

2020

# ANNUAL REPORT





# STANDARDS AND STATEMENTS



- 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

MemberSource will consistently meet members' needs by providing personal, quality service in a professional environment through motivated employees.

## VISION STATEMENT

To be a leading credit union for the greater Houston metropolitan area.



# TABLE OF CONTENTS



## minutes

2020  
annual meeting

## reports

chair's &  
president's report  
treasurer's report

## mscu financials

statements of  
financial condition  
& income

## year in review

member impact  
community impact

## about us

board of directors  
management  
locations



# 2020 ANNUAL MEETING MINUTES

A meeting of the general membership of MemberSource Credit Union was held by video conference (due to COVID-19 restrictions) on Thursday, May 28, 2020. Chairman Tarver called the meeting to order at 5:08 p.m.

The following Directors and members of management were in attendance:

- Ellen Tarver, Chairman
- Jeremy Smith, Vice Chairman
- Cheri Peper, Secretary
- Gay Baskin, Director
- David Berry, Director
- Eddie Corvin, Advisory Director
- Patrick Gibson, Director
- Richard Patton, Director
- Art Richardson, Director
- Kenny Harrington, President/CEO
- Leon Davis, CFO
- Kelly Brink, Chief Lending Officer
- Samuel Phelps, Vice President Info. Technology
- Bobbi Phelps, Vice President Branch Operations
- Diana Fisher, Vice President Marketing
- Dana Forrest, Administrative Assistant

Mr. Harrington thanked everyone for attending and explained how to cast a vote, and how to ask questions utilizing the chat function. Chairman Tarver called on Director Peper to ascertain that a quorum of at least 25 members were attending by video conference. Director Peper confirmed that there was a quorum.

Chairman Tarver called for a reading of the minutes from the previous Annual Meeting on May 30, 2019. Director Smith made a motion to dispense with the reading of the minutes. Director Gibson seconded the motion; motion carried. Director Gibson made a motion to approve the minutes of the 2019 Annual Meeting as written. Director Berry seconded the motion; motion carried.

Chairman Tarver presented the Chairman's Report and Mr. Harrington presented the Treasurer's Report.

Chairman Tarver asked if there was any unfinished business from the 2019 Annual Meeting. There was none. She then asked if there was any new business. There was none.

Director Baskin presented the report from the Nominating Committee. Gay Baskin, Pat Gibson and Art Richardson 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 the members in the December 2019 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors:

- Richard Patton, retired HISD
- Cheri Peper, retired Apache Corporation
- Ellen Tarver, retired Anadarko Petroleum

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

There being no further business, Director Patton made a motion that the meeting be adjourned. Director Berry seconded the motion; motion carried. The meeting adjourned at 5:28 p.m.

Chairman Tarver thanked everyone for attending.



# REPORT FROM THE CHAIR & PRESIDENT

Your initial deposit into your share account empowers your voice in your financial institution. Credit unions operate on a “one member, one vote” principle, so when you participate in the voting process, you’re contributing to the growth and potential of your credit union.

Here is a little information about the state of our industry. Texas has 437 federally and state-chartered credit unions with almost 9.5 million members and total assets of more than \$124 billion. Even though the American economy has suffered setbacks in 2020, these figures reflect a robust and healthy credit union system, of which MemberSource Credit Union is a part.

Every person in America and every financial institution has had to face the challenges of the COVID-19 pandemic. MemberSource is no different. Your health and safety and that of our staff are important to us. So, in 2020 we enacted certain protocols to minimize exposure, especially for our high-risk staff and members, while ensuring access to your money and our full array of services whenever you need them.

MemberSource Credit Union already has a variety of valuable online capabilities that make banking with us easy and convenient without having to come into a branch. On an occasion where that is necessary, we have implemented precautions such as social distancing, wearing masks (which is mandatory for both staff and members), gloves for handling money, standardized lobby hours, and drive thru only teller transactions where available.

We are committed to helping our members who are financially struggling through the pandemic in as many ways as we can. Last year, we made 719 loan extensions to 627 members allowing extensions up to 3 months on each. We automatically skipped payments on lines of credit and credit cards for two months and we had 21 mortgage loans placed in forbearance. As your financial source, we went to great lengths to help members and our community through the most challenging year in modern times. We are committed to your financial well-being.

From a business perspective, your credit union continues its steady trajectory forward and upward. In May, we finalized our merger with National Oilwell Varco Employees Credit Union (NOVECU) adding over 1900 new members and \$14 million in assets. We were able to bring their employees on staff which proved to be an extremely smooth transition for their members. Many of these members became active and engaged users of our products and services and opened checking accounts, signed up for online banking, and made auto and personal loans.

Because of the credit union’s cooperative model, we’re able to return profits to our members in the form of competitive rates, new products, enhanced services, and additional points of service to make it easier for you to reach your financial objectives. We are committed to helping you finance your life activities in a responsible way.

We are proud of how far we’ve come since 1958 and I know our many accomplishments would not have been possible without the ongoing commitment of our staff and management. Because of the work we’ve all done together, our credit union is doing well, despite the pandemic.

As we navigate the challenges still ahead of us in 2021, we will continue to grow responsibly while listening and responding to your needs. As our member-owners, you are integral to our credit union family, and we are sincerely grateful you’ve chosen MemberSource as your financial partner.

Ellen Tarver | Chair

Kenny Harrington | President/CEO



# REPORT FROM THE TREASURER



As noted in this 2020 Annual Report, MemberSource Credit Union performed quite well in spite of the numerous and unprecedented pandemic factors. Some of the highlights from 2020 include:

- Membership now stands at 18,335 members representing a 7% increase.
- As our membership grew, so did our assets, which is one of the primary indicators of how well our members are receiving the products and services we offer. Our assets at year-end totaled \$215,655,905, an increase of 14.8% over 2019.
- I'm pleased to announce that MemberSource continues to be a well-capitalized financial institution, with a strong net worth ratio of 9.51%. To put that into perspective, a net worth position above 7% is considered well-capitalized by our regulators.
- In total, our members have added nearly \$17.6 million to their savings accounts. This metric is very important especially considering the financial impact of the pandemic.
- You, the member-owners of this institution, continued to see us as a valued lender adding 1530 new loans in 2020. Much of that was personal loans, which increased over 33%.
- Even as loan demand remained, delinquencies held steady at a very low 0.24%. Charge offs decreased to 0.59%, down from 0.70% in 2019. This rate is considerably lower than our peers.
- It is a testament to our strength as a financial institution that so many of you are turning to your credit union for your mortgage needs. Even in a year of an unparalleled public health crisis, mortgage loan balances increased 15.4% to \$15.1 million.
- MemberSource posted a net income of \$555,523.

As we continue with the remainder of 2021, we want our members to utilize all of the products and services available to them. From money-saving accounts such as free checking, to our low rates on auto loans and credit cards, we want to be the financial solution members turn to.

Thank you for your loyalty and for your support of MemberSource Credit Union.

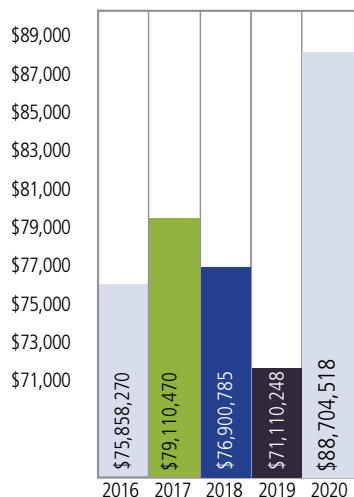
Joe Hildenbrand | Treasurer



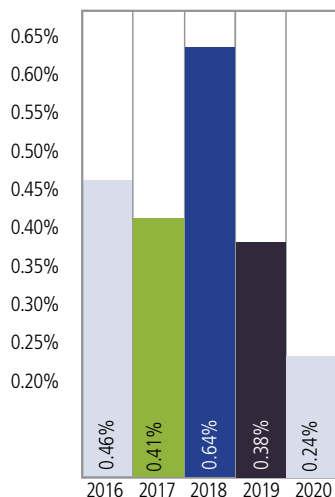


# BY THE NUMBERS

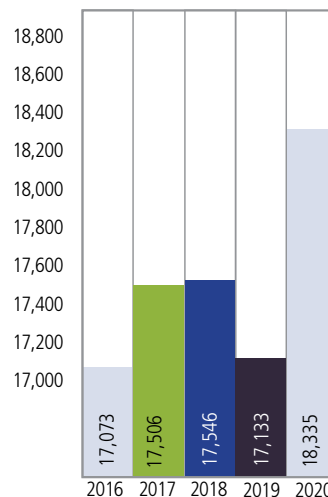
## SAVINGS BALANCES



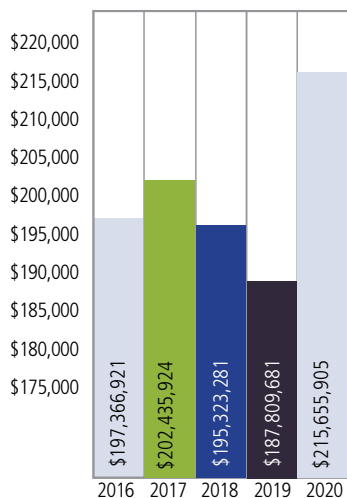
## DELQ RATIO



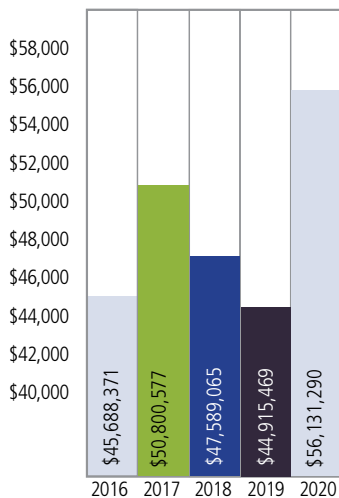
## MEMBERS



## ASSETS



## CHECKING BALANCES



**SIXTY-TWO**  
years of serving members



# CREDIT UNION FINANCIALS



statement of financial condition

## ASSETS

	2020	2019
Loans to Members, net	\$ 149,468,464	\$ 152,306,232
Cash and Cash Equivalents	23,901,052	1,954,066
Investments (Available for Sale/Other)	30,597,490	24,324,363
Property and Equipment, net	6,038,273	6,241,886
Share Insurance Deposits	1,982,383	1,634,856
Other Assets	3,134,424	793,556
Accrued Interest Receivable	533,819	554,722
<b>TOTAL ASSETS</b>	<b>\$ 215,655,905</b>	<b>\$ 187,809,681</b>

## LIABILITIES & MEMBERS' EQUITY

Members' Shares	193,587,652	169,081,922
Accrued Expenses & Other Liabilities	1,494,593	1,625,040
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$20,573,660</b>	<b>\$17,102,719</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$215,655,905</b>	<b>\$187,809,681</b>

## INTEREST INCOME

Interest on Loans to Members	\$ 6,813,225	\$ 6,907,262
Interest on Investments and Cash Equivalents	301,514	589,069
<b>TOTAL INTEREST INCOME</b>	<b>\$ 7,114,739</b>	<b>\$ 7,496,331</b>

## INTEREST EXPENSE (Dividends on Members' Shares plus Interest on Borrowed Funds)

\$ 566,457	\$ 615,236
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## TOTAL INTEREST EXPENSE

Net Interest Income	\$ 6,548,282	\$ 6,881,094
Provision for Loan Losses	673,009	1,273,452
Net Interest Income After Provision for Loan Losses	\$5,875,273	\$5,607,642

## NON-INTEREST INCOME

Service Charges and Other Fees	\$2,798,258	\$2,851,375
NCUSIF Non-Operating and Other Non-Interest Income	0	0

## TOTAL NON-INTEREST INCOME

\$ 2,798,258	\$ 2,851,375
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## Income Before General and Administrative Expenses

\$ 8,073,531	\$ 8,459,017
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## GENERAL ADMINISTRATIVE EXPENSES

Salaries and Benefits	\$ 4,305,478	\$ 4,138,094
Occupancy	687,544	696,198
Operations	3,124,984	3,116,605

## TOTAL GENERAL AND ADMINISTRATIVE EXPENSE

\$8,118,007	\$7,950,897
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## NET INCOME

Other Comprehensive Income: Net Change in Unrealized		
Gains (Losses) on Available-for-Sale Investments		(22,058)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 555,523</b>	<b>\$ 486,062</b>

statement of income





# MEMBER & COMMUNITY IMPACT



In 2020, MemberSource Credit Union successfully completed a merger with National Oilwell Varco Employees Credit Union (NOVECU) adding 1927 members and over \$14 million in assets.

Issues related to COVID-19 affected many members financially. MSCU granted an automatic two month skip on all credit card and line of credit payments. Over 600 members received up to 3 months of free loan extensions on 719 loans. Mortgage forbearance was also granted on members' second mortgages.

In an effort to provide greater member convenience, the Member Service Center added Saturday hours from 9am -1pm.

MemberSource Credit Union continues to provide numerous ways for members to save money:

- Allpoint (free nationwide ATM network)
- TurboTax®
- Winter Skip a Payment
- 0% MSCU Visa® Balance Transfer Offer

These Credit Union Partners provide our members with access to valuable financial products, services or information:

- Member Home Loan
- Member Auto Center
- Enterprise
- LendKey
- Balance

MemberSource Credit Union feels it is important to contribute to our community and serve when and where possible. During the pandemic, it was especially challenging to find ways to continue to achieve that but we were able to participate in several projects while still maintaining safety protocols:

- Hosted credit union wide Shred Day
- Staff made 2300 pink ribbons for Susan G Komen
- Staff made greeting cards for nursing home residents to provide cheer when family members weren't allowed to visit
- Provided calendar giveaway for members
- Raised funds through Jeans Day pass purchases for Houston Children's Charities, Susan G. Komen, Texas Cornerstone Credit Union League PAC and Cornerstone Credit Union Foundation
- Hosted two Blood Drives
- Raised funds for Children's Miracle Network





ABOUT

# MEMBERSOURCE CU



## board of directors

**Ellen S. Tarver, Chair**

Term Expires 2023

**Jeremy Smith, Vice Chair**

Term Expires 2021

**Joe Hildenbrand, Treasurer**

Term Expires 2022

**Cheri L. Peper, Secretary**

Term Expires 2023

**Gay Baskin, Member**

Term Expires 2021

**David L. Berry, Member**

Term Expires 2021

**Eddie Corvin, Member**

Term Expires 2023

**Patrick Gibson, Member**

Term Expires 2022

**Art Richardson, Member**

Term Expires 2022

**Kenny Harrington**

President, CEO

**Diana Fisher**

VP, Marketing

**Leon Davis**

Chief Financial Officer

**Bobbi Phelps**

VP, Branch Operations

**Kelly Brink**

Chief Lending Officer

**Samuel Phelps**

VP, Information Technology

**management  
team**

## branch locations

**Westchase**

Westchase Branch  
10100 Richmond Ave  
Houston TX 77042

**Galleria**

Galleria Branch  
1st Floor - Enbridge Building  
5400 Westheimer Ct  
Houston, Texas 77056

**The Woodlands**

The Woodlands Branch  
1201 Lake Robbins Dr  
1st Floor  
The Woodlands, TX 77380

**Sugar Land**

Sugar Land Branch  
16535 Lexington Blvd  
Suite 145  
Sugar Land TX 77479