



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

C U NOTES

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

June 30, 2012

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

DIVIDENDS FOR SECOND QUARTER OF 2012 ANNOUNCED

Finally, we are able to report a dividend rate that has not been reduced from the prior quarter. No, it is still not a rate that long time depositors remember from many years past. Hopefully, any future changes will more generously reward depositing members. The dividend authorized by your Board of Directors for payment on June 30, 2012, is **.50% APY** on all IRA deposits and on all other deposits above \$4,000, including share draft (checking) accounts. The portion of deposits below the \$4,000 level earned a dividend of **.15% APY**.

A casual observer might think that those rates are nothing to brag about, but when they are compared to rates being offered for six month and one year CDs at most other financial institutions we feel the warm glow of satisfaction that comes from offering our members something special. (See the rate comparison chart below.)

SECRET CITY GETS THE SECRET CREDIT UNION

Oak Ridge has been known as the “Secret City” for many years. This historical city was one of the best kept secrets of World War II. Knoxville Teachers Federal Credit Union was only ten years old when the first bulldozer turned up the first mud in Oak Ridge. Interestingly, Knoxville Teachers Federal Credit Union has been kept a secret, too. Among the largest twenty credit unions in the state, it remains virtually an unknown credit union to most in East Tennessee — except to its members.

No billboards or TV advertisements leaves Knoxville Teachers Federal Credit Union as an almost invisible financial institution. And, we plan to keep it that way. There are no plans to convert our federal charter to an “open to the community” credit union. Our plan is to remain an exclusive credit union for teachers, other school employees and their immediate families. This provides for a selection process that shelters us from many of the hazards of the world.

Oak Ridge Schools Federal Credit Union’s membership voted to merge the operations of that credit union into Knoxville Teachers Federal Credit Union. After careful review by your officers and management, we began the process that was completed on the first day of the second quarter of 2012.

We are not only pleased to welcome our fellow teachers in Oak Ridge but we are also anxious to get their reaction to some of the additional benefits that are provided by this credit union. One immediate benefit for members with loans is the loan protection life insurance that is provided to members of this credit union without an additional charge.

Welcome to our Oak Ridge members. We’ll keep your secrets but we hope you can break old habits and feel free to talk to your fellow teachers about us. Remember, the only way members can benefit from membership is to use it. Unlike the old patriotic posters, in our case Loose Lips can benefit everyone.

ANNUAL AUDIT PASSED

As part of their duties, your Supervisory Committee engages an independent CPA to audit the operations of the credit union annually. We are pleased to announce that we have once again received an unqualified opinion. In the words of the CPA, an unqualified opinion “is as good as it gets”. We are proud of that classification and will work to keep it for our members.

	3rd Quarter 2011	4th Quarter 2011	1st Quarter 2012	2nd Quarter 2012	Yearly Average APY
Credit Union Premium Shares	0.8%	0.7%	0.5%	0.5%	0.63%
Credit Union IRA	0.8%	0.7%	0.5%	0.5%	0.63%
Bank 6 Month CD*	0.39%	0.28%	0.25%	0.22%	0.29%
Bank 1 Year CD*	0.56%	0.41%	0.43%	0.34%	0.44%

(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 Wall Street Journal*

A CHANGE IN OUR RATE COMPARISON

If you are a member that regularly reviews yields on savings at Knoxville Teachers Federal Credit Union as compared to the rest of the world, you will notice a change in our comparisons in this issue of your newsletter. For some time, we have been aware that rates as published by www.bankrate.com were consistently higher than rates reported by Wall Street Journal. And they were higher than the rate shoppers would find in the real world. In prior times, we didn’t mind the challenge of comparing our rates with the higher of the two sources. However, today’s rock bottom rate environment has made the inflated rates from the source we previously used less useful to members. In fact, we believe that they had actually become misleading.

We have presented historical data derived from the web site of Wall Street Journal beginning this quarter. We have done this in the interest of accuracy and, quite frankly, it makes the advantage of participation as a member of Knoxville Teachers Federal Credit Union even more obvious.

We believe the current historical data included in the rate comparison box above provides a better guide for members. We will continue to review the general yields on savings to insure that depositing members are informed and properly rewarded for their participation.

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

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410 Montbrook Ln.
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Powell Office
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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 July 4 (Independence Day)
and September 3 (Labor Day)

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

ABOUT WORLD HEADQUARTERS

We have received a few calls of concern and inquiry as a result of the news stories about Historic Knoxville High School. There is an ongoing review of the use of this 100 year old facility. This credit union was founded in this building in 1932 and has had a presence here for all of the subsequent years.

At the present time, there is no final decision. We have been assured by officials of the school system and the Board member for this neighborhood that adequate time would be provided to allow the credit union to make the necessary adjustments. Contingency plans have been prepared and we would expect any changes, if they do occur, would be rather seamless to members.

Members with a long association with the credit union will recall that we began a process of decentralizing operations about twenty-five years ago. This process was begun mainly to provide services to our membership that were disbursed throughout the area. (We now have ten locations in addition to the original location in Historic Knoxville High.) However, an additional benefit of this process was that we could distribute the "back office" processes somewhat. Natural disasters, fires and other unplanned events supported the decision to avoid having all our eggs in one basket. Recent storms and power outages have proved to us that we were correct. Another benefit is that we were able to avoid the high cost of maintenance of one large costly "palace." Yes, those large brick, marble and glass structures are impressive but they're costly. Convenience for members and continued and uninterrupted service was placed ahead of the few advantages of centralized functions. As we move further into the 21st Century with instant communications, we believe the advantages of decentralization will become clear to others.

We've had a bit of fun with the mental image of a world headquarters but we have worked consistently to ensure that no location is essential for normal operations. Members and services will continue to be our priority.

REWARDS, POINTS AND S&H GREEN STAMPS

Members of Knoxville Teachers Federal Credit Union do not accumulate points, frequent flyer miles or buy-one-get-one-free coupons. We recognize and accept that this is old fashioned and not attractive to much of the population. The good news is that Knoxville Teachers Federal Credit Union has been attractive to a much smaller but smarter group.

Instead of being distracted by those gimmicks designed to be distractions from real value, Knoxville Teachers Federal Credit Union members have expected and received unvarnished returns on deposits that are easily measured and compared. Deposits are just that — deposits. No need for nifty names like "golden passports" or "EasySave." Oh, yes, we do have a "Christmas Club Account" because some members want to segregate real saving from seasonal spending sprees. That is not something we encourage but only provide to those who ask.

Knoxville Teachers Federal Credit Union's members hold the highest average savings account in the State of Tennessee and are in the top fifty of all credit unions in the nation. And that is without "bonus points" or green stamps. That savings record is by people who just want value and not razzle-dazzle.

Borrowers must and can choose between a bland and uninteresting debt and a vibrant and showy debt that comes with bonus points and even encouragement to increase rather than decrease the debt load. Look at any credit card monthly bill and it will be loaded with enticements to increase your debt. Knoxville Teachers Federal Credit Union members are encouraged to control, reduce and eliminate debt even though the credit union relies on members' loans to continue to pay dividends and meet the costs of operations. So, why won't this credit union attempt to attract loans with bonus points? It simply is not a good thing for members. And, the big secret is that the combined financial health of its members creates the financial health of any credit union. We are healthy because our members are healthy and we want to keep them that way. Now, that is a bonus you can use.

SHARE HOLDERS' REPORT

"Are we all equally poor yet?" That question was posed to us recently to gauge if we had hit bottom or did we have further to go. We have the same crystal ball that you have. However, we do point out that for the first time in several quarters, we have not reduced the dividend rate from the previous quarter. Does this mean we are at the bottom? We hope so.

What has brought all of us to this condition where the folks in debt are being rewarded by a lower interest rates while those who have worked a large portion of their lives to accumulate are being punished with dividends that are even less than the inflation rate? There is lots of blame to go around. A recent column in the local paper suggested that the Federal Reserve deserves much of the blame for driving down the yields on government bonds under the label of stimulation of the economy. By doing so, a form of transfer of wealth results. The "haves" lose purchasing power by a yield on their money that is less than inflation and the "have nots" enjoy lower rates on money they owe. Whether this was done with that goal in mind is not clear. It could simply be another case of unintended consequences.

These conditions do cause dismay to retirees who planned to benefit from income on their savings. We can see why they ask, "Are we all equally poor yet?"

IT WAS A DARK AND LONELY NIGHT IN ISTANBUL....

The weather conditions in Istanbul should not concern most credit union members, but if you were there on a dark and lonely night and you needed to get some quick cash from the nearby ATM or buy a ticket on the first train out of town, it suddenly becomes very important. You would depend on your credit union's ATM card to work. That might not happen if your card is suddenly used at a place that causes suspicion of theft or identify theft.

The best way to feel that comforting touch of your credit union ATM card in Istanbul or even San Francisco is to let us in on your traveling plans. That could help us be right there with you with no problems. Just call 865-582-2702 and tell us when you are leaving and your planned time of return along with the general direction you are traveling. Be assured we won't advertise your travel plans. We just want to recognize you from a long way off.