Dear Friends and Supporters,

After any crisis, the survivors emerge to repair and rebuild. That was Self-Help’s focus in 2012. We assessed the damage of the financial crisis on our borrowers, we rolled up our sleeves, and we rededicated ourselves to our mission. I’m happy to report that it was a year of recovery and growth.

We recognize that the financial crisis is not truly behind us, and may not be for many years. Predatory lending and all its negative consequences have resulted in the largest wealth drain in American history. Millions of working families have been hit hard, and millions more continue to struggle.

Yet I see hope. I see hope in neighborhoods where boarded-up houses are rebuilt into comfortable homes. I see hope in entrepreneurs who dream of a fair chance to own a business. I see hope in high-quality child care centers and schools that give children a better start. I see hope in the ongoing fight against abusive lending practices, and in a stronger focus on consumer protections and fair financial services nationwide.

There are tremendous possibilities in this country for helping working families create and maintain ownership and economic opportunity. Thank you for your support in helping us to do our part.

Best wishes,

Martin D. Eakes
Chief Executive Officer

OVERVIEW
Self-Help is a family of nonprofit organizations whose mission is to create and protect ownership and economic opportunity for all. Since our founding in 1980, Self-Help has grown to include two credit unions, a loan fund, and a research and policy group.

www.self-help.org
www.self-helpfcu.org
www.responsiblelending.org
2012 YEAR IN REVIEW

2012 was a year of expansion for Self-Help – but also a year of deepening our connections in the communities we serve. Our partnerships, financial strength and lending expertise allowed us to respond to exciting opportunities in Los Angeles and Chicago, while our lending and investment back home in North Carolina and Northern California remained as strong as ever.

HIGHLIGHTS:

► Our policy affiliate, the Center for Responsible Lending (CRL), celebrated its 10th anniversary of fighting predatory lending at the state and federal levels. In 2012, CRL helped implement crucial reforms in mortgage lending and consumer finance.

► We partnered with The Resurrection Project to rescue a savings and loan institution in Chicago. This will provide the city’s Latino community continued access to affordable financial services and will help more than 1,000 existing borrowers.

► In California, we purchased five check cashing stores in the Los Angeles area and converted them to our Prospera branches, a hybrid check cashier/credit union model that strives to help underbanked families.

► It was a strong year of recovery for Self-Help’s home lending. We made 343 home loans this year, more than in any other year since 2008.

► We lent more than $74.1 million to businesses and nonprofits in 2012 – more than we’ve ever lent in a single year. This includes loans made through our Small Business Administration (SBA) 504 program, which more than doubled its 2011 loan volume.

► In all, Self-Help provided more than $140 million in financing to families, businesses and nonprofits in 2012. As the economy slowly recovers, we see it as more important than ever to make sure that ownership and economic opportunity are accessible to all.

2012 IMPACT

RESPONSIBLE FINANCIAL SERVICES:
Served more than 81,000 credit union members and began serving an estimated 22,000 new people. Member savings increased to $836 million. Made $32 million in consumer loans (auto, home equity and personal loans).

ECONOMIC RECOVERY:
Created or maintained more than 2,100 jobs. Financed the construction or rehabilitation of 300 housing units. Lent $20 million for foreclosure recovery. Lent $74 million to businesses, nonprofits, and community facilities.

EDUCATION:
Lent $22 million to public charter schools and child care centers, creating or maintaining more than 10,000 spaces for mostly low-income children.

POLICY:
Helped stop or limit payday lending in several states, which will save consumers $1.1 billion annually. Helped institute crucial mortgage lending reforms and pushed to halt unnecessary home foreclosures.
RESPONSIBLE FINANCIAL SERVICES

In a world of confusing and sometimes predatory bank accounts and credit options, we offer financial products that are fair and affordable for everyone, including families who lack access to mainstream credit. That means making products available that meet people where they are and help them build for the future.

SELF-HELP CREDIT UNION

Self-Help Credit Union serves almost 39,000 members nationally, both online and through 14 branches across North Carolina. In 2012 we expanded our loan and deposit offerings to include Health Savings Accounts, new small-business and consumer loans, new mortgage options and more. Other accomplishments in 2012 included improving our online services, expanding our home lending in North Carolina and moving our Kinston branch to a new building.

MEMBER SAVINGS GROWTH

SHCU & SHFCU COMBINED

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$109 M</td>
</tr>
<tr>
<td>2009</td>
<td>$306 M</td>
</tr>
<tr>
<td>2010</td>
<td>$538 M</td>
</tr>
<tr>
<td>2011</td>
<td>$818 M</td>
</tr>
<tr>
<td>2012</td>
<td>$836 M</td>
</tr>
</tbody>
</table>
SELF-HELP FEDERAL CREDIT UNION

Self-Help FCU is one of the fastest-growing credit unions in the country. It was chartered in 2008 and uses an innovative branch model to serve unbanked and underbanked households. It now serves more than 42,000 members. In 2012 SHFCU completed the integration of 11 merged branches under the Community Trust brand and acquired five check-cashing stores in the Los Angeles area, converting them to our Prospera branch model and reaching 21,000 new people through this expansion. We also partnered with The Resurrection Project, a Chicago community-development organization, to rescue a savings and loan serving three Latino neighborhoods. We will continue serving these immigrant communities with responsible products and services.

REACHING THE UNDERBANKED

Prospera is a hybrid check cashier and SHFCU credit union branch designed to help unbanked and underbanked families start to save and build assets. It provides check cashing and other services while encouraging customers to open savings and checking accounts and build strong credit histories with responsible loan products. Our goal is to develop a financially sustainable and replicable model that promotes economic mobility.

FIVE YEAR ASSET GROWTH

As Self-Help has expanded, our asset base has grown. Self-Help's combined asset base was $1.6 billion as of December 31, 2012. Much of our growth came from our two credit unions, which have remained strong and resilient even during the financial crisis of the past five years. The combined assets of our credit unions grew by almost 300 percent between 2008 and 2012.

DREAMER LOAN

In 2012, Self-Help developed a specialty product to help young immigrants: the Dreamer Loan. This personal loan finances the $465 application fee required to apply to the “Deferred Action for Childhood Arrivals” program. The program provides temporary legal status to young undocumented immigrants who came to the U.S. as children and who meet certain qualifications.
CRL published Part 1 of *The State of Lending in America and its Impact on U.S. Households*, a three-part report on financial abuses that explains why protecting fair, affordable access to credit is vital for consumers and the U.S. economy.

**OTHER POLICY WORK**

Self-Help participates in policy issues beyond CRL’s work fighting predatory lending.

In 2012 Self-Help joined with civil rights groups to support marriage equality in North Carolina.

We continued to work in coalition with the Opportunity Finance Network and other partners to strengthen the community development financial institution industry nationally.

**CRL’S 2012 ACCOMPLISHMENTS**

CRL has advocated for sensible mortgage lending reforms since 1999; in 2012 many of these were instituted nationally via new rules issued by the Consumer Financial Protection Bureau (CFPB) under the Dodd-Frank Act. These rules set standards for safe, well-underwritten mortgages that are accessible to creditworthy homeowners at all income levels.

CRL pushed to halt unnecessary home foreclosures through strong implementation of the CFPB’s new servicing rule and the state Attorneys General and administration settlement with major mortgage servicers. New CRL research showed that foreclosures drained nearly $2 trillion in property value from nearby households, with half of this loss borne by communities of color. In California, CRL worked with a coalition of state groups and the Attorney General to expand settlement provisions to all servicers in that state.

CRL brought attention to the entrance of some major banks into payday lending. CRL’s work with allies led Regions Bank to stop offering these loans in North Carolina and spurred federal regulators to investigate bank payday products. Also in 2012, CRL helped state-based advocates pass a Delaware law limiting payday loans and stop threats to existing protections in California, New York, New Hampshire, Pennsylvania, Washington and North Carolina. This will save consumers in those states at least $1.1 billion annually.

CRL provided research and advocacy to federal regulators investigating auto financing practices that cost consumers an extra $25.8 billion over the lives of their loans. CRL also participated in litigation on debt buying and worked with state advocates to address predatory debt settlement practices.

The Center for Responsible Lending (CRL) builds on the work of Self-Help’s financial affiliates to eliminate predatory lending practices through policy change. In 2012, CRL was one of only 15 organizations worldwide to receive a MacArthur Foundation Award for Creative and Effective Institutions. Read more at www.responsiblelending.org
As housing markets slowly revive, more families are rekindling their desires to own a home. Though the effects of the housing crisis persist, Self-Help’s experience with our borrowers has convinced us that homeownership is still a vital part of economic mobility for low-income families and families of color.

**HOME LENDING**

In 2012, Self-Help continued to support homeownership through direct lending to families at a range of income levels. We made 343 home loans in North Carolina and California this year, more than in any other year since 2008. We also remained committed to helping troubled borrowers get out of delinquency and avoid foreclosure.

We believe in the importance of homeownership opportunities for working families. And research indicates that responsible home loans to low- and moderate-income borrowers can be financially sustainable for both lenders and borrowers. A University of North Carolina study* analyzed more than 10 years of data on a portfolio of 46,000 loans that Self-Help purchased from lenders nationally. These loans were to low-income borrowers who typically made down payments of less than 5 percent. The study found that despite the housing crisis and the “ostensibly risky profile” of the borrowers, the portfolio “performed well, with a serious delinquency rate just 60 percent that of prime adjustable-rate mortgages, less than half that of subprime fixed-rate mortgages and a quarter that of subprime adjustable-rate mortgages.”

As the researchers noted, the loans succeeded in part because “the lenders involved helped these nontraditional yet creditworthy borrowers buy homes they could afford with mortgages they could manage: long-term, fixed-rate, self-amortizing mortgages underwritten for the ability to repay.”

**NEIGHBORHOOD REVITALIZATION**

Self-Help supports neighborhood revitalization by providing financing for affordable housing developers and by deploying federal funds from the Neighborhood Stabilization Program. In 2012 we provided nearly $20 million in financing for affordable housing. We also buy, rehabilitate and resell affordable homes ourselves. Together, these efforts will create or redeploy an estimated 300 additional units of affordable rental and ownership housing.


---

**AFFORDABLE HOME DEVELOPMENT**

Self-Help is partnering with local housing development organizations to build or rehabilitate 69 affordable houses and townhomes in the Grier Heights neighborhood in Charlotte, North Carolina. The majority of these properties meet Advanced Energy and Healthy Built Homes standards, making them more affordable to own and maintain.

**FORECLOSURE RECOVERY**

Through our Foreclosure Recovery projects in North Carolina and California, Self-Help buys foreclosed properties, rehabs them and sells them to low-income, owner-occupant families. This helps make home ownership a reality for families who otherwise risk being shut out of the housing market by the prevalence of wealthy, cash-ready investors. In 2012, we sold 20 previously foreclosed homes to low-income families, and began building or rehabilitating 26 properties.
BUSINESS & NONPROFIT LENDING

Many entrepreneurs and nonprofits have the vision and talent to make the world a better place; Self-Help provides the financing to turn vision into reality. Since the mid-1980s, we have made loans to thousands of businesses, nonprofits and community development projects. Over the years our expertise has grown, allowing us to finance enterprises ranging from small, one-person shops to large, multi-partner, complex projects. Sectors in which we specialize include education, green business and real estate development.

In 2012, we lent $74.1 million to businesses and nonprofits, more than we’ve ever lent in a single year. This lending was geared towards enterprises that have difficulty obtaining loans from conventional sources. Self-Help funding is enabling these organizations to expand business opportunities, create new jobs, benefit their communities and build lasting wealth.

Students at Ivy Prep, a Self-Help borrower and high-performing public charter school in Georgia.

SUPPORTING HIGH-QUALITY EDUCATION

Self-Help supports access to educational opportunities by lending to child care centers and high-performing public charter schools serving low-income children. In our charter school lending, we focus on schools that address the achievement gap, particularly rural or minority-led schools. In our child care lending, we provide loans and substantial technical assistance to both small, in-home operations and larger, more established child care centers.

Last year we lent $22 million to public charter schools and child care centers, helping to create or maintain more than 10,000 student slots. We also provided technical assistance to schools in more than 19 states. Since our charter lending program began in 1997, we have lent almost $200 million to 58 schools in 16 states.

SMALL BUSINESS FINANCING

Self-Help supports entrepreneurs who cannot get financing elsewhere. We also work with our borrowers to ensure they can repay their loans successfully. Self-Help offers a variety of lending programs, from our microloan program to our SBA-guaranteed 504 loans to even larger loans made with New Markets Tax Credit investments. The enterprises these loans finance help to anchor communities, generate economic growth and create or preserve jobs. Last year, we made loans to 77 businesses and nonprofits, creating or maintaining more than 2,100 jobs.

NEW MARKETS TAX CREDIT PROGRAM

We are able to make many of our largest loans through our New Markets Tax Credit (NMTC) program. The NMTC program, operated by the U.S. Treasury Department, awards allocations of tax credits to organizations like Self-Help. This subsidy draws in private capital for development in areas underserved by conventional lenders, helping to make projects financially feasible. In turn, the investment creates jobs and increases tax values. Since the program’s beginnings in 2002, Self-Help has made $259 million in NMTC loans to 85 projects in 15 states. In 2012, we deployed $26.7 million through seven NMTC loans.
LENDING FOR ECONOMIC DEVELOPMENT

International Foods is a discount grocery store located in Raleigh, N.C., that caters to the Latino community. With an SBA 504 loan from Self-Help, International Foods was able to avoid potential foreclosure and refinance their existing $5.5 million loan at a better rate. Self-Help’s financing helped to stabilize the business, which had turned a formerly vacant shopping center into a home for 30 independent small businesses, creating a strong commercial hub for the community.

This loan was made through Self-Help’s SBA 504 program, a partnership with banks and the U.S. Small Business Administration that encourages economic development by providing long-term, fixed-rate financing to small businesses. 2012 was an especially strong year for 504 lending at Self-Help: we approved $37 million in 504 loans this year, more than doubling our 2011 volume.

HELPING YOUNG PEOPLE SUCCEED

With a Self-Help loan in 2012, the nonprofit The Uplift Project completed renovations to a property in Durham, N.C. The Uplift Project works with underserved young people to help prepare them for success. Along with community partners like the YMCA, it provides academic support and coaching, hosts forums to engage young people on community issues, and works with other local organizations to close the achievement gap.

BROADER ACCESS TO HEALTHY FOODS

Eastern Carolina Organics (ECO) started in 2004 as a farmer-friendly organic food distribution cooperative. In 2012 Self-Help and an array of partners financed a $1.75 million expansion for ECO. From its new energy-efficient hub in East Durham – a renovated former brownfield site – ECO now helps provide access to healthy, organic foods for communities across North Carolina. In contrast to traditional revenue-sharing models, where farmers often receive only 50 percent or less of the wholesale price paid by retailers, ECO’s cooperative structure offers local farmers 80 percent. This helps make environmentally sustainable farming profitable for local farmers.
REAL ESTATE DEVELOPMENT

Self-Help supports job creation and economic development in neighborhoods where investment can be scarce. We work with local communities to finance the construction and rehabilitation of office buildings, community spaces, retail shops and affordable housing. We often add to this impact by developing properties ourselves. Our real estate development aims to create stronger neighborhoods and renewed properties that result in healthier, safer, more vibrant communities.

In 2012, we invested close to $9 million in community real estate projects developed by Self-Help. We focused on big projects in neighborhoods where we have a long history of engagement and where we think our investment can help provide the thrust that’s needed to transform hard-hit communities.

INVESTING IN DURHAM EDUCATION

In 2012, Self-Help broke ground on a historic renovation of the East Durham Graded School, the city’s oldest school building (ca. 1909), located at the heart of a revitalizing neighborhood. When the building opens in August 2013, the 50,000 square foot building will be the new home of Maureen Joy Charter School, a high-performing public charter school founded in 1997 that primarily serves minority and low-income students. The development relies on Historic and New Markets Tax Credits, private debt, school equity, a city grant and our own dollars.

PARTNERING TO PRESERVE NORTHSIDE

Sometimes it is Self-Help’s staff time and expertise that we invest in communities. The historically African-American Northside neighborhood in Chapel Hill, N.C., is changing, as students and other newcomers move in and as rents and property taxes rise. Self-Help is working with local partners on a five-year development plan. The plan aims to create good housing opportunities for a range of income levels, preserve the community’s historic character, and embrace the economic vibrancy that new neighborhood investments can bring.
2012 Loan Portfolio
As of December 31, 2012

Cash & Investments: $243,788
Community Development Loans & Investments, Net of Reserves: $1,150,497
Net Community Real Estate Assets: $96,920
Other Assets: $88,121
Total Assets: $1,579,326

2012 Loan Originations

Consumer Loans: $32,363,323
Home Loans: $74,121,536
Commercial Loans: $33,617,289

Self-Help Combined Financial Results

Balance Sheet

Assets:
- Cash & Investments: $243,788
- Community Development Loans & Investments, Net of Reserves: $1,150,497
- Net Community Real Estate Assets: $96,920
- Other Assets: $88,121
Total Assets: $1,579,326

Liabilities:
- Reserves for Guaranteed Loans: $23,179
- Credit Union Deposits: $749,402
- Notes Payable & Program Related Investments: $342,026
- Other Liabilities: $55,972
Total Liabilities: $1,170,579

Net Assets:
- Non-Controlling Interest in Subsidiaries: $41,379
- Core Net Assets: $367,368
Total Net Assets: $408,747

Total Liabilities & Net Assets: $1,579,326

Off Balance Sheet:
- Guaranteed Community Development Loans & Investments: $193,819

2012 Income Statement

Revenue:
- Investment Income: $1,634
- Loan & Secondary Market Interest: $69,874
- Rental Income: $9,269
- Fees & Other Income: $13,878
- Grants & Non-Operating Gains: $13,424
Total Revenue: $108,079

Expenses:
- Interest & Dividends: $30,136
- Compensation & Benefits: $27,501
- Other Operating Expenses: $28,047
- Provision for Credit Losses: $3,317
- Depreciation: $3,156
Total Expenses: $92,157

Net Income: $15,922
CREATING AND PROTECTING OWNERSHIP
AND ECONOMIC OPPORTUNITY FOR ALL