

2021
**annual
report**

table of contents



01	standards/statements
02	meeting minutes
03	reports
05	by the numbers
06	financials
07	year in review
08	about us



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.

2021 annual meeting minutes



A meeting of the general membership of MemberSource Credit Union was held by video conference on Thursday, May 27, 2021. Chairman Tarver called the meeting to order at 5:10 p.m.

The following Directors and members of management were in attendance:

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

Mr. Harrington thanked everyone for attending and explained how to mute/unmute the microphone, 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 28, 2020. 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 2020 Annual Meeting as written. Director Baskin 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 2020 Annual Meeting. There was none. She then asked if there was any new business. There was none.

Director Gibson presented the report from the Nominating Committee. Pat Gibson, Cheri Peper 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 2020 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors:

- Gay Baskin
- David Berry
- Jeremy Smith
- Eddie Corvin

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

There being no further business, Diana Fisher made a motion that the meeting be adjourned. Melody Turner seconded the motion; motion carried. The meeting adjourned at 5:28 p.m.

Chairman Tarver thanked everyone for attending.



report from the chair and president

One of the most important people in the credit union industry is a member-owner. That's because credit unions operate on the "one member, one vote" principle. The initial deposit is a share in MemberSource Credit Union, and when a member participates in this process, they are contributing to the growth, strength, and well-being of not only MemberSource Credit Union, but to the entire credit union industry. In Texas alone there are 430 credit unions with over 1600 branches, almost 9.7 million members with assets of more than \$137 billion. These figures reflect a robust and healthy credit union system - of which MemberSource is a part.

In 2021, every individual and every business, including our credit union, continued to face challenges from the COVID-19 pandemic. Certain protocols remained to minimize exposure while ensuring members had access to their money and financial products, as well as our attention to maintaining high levels of member service. As you will see throughout this report, due to the primary focus and dedication of many, MemberSource Credit Union was able to perform quite well, in spite of the pandemic factors that continued.

From a business perspective, MemberSource continues the steady trajectory forward and upward. Last year new funded loans totalled **\$50,272,955** - a rise of **16.8%**. The Indirect auto loan portfolio, specifically, grew **17.3%** to **\$67,855,561**. Student loans, share secured loans, total mortgage loans and lines of credit also reported double-digit increases as well. Total funds on deposit rose by **3.3%** to **\$199,937,710** which was not anticipated due to the financial effects many experienced as a result of the pandemic.

The accomplishments listed in this Annual Report would not have been possible without the energy, optimism, and commitment of everyone involved in the operation of our organization. Through working together, strategic investments, timely reimbursements and our members utilizing the products and services we offer, our income for 2021 was **\$1,296,399**. That equated to a **133.3%** increase over 2020, and the highest income for the credit union in over ten years.

As the pandemic has proven, every organization must evolve to better meet the challenges of the era we live in. In 2021 MemberSource Credit Union was notified that our Field of Membership expansion request had been approved. We were granted expansion to serve individuals who live, work, worship or attend school in Harris and Montgomery Counties, adding to our existing community of Fort Bend County. We are excited about the positive effects this change will bring with our ability to now serve the three main counties in the greater Houston area.

With the continued success of MemberSource, we're able to offer beneficial services that enhance our members' life, improve delivery channels, and make us a valuable resource for personal finances. We're already working on, and have even implemented, new financial products, services or special programs that we know our members will appreciate. Some of these services include online account opening, digital wallet (ie Apple Pay), enhanced statement and e-statement look, loyalty incentives for Platinum cardholders and an auto loan recapture program.

As we move into 2022, we continue to look for meaningful opportunities to provide our members with the financial services that will make MemberSource Credit Union their "source" for all of their banking needs.



\$67.8_{mil}
total
indirect loans

Jeremy Smith | Chairman

Kenny Harrington | President/CEO

report from the treasurer



As noted in this 2021 Annual Report, MemberSource Credit Union performed quite well in spite of the numerous and unprecedented pandemic factors. Some of the highlights from 2021 include:

- Our assets at year-end totaled **\$222,529,883**, an increase of **3.2%** over 2020. When there is an increase in assets, it is one of the primary indicators of how well our members are receiving the products and services we offer.
- MemberSource continues to be a well-capitalized financial institution, with a strong net worth ratio. It increased to **9.80%**. To put that into perspective, a net worth position above 7% is considered well-capitalized by our regulators.
- Our members have continued to save as evidenced by share balances increasing to **\$93,749,624**. This metric is very important especially considering the financial impact of the pandemic as well as the low rate environment.
- In 2021, members continued to see us as a valued lender. This year was a milestone year with **2,223** new loans being added. That equated to a **45.3%** growth over the previous year.
- Even as loan demand remained, our loan delinquencies decreased to just **0.21%** - down **14%** from 2021. This remains considerably lower than our peers.
- It is a testament to our strength as a financial institution that so many are turning to the credit union for mortgage needs. Even during the uncertainty of the extended public health crisis, and the rising home costs, first mortgage loan balances increased **16.2%** to **\$17.4 million**.
- MemberSource posted a net income of **\$1,296,399** - the highest amount in ten years.



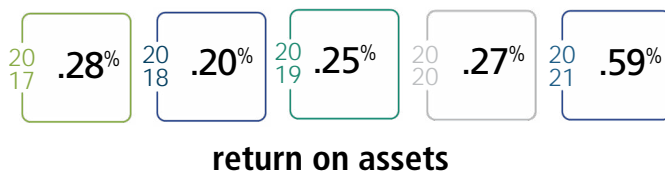
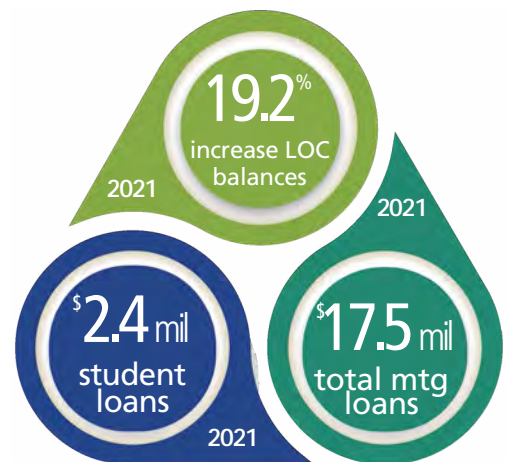
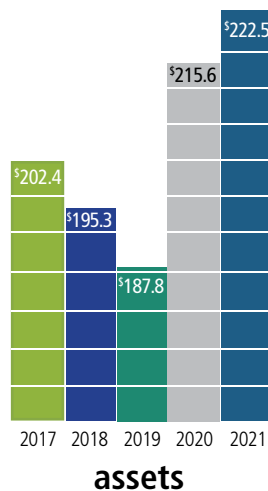
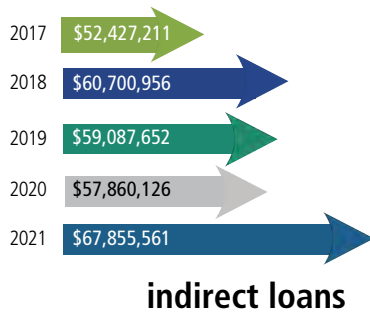
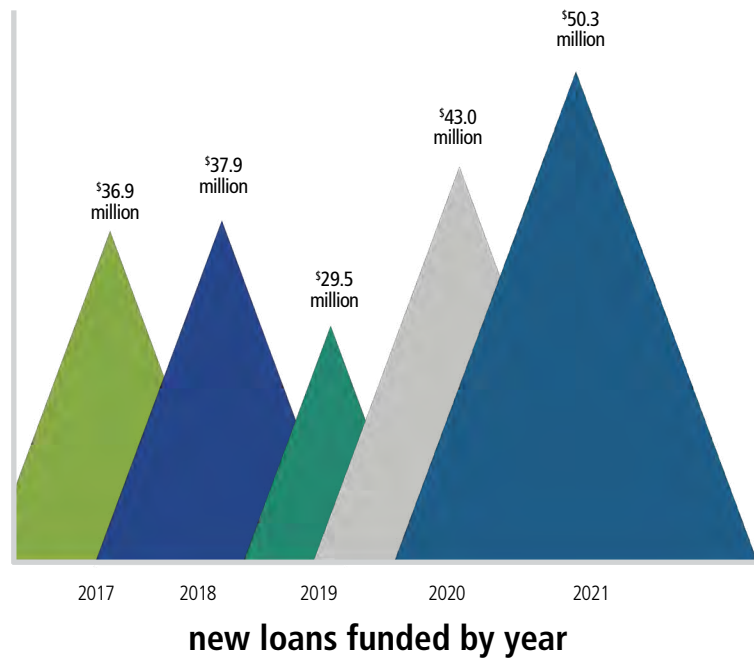
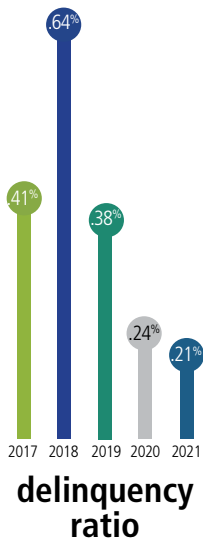
Thank you for your continued loyalty and for your support of MemberSource Credit Union.



Joe Hildenbrand | Treasurer



by the numbers



credit union financials



statement of financial condition

ASSETS

	2021	2020
Loans to Members, net	\$ 154,361,685	\$ 149,468,464
Cash and Cash Equivalents	1,654,386	23,901,052
Investments (Available for Sale/Other)	52,752,137	30,597,490
Property and Equipment, net	5,973,927	6,038,273
Share Insurance Deposits	1,825,407	1,982,383
Other Assets	5,449,586	3,134,424
Accrued Interest Receivable	512,755	533,819
TOTAL ASSETS	\$ 222,529,883	\$ 215,655,905

LIABILITIES & MEMBERS' EQUITY

Members' Shares	199,937,710	193,587,652
Accrued Expenses & Other Liabilities	1,075,987	1,494,593
TOTAL MEMBERS' EQUITY	\$21,516,186	\$20,573,660
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$222,529,883	\$215,655,905

INTEREST INCOME

Interest on Loans to Members	\$ 6,304,383	\$ 6,813,225
Interest on Investments and Cash Equivalents	524,330	301,514
TOTAL INTEREST INCOME	\$6,828,713	\$ 7,114,739

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

	\$ 325,891	\$ 566,457
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TOTAL INTEREST EXPENSE

Net Interest Income	\$6,502,822	\$ 6,548,282
Provision for Loan Losses	94,861	673,009
Net Interest Income After Provision for Loan Losses	\$6,407,961	\$5,875,273

NON-INTEREST INCOME

Service Charges and Other Fees	\$3,018,379	\$2,798,258
NCUSIF Non-Operating and Other Non-Interest Income	0	0

TOTAL NON-INTEREST INCOME

	\$ 3,018,379	\$ 2,798,258
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Income Before General and Administrative Expenses

	\$ 9,426,340	\$ 8,073,531
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GENERAL ADMINISTRATIVE EXPENSES

Salaries and Benefits	\$ 4,339,460	\$ 4,305,478
Occupancy	681,034	687,544
Operations	3,114,673	3,124,984

TOTAL GENERAL AND ADMINISTRATIVE EXPENSE

	\$8,135,167	\$8,118,007
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NET INCOME

Other Comprehensive Income: Net Change in Unrealized Gains (Losses) on Available-for-Sale Investments	5,226	
TOTAL COMPREHENSIVE INCOME	\$1,296,399	\$ 555,523

statement of income



member and community impact

member impact

In 2021, MemberSource Credit Union continued to offer numerous programs to benefit our members financially. Some of those programs included:

- Allpoint (free nationwide ATM network)
- TurboTax® Member Discount
- Summer and Winter Skip a Payment Options
- Balance Transfer Offer
- Emergency Winter Storm Loan
- Hurricane Ida Financial Relief
- MEMBERS Financial Services online webinars
- 12 Days of Giveaways Holiday Promotion

MSCU was granted approval for our Field of Membership expansion which now allows individuals who live, work, worship or attend school in Harris and Montgomery Counties.

To improve member service, MemberSource CU installed a new phone system providing greater functionality and options. A new member email onboarding program was initiated to further engage new members by communicating helpful information as well as additional products or services they may find beneficial.

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

- Member Home Loan
- Member Auto Center
- Enterprise
- LendKey (private student loans)
- Balance (FREE online financial resources)

community impact

MemberSource Credit Union feels it is important to contribute to and be involved in our community when and where possible - especially during times of emergency. While it was challenging in some areas due to the pandemic, the following events are some of the ways we accomplished that:

- 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
- Sugar Land Skeeters Official Sponsor
- Hosted Annual Food Drive benefitting Houston Food Bank
- Collected money, food and supplies to donate to Hurricane Ida victims in Louisiana



about

membersource credit union



board of directors

Jeremy Smith, Chair

Term Expires 2024

Patrick Gibson, Vice Chair

Term Expires 2022

Joe Hildenbrand, Treasurer

Term Expires 2022

Cheri L. Peper, Secretary

Term Expires 2023

Gay Baskin, Member

Term Expires 2024

David L. Berry, Member

Term Expires 2024

Eddie Corvin, Member

Term Expires 2023

Art Richardson, Member

Term Expires 2022

Ellen S. Tarver, Member

Term Expires 2023

management team

Kenny Harrington

President, CEO

Leon Davis

Chief Financial Officer

Kelly Brink

Chief Lending Officer

Diana Fisher

Vice President, Marketing

Bobbi Phelps

Vice President, Branch Operations

Samuel Phelps

Vice President, Information Technology

branch locations

Westchase

Westchase Branch
10100 Richmond Ave
Houston TX 77042

Galleria

Galleria Branch - Enbridge
5400 Westheimer Ct
Houston, Texas 77056

Sugar Land

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

The Woodlands

The Woodlands Branch - (inside Oxy)
1201 Lake Robbins Dr - 1st floor
The Woodlands, TX 7738