knoxville Teachers Federal Credit Union unique among credit unions is that we are especially aware of that ownership. We take questions and suggestions from our owners very seriously. They can sometimes point out to us a way to streamline or improve our services. Sometimes, the question is reviewed and the practice is left in place to avoid unraveling something else. But, the question is still helpful.

WORLD HEADQUARTERS IS MOVING!

After spending our first 81 years in the Historic Knoxville High School building, the credit union's World Headquarters offices are making a move. We are conflicted about the move. While we are excited to see the new life that will be breathed into this building, we are sad to say goodbye to our home. Arrangements are currently under way. We expect that we will be in a new location nearby by the time school is out this spring. We plan to have very minimal interruption of any of the services offered by the credit union. Our ten other offices will not be affected by this move. We will announce more details in this newsletter, online and in our offices as they become available.

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

World Headquarters
104 E. Fourth Avenue
Knoxville, TN 37917
(865) 582-2700

South Office
203 E. Moody Ave
Knoxville, TN 37920
(865) 582-2704

Farragut Office
147 West End Avenue
Knoxville, TN 37934
(865) 582-2701

Halls Office
3722 Cunningham Rd
Knoxville, TN 37918
(865) 582-2706

North Office
108 Hillcrest Drive
Knoxville, TN 37918
(865) 582-2702

Bearden Office
410 Montbrook Ln.
Knoxville, TN 37919
(865) 582-2707

Powell Office
7315-C Clinton Hwy
Powell, TN 37849
(865) 582-2703

Carter Office
8709 Strawberry Plains Pk.
Knoxville, TN 37924
(865) 582-2708

Clinton Office
125 Leinart St
Clinton, TN 37716
(865) 582-2705

Anderson Co. Courthouse
100 Main St, Room 123
Clinton, TN 37716
(865) 582-2709
(10 - 4:30, Mon - Fri)

Oak Ridge Office
304 New York Ave
Oak Ridge, TN 37831
(865) 582-2710

All locations are open 9-5 weekdays,
except January 1 (New Year's Day) and
January 21 (Martin Luther King, Jr. Day)

**Virtual Branch - <http://www.ktfcu.org>
24-Hour Telephone Teller - (865) 582-2800**

YOUR STATEMENT SHOWS THE YIELD

Just about every quarter, a member will call in to point out that the yield on their statement is slightly lower than the yield announced for the funds in excess of \$4,000. After pointing out that the yield on the statement is the combined yield on the first \$4,000 and on all the remainder of the deposit, the matter is understood and resolved. By now, most members have come to fully understand that this allows your credit union to give each member his or her actual yield on the full deposit. Further, members understand that the higher the amount on deposit, the higher the combined or blended yield becomes. This arrangement, while very different from most other financial institutions, allows larger depositors to benefit in direct relationship to the size of the deposit.

This unique method of payment of dividends allows those members who benefit from the credit union by being borrowers or by use of our excellent checking accounts to contribute to a base of deposits at the same yield as larger depositors. After that base of \$4,000 is reached, depositors begin to earn a yield normally found only by a long term commitment of a certificate of deposit but without the restrictions and penalties associated with CDs.

We believe this method has received endorsement by a majority of members. The proof of this is the fact that depositing members of Knoxville Teachers Federal Credit Union have the highest average savings of any credit union in Tennessee. In fact, Knoxville Teachers Federal Credit Union members are in the top thirty credit unions in the nation out of almost nine thousand credit unions. We believe that this is due to our method of payment of dividends combined with the prudence and planning of our members.

ANNUAL ANNOUNCEMENTS

Real estate interest is often deductible on your IRS report if you itemize. If you have a loan secured by residential real estate with Knoxville Teachers Federal Credit Union, you can expect a separate mailing of Form 1098 to provide you with your tax information and documentation of interest paid during 2012. No such report will be sent in cases in which the interest amounts to less than \$600 for the year even though it can be deducted.

Dividend income will be documented by mailing of Form 1099INT since dividends from your credit union are taxable. The IRS does not require documentation by you or the payer of dividends in any amounts less than \$10. This and the real estate interest form 1098 will be mailed by or before January 31.

IRA account transactions and yields for 2012 are reported on your December 31, 2012, statement. (Reminder: you should complete Form 8606 if you make a contribution to a traditional IRA. This is an annual requirement covering current and all past contributions. This reporting is not required for Roth IRAs. Consult your tax advisor.) If you made withdrawals from an IRA in 2012, you will receive a form 1099R before the end of January.

If eligible, you may contribute to your IRA up to \$5,000 for 2012 until April 15, 2013. Amounts for both years may be increased for members over fifty years of age by \$1000. (Any contributions you made for 2012 will be reported to you on a form 5498 that will be sent to you in May, 2013, to allow us to include any additions you may have made up until the time you file your 2012 IRS tax return. This form is for your records and is not required for your tax return.)

Deferred Compensation 457(b) accounts will be reported to those members who are participating in this Knoxville Teachers Federal Credit Union tax shelter by a separate mailing during January.

The Annual Meeting of members will be held at 5:30 PM on Tuesday, February 12, at 535 Chickamauga Avenue in the Lincoln Park Trade and Technology Center (formerly Lincoln Park Elementary School). This is the seventh year that we have met in this facility. It was selected to provide easier parking, street level entrance and a more suitable meeting room. This facility is easy to locate. Chickamauga connects North Broadway and Central Avenue. The Lincoln Park Building is about one mile from either end of Chickamauga. In the event of weather or other conditions require the meeting to be postponed, it will be held in the same location and time on Tuesday, February 26. If further postponements are required, the meeting will be held on the first Thursday when weather and other conditions allow.

The financial report for 2012 will be included in the report for March 31, 2013. This report will include assets and liabilities as of December 31, 2012.

Our snow policy is pretty simple. If schools are closed for the safety of its students and teachers, we assume our owners (teachers and other school employees) will want the same safety for their credit union employees. However, we do have one small difference. We know that there are days when school must be canceled for snow or other reasons and then conditions improve and traffic can move with safety. When this happens, our credit union staff normally attempts to open as many of the locations as possible to serve members. We urge you to call before you start out on a day when schools have been canceled. We will try to be present to serve you.