



TELLING OUR STORY

ANNUAL
REPORT 20
24

ANNUAL MEETING MINUTES



A meeting of the general membership of MemberSource Credit Union was held on Thursday, May 30, 2024, at 10100 Richmond Ave, Houston, Texas 77042. Chairman Smith called the meeting to order at 5:05 pm. Chairman Smith called on Director Peper to ascertain that a quorum of at least 25 members were in attendance. Director Peper confirmed that there was a quorum.

Chairman Smith called for a reading of the minutes from the previous Annual Meeting on May 25, 2023. Director Tarver made a motion to dispense with a reading of the minutes. Sarah Livingston seconded the motion; motion carried. Director Gibson made a motion to approve the minutes of the 2023 Annual Meeting as written. Sarah Livingston seconded the motion; motion carried.

Chairman Smith introduced Kenny Harrington, President/CEO. Mr. Harrington introduced the members of the Board and management:

Jeremy Smith, Chairman
Patrick Gibson, Vice Chairman
Joe Hildenbrand, Treasurer
Cheri Peper, Secretary
Gay Baskin, Director
Cassie Chiaro, Director
Eddie Corvin, Director
Ellen Tarver, Director
Bobbi Phelps, Vice President, Branch Operations
Diana Fisher, Vice President, Marketing
Samuel Phelps, Vice President, Information Technology
Elvin Tejada, Vice President, Accounting
Cody Jones, Vice President, Lending
Dana Forrest, Administrative Assistant

Chairman Smith presented the Chairman's Report and Treasurer Hildenbrand presented the Treasurer's Report.

Chairman Smith asked if there was any unfinished business from the 2023 Annual Meeting. There was none. He then asked if there was any new business. There was none.

Director Corvin presented the report from the Nominating Committee. Eddie Corvin, Cheri Peper and Ellen Tarver met to review the potential Nominees. The Committee was deliberate and conscientious at its meeting and is unanimous in its nominations. Since there were no petitions from the notice that was distributed to members in the December 2023 statement, the Nominating Committee submitted the following members to be elected to the MemberSource CU Board of Directors.

Gay Baskin
Jeremy Smith
Cassie Chiaro

Chairman Smith called for a motion to nominate the slate of Nominees. Director Tarver made a motion to place the names as presented by the Nominating Committee into nomination. Sarah Livingston seconded the motion; motion carried. Chairman Smith called for a motion to elect by acclamation the Nominees as presented by the Nominating Committee. Director Hildenbrand made a motion that the Nominees be elected by acclamation. Sarah Livingston seconded the motion; motion carried.

Mr. Harrington called on Ms. Fisher to conduct the drawing for the door prizes.

There being no further business, Director Peper made a motion to adjourn the meeting at 5:19 pm. Sarah Livingston seconded the motion; motion carried.

Chairman Smith thanked everyone for attending and invited the attendees to join us for refreshments.



CHAIRMAN'S & PRESIDENT'S REPORT



There are many genres of books. They all have plots, themes, characters and settings, but the stories within may be non-fiction, fiction, thriller, romance, self-help, and so many more. Like books, credit unions have similarities, but each has its own unique history and story to tell. This 2024 Annual Report tells our story.

The main characters in our story are our members. Our members are also our owners and we are accountable to you. Being informed on the current state of MemberSource Credit Union benefits us all.

Shifting The Financial Setting

While the pandemic is a distant memory, its impact continues, not only as a health concern but because it forced us to rewrite some of our processes, finding new solutions for almost everything we do as a credit union.

More recently, our economy has encountered uncertainty with rising food, gas and energy costs, higher mortgage interest rates, concerns about healthcare costs and more. At MemberSource, we are doing our part to help you get through these challenges by offering competitive rates and products, adapting to the shifts in the industry and developing streamlined processes so we can provide the best value and experience for you.

In 2024 we worked to:

- develop more online banking tools
- simplify processes where possible
- provide financial literacy resources/tools
- implement robust cybersecurity measures; and
- support credit union advocacy and lobbying efforts

The Plot

Our 2024 story was written complete with challenges and obstacles that must be overcome. As you will see in this Annual Report, MemberSource is reporting a loss for YE 2024.

What you don't read in the financial statements is that this loss was not a misstep. The loss of income can be attributed to several factors including overall market conditions, the strategic decision to temporarily halt Indirect Auto Lending for the year due to liquidity issues and the unstable economy forcing us to have a larger than anticipated allowance for loan loss calculations that we are required to set aside. While this outcome is not ideal, we have already made strides to ensure 2025 will not have the same story ending.

Plot Twist

Our story included a plot twist and another character was introduced. MemberSource was approached with the opportunity to merge with Transtar Federal Credit Union with MemberSource being the successor. We immediately began working on a merger plan thinking the merger would have been finalized in 2024, but that was not the case. We received word in January 2025 that the merger was approved and the merger between MemberSource and Transtar became official April 1, 2025.

Through this merger, we see a clear path for improving the financial performance with added liquidity, operational efficiency, cost-cutting measures and new initiatives. All things leading to a happy ending to our story.

We have complete confidence in our Management Team, Board of Directors and staff who are all dedicated to seeing MemberSource succeed. Keep reading our story. The next chapter is a good one.

Pat Gibson | Chairman

Kenny Harrington | President/CEO



In school, students use CliffsNotes as a study guide to summarize and simplify complex information, providing key points and analyses. That is what I would like to convey in this report.

Although MemberSource's 2024 year-end financial statements on page 4 show a negative income, I would like to outline how the credit union successfully fared in other areas to tell the whole story.

MemberSource continues to be a well capitalized financial institution, with a strong net worth ratio of **11.97 percent**. A net worth position above 7 percent is considered well capitalized by our regulators.

In 2024, members borrowed more than **\$20.7 million** which added nearly **1600 new loans** - and that was with the temporary hold on Indirect Lending. That brings the total loan portfolio to 10,384 loans totaling just under \$132 million. Loan delinquency remained consistent at **0.52 percent** - well below the peer average of 0.80 percent.

Auto buying slowed across the country due to inventory shortages and rising vehicle prices. This motivated many of our members to buy previously owned vehicles. In 2024, the used auto loan portfolio totaled nearly **\$22 million** alone.

Loans overall did very well considering the outside factors. Some highlights include:

- Certified Funding (second mortgage) loan balances increased by 8.4%
- Line of Credit loans increased by 129%, with balances increasing by 128%
- The balance on Share Secured loans increased by 5.2%
- Student loan balances increased by 17.4%

These results show that our members continue to look to MemberSource as a trusted lender. Thank you for being a loyal member, for choosing MemberSource for all of your financial needs.

2024 RECAP



MEMBER ENGAGEMENT



online
banking
users

17,122

billpayer
users

9,105

e-statement
enrollment

8,372

mobile
banking
users

9,288

alert
center
users

2,199

Zelle®
active
users

2484

SavvyMoney
enrollment

3,124

card
management
users

2,547



“Some books
leave us free
and some books
make us free.”

- Ralph Waldo Emerson

FINANCIAL STATEMENTS



statement of financial condition

statement of income

	2024	2023
Assets		
Loans to Members, net	\$131,176,255.86	\$151,273,261.54
Accounts Receivable	4,989,780.66	5,405,692.19
Cash on Hand and in Banks	16,466,590.77	1,089,827.35
Investments	19,301,864.02	29,899,697.29
Prepaid and Deferred Accounts	424,825.50	447,903.14
Fixed Assets (net)	5,472,715.98	5,672,844.16
Accrued Income	524,770.41	524,165.50
Share Insurance Deposit	1,731,628.41	1,848,709.03
Total Assets	\$180,088,431.61	\$196,162,100.20
Liabilities & Member Equity		
Accounts Payable	\$800,513.82	\$1,392,753.65
Notes Payable	0.00	1,000,000.00
Dividends Payable	119,859.81	126,359.63
Accrued Expenses	470,285.89	528,319.83
Other Liabilities	0.00	12,473.60
Total Liabilities	\$1,390,659.52	\$3,059,906.71
All Share Accounts	158,292,440.26	172,966,146.35
Regular Reserve	6,913,977.80	6,913,977.80
Undivided Earnings	14,650,293.80	14,977,060.75
Investment Valuation	(1,158,939.77)	(1,754,991.41)
Total Equity	\$178,697,772.09	\$193,102,193.49
Total Liabilities and Equity	\$180,088,431.61	\$196,162,100.20
INTEREST INCOME		
Interest on Loans to Members	\$7,461,856.00	\$7,035,521.06
Income from Investments	1,592,681.79	452,414.51
Total Interest Income	\$9,054,537.79	\$7,487,935.57
Total Interest Expense		
Net Interest Expense	2,378,677.85	1,475,873.73
Total Interest Expense	\$2,378,677.85	\$1,475,873.73
Provision for Loan Losses Expense	950,141.87	548,931.60
Fees, Charges and Other Operating Income	2,511,059.58	2,503,245.35
Total Operating Income	\$8,236,777.65	\$7,966,915.59
Total Operating Expense	8,563,544.60	8,327,217.88
Net Operating Income	\$(326,766.95)	\$(360,302.29)
Total Non Operating Income	0.00	0.00
Net Income (Loss)	\$(326,766.95)	\$(360,302.29)



MEMBERS AND COMMUNITY: THE MAIN CHARACTERS OF OUR STORY

MemberSource Credit Union consistently looks for financial products and services that benefit our members. While we are always making updates and upgrades to existing systems, we seek out products that add value to your account relationship with us, making banking at MSCU efficient, convenient and easy. Some new services added in 2024 included:

- Text message payment reminders
- Loan payment options through Apple Pay
- Additional Relationship Rewards Discounts on loans

Our credit union motto is Sharing Knowledge. Creating Solutions® and the best way to do that is through trained staff members. In 2024, our team completed a total of 1369 hours of training in various areas of study and compliance in order to better serve you.

Another important subject in our story is participating in community activities. That may be within our credit union industry community or in the actual communities we serve. In 2024, some of those activities included:

- Constellation Field Holiday Lights sponsor
- Cornerstone Credit Union League annual fundraiser
- Houston Chapter of Credit Union fundraising events:
 - golf tournament
 - food drive
 - toy drive
- Hosted Houston Chapter of CUs Leadership Academy class each month for six months
- Employee fundraising through Jeans Passes benefiting various organizations
- Pink Out fundraiser benefiting Susan G. Komen



ABOUT US



1 I will provide a warm and sincere greeting.

2 I will take ownership and make the member my priority.

3 I will anticipate and fulfill the member's needs.

4 I will deliver personal and quality service.

5 I will protect the privacy and security of our members.

6 It is my goal to create memorable and personal experiences.

7 I take pride in my professional appearance, language, behavior and workplace.

8 I will create an environment of trust, honesty, respect, integrity and commitment.

9 I will end the visit in a personal and courteous manner.

10 I hold myself accountable for organizational service commitments.

MISSION STATEMENT

Fostering financial success through personalized service, trusted solutions, and commitment to community.

To create a community where members have the knowledge and solutions to thrive, while strengthening their financial well-being.

VISION STATEMENT

SERVICE STATEMENT

Investigate and Educate.

BOARD OF DIRECTORS

Patrick Gibson, Chair
Term Expires 2025

Cheri L. Peper, Secretary
Term Expires 2026

Ellen Tarver, Member
Term Expires 2026

Eddie Corvin, Vice Chair
Term Expires 2026

Gay Baskin, Member
Term Expires 2027

Whitney Wiener, Member
Term Expires 2027

Joe Hildenbrand, Treasurer
Term Expires 2025

Cassie Chiaro, Member
Term Expires 2025

Ray Lastovica, Advisory Member
Term Expires 2026

Jeremy Smith, Member
Term Expires 2027

EXECUTIVE TEAM

Kenny Harrington
President/CEO

James Tuggle
Chief Financial Officer

Diana Fisher
VP Marketing

Cody Jones
VP Lending

Bobbi Phelps
VP Branch Operations

Samuel Phelps
VP Information Technology

Elvin Tejada
VP Accounting