



**New England
Federal Credit Union**

ANNUAL
REPORT **2019**

Making home possible



OUR MISSION

We are committed to promoting and improving our members' economic well-being.

Message from the Treasurer, Chair, and President & CEO

In 2019, NEFCU had another positive and successful year. Our financial performance exceeded expectations and member satisfaction levels continued to improve. Usage of our online and mobile services increased, and the new digital capabilities we deployed were rapidly adopted by members.

Overall, NEFCU loan totals grew by \$203 million, assets were \$1.415 billion, and capital stood at 12.58%.

The Credit Union's financial success was driven by a strong performance in home financing, as rates unexpectedly decreased in 2019. This pleasant surprise had a positive effect.

What was not a surprise, however, was that people continued to choose NEFCU for their home financing needs. Members know that NEFCU is doing more than just originating and servicing mortgages; we're also making a determined effort to solve some of the challenges that make it hard for people to achieve the dream of home ownership. Our financial education seminars teach people how to prepare to buy a home, our mortgage officers leverage their expertise to match buyers with the right financing programs, and we lead the way in offering innovative solutions that make it possible for people from all walks of life to afford homes of their own.

In 2019, we were notable for some other successes as well: Our investment division, NEFCU Financial Group (NFG), had their best year yet in meeting members' broader needs for financial planning and retirement income. Our expanded business lending team established new relationships in the commercial sector while strengthening the ones we already have. Deposits also grew; the result of our efforts to meet the needs of depositors as well as borrowers.

Each year, we leverage our success to give back to our communities and those in need. In addition to our ongoing charitable donations and to increase the supply of affordable housing in our region, we have contributed over \$2.5 million in the past three years to local housing advocates

such as Vermont Housing Finance Agency (VHFA), Champlain Housing Trust, and the Committee on Temporary Shelter (COTS). NEFCU's support for these organizations has made an impactful change in lives of local seniors and families.

Our staff deserves special mention for NEFCU's ongoing success, and their efforts were recognized once again in 2019 by the readers of *Seven Days* magazine, who awarded NEFCU the Daysie Award for Best Bank or Credit Union for the eighth year in a row.

While we were pleased by NEFCU's performance, we know that we must be constantly thinking ahead to meet the future needs and expectations of our members. Accordingly, this was also a year of evaluation and strategic planning at NEFCU, through which we identified new solutions for the benefit of a wider share of our members and our community.

Working together, we have created something truly special. The Credit Union has been serving the needs of Vermonters for nearly 60 years, and we're doing everything we can to ensure that NEFCU will be here to serve future generations as well.



~ **Evan Langfeldt**, Treasurer
Charles T. DesLauriers, Chair
John J. Dwyer, Jr., President & CEO

2019 Year in Review

NEFCU is the largest and highest-rated mortgage lender in Vermont. We became the market leader by offering home financing that is simple, straightforward, and convenient, without the hidden fees and costs you might find at a big national bank.

What makes NEFCU truly special however, is how we use our industry expertise to make it possible for people to own their own home through innovative mortgage programs and partnerships with local housing organizations.

NEFCU helps those who are struggling to buy their first home by offering low or no down payment solutions, free one-on-one budgeting, credit counseling, and financial education to help them get “mortgage ready.” For nearly 60 years, NEFCU has helped thousands of people realize the dream of home ownership.

Mortgage Lending

Demand for home financing was strong in 2019, driven by the unexpectedly low interest rate environment and NEFCU’s reputation for expert service.

Total annual production in mortgages was \$419 million, a significant increase over last year.

Annual mortgage production is typically a good indicator of how well we’re meeting the needs of our members, and the results in 2019 were encouraging.

Consumer Loans

Overall, we had a good year for consumer loans. We made a real effort to offer the low-cost loans people want without any tricks, gimmicks, or onerous terms, earning our members’ trust along the way.

In 2019, we helped more than 3,900 members (direct & indirect) buy a car, truck, RV, boat, or other vehicle. Our Lifestyle Loan was used by our members to finance big moments in life such as weddings, adoptions, childbearing treatments, and certain types of elective surgeries, while our Energy Smart Loan helped people make their homes more comfortable and energy-efficient.

Our VISA® card program is designed to be a convenient, safe, and rewarding way for members to make payments in today’s complex retail and digital sales environments. We are currently working to better meet the needs of members with credit challenges, and we’re making changes to our VISA card program to be more supportive of members.

Business Lending

NEFCU now has three business loan officers who are skilled in underwriting and processing. In 2019 we grew the overall size of our portfolio and our number of business lending relationships. We are currently exploring ways to increase the types of services we offer to our business members.

Checking and Savings

Checking has seen some big changes over the years. While today’s checking account still provides the same essential functions as in the past, digital technology has added multiple layers of additional functionality to this service and has also made it possible to link spending behavior to savings goals.

NEFCU has always been committed to making things simple and convenient for our members, and our *SimplySmarter* Checking™ account is designed to be both powerful and easy to use. Debit card transactions are both reliable and safe, with the option for instant access to account information through mobile devices.

Currently we have 52% of active members with a checking account at NEFCU, and more people are using and accessing their accounts through their mobile devices. We continue to make additions and improvements to ensure that all members benefit from today’s advanced capabilities for ease, convenience, and security.

NEFCU employs a variety of means to help members achieve their savings goals. Through competitive local rates, and our ongoing advertising campaign, “Start a Savings Habit – Be a Life Saver,” we encourage members to take advantage of our savings products and the automated tools we offer. In 2019 we introduced the “Change Saver” option to our debit cards to help members save as they spend.

Deposits grew in 2019, mostly as members sought higher yields in our certificates and money market (Power) accounts. The number of members saving with us also increased.

Financial Education and Counseling

NEFCU is a leading provider of financial education in the communities we serve. In 2019, more than 82 events were offered with 2,013 people attending. In addition

to our usual seminars on home financing, car buying, and retirement, we have increased our outreach to the younger demographic through events at local high schools and colleges. In our RightTrack™ program, 85 accounts were opened for young adults completing the three required online courses, qualifying them for a \$25 gift deposited into a new checking account.

We also led a larger number of events in the community, coinciding with the renovation of our Member Education Center, which we plan to re-open in 2020. Highlights in 2019 included new events and courses about home financing, financial wellness, and saving; a seminar created especially for young professionals; the Mad City Money real-life budgeting simulation for high school students; and new courses on specific topics of interest.



Direct Financial™

We have made several changes to our operational footprint in Michigan to best serve our members there and to position us for future growth. This included moving a branch to be closer to staff at Blue Cross Blue Shield (BCBS) and closing the branch in the Renaissance Center due to low utilization. We are currently using innovative techniques to generate a higher mortgage volume at Direct Financial, and these are proving to be successful.

Information Security, Privacy, and Confidentiality

We continue to see a trend toward increasingly sophisticated attacks on our members, where hackers pretend to be someone they're not. In these targeted scams, criminals may attempt to extract personal information, to trick members into wiring large sums of money to fake accounts, or to divulge their online banking credentials. Please remember that we will never contact you to ask

you for information that we already have, such as your account number, member number, or username (although, if you initiate a call to the Contact Center, we may ask for information to verify your identity). Never give your NEFCUOnline credentials to anyone over the phone or by email. As always, NEFCU is committed to protecting the security and privacy of our members.

Member Satisfaction

To ensure we're meeting the expectations of our members, we conduct a structured survey program throughout the year. We saw an improvement in our survey results compared to last year.

Member Auto & Home Insurance Program

MetLife Auto and Home® brings high-quality insurance from a top-rated national carrier to Credit Union members at discounted rates. We also offer Travelers Insurance. Both top-rated national carriers are committed to providing group rates and high-quality service and value to members.

Community Giving

NEFCU "gives back" through significant contributions to promote local affordable housing, children's health, financial education, and other programs and events that make our area a desirable place to live. In 2019, we were proud once again to be the lead sponsor of the Burlington Discover Jazz Festival event in downtown Burlington. We also sponsored the Maple Tree Place Concert Series, and satisfied unsolicited requests for support through our quarterly drawings.

In keeping with our status as the local market leader in home financing, NEFCU has made significant donations over the past few years to local housing organizations such as Vermont Housing Finance Agency (VHFA), Champlain Housing Trust, the Committee On Temporary Shelter (COTS), and other groups who share our values and our commitment to making home possible for the people in the communities we serve.

Events, Sponsorships, & Donations in 2019

Events & Sponsorships

Blankets of Hope™
Shred Fest™
Vermont Distinguished Writers' Series

Team Sporting Events
Nursing & STEM Scholarships

Donations

American Cancer Society
American Heart Association
Champlain Housing Trust
Champlain Valley Office of
Economic Opportunity (CVOEO)
The Committee on Temporary Shelter (COTS)
Community College of Vermont
Community Health Centers of Burlington
Feed a Family Food Drive
Flynn Center for the Performing Arts
Food From the Heart Food Drive
Franklin County Home Health Agency
United Way of Northwest Vermont

Martha's Kitchen
Tim's House, a Division of Samaritan House
Vermont Children's Hospital
Vermont Maple Festival
Vermont Public Television (VPT)
Williston Community Food Shelf
Greater Burlington YMCA
United Way
Vermont Community Loan Fund
Vermont National Guard
Boys & Girls Club of Burlington
March of Dimes
Steps to End Domestic Violence

We also support the spirit of civic engagement by donating to smaller programs, events and causes that enrich our communities. We cannot fulfill every request, so we ask interested groups that meet our charitable giving guidelines to enter quarterly drawings to ensure a fair process. Recipients of NEFCU grants in 2019 included:

Blue Star Mothers of VT
Milton PTO
Project Hoepfner
South Hero Library
Champlain Housing Trust
Spectrum
Lund
Essex Youth Hockey

Social Band
Mentor of VT
Ronald McDonald House
Burlington Dismas House
UVM Health Network
Technology for Tomorrow
King Street Youth Center
Governor's Institutes of Vermont



\$3.8 Billion

Total value of mortgages originated or serviced by NEFCU over the past 10 years



\$2 Billion

Mortgage balances at the end of 2019



\$115 million

Total value of Home Equity Loans



11,570

Total number of mortgages at December 31, 2019



565

Number of First-Time Homebuyers in 2019



\$2.5 Million

Amount donated to affordable housing over the past three years

Making home possible

NEFCU is leveraging its home financing expertise to help people from all walks of life and incomes afford homes of their own.

At NEFCU, we work hard to help our members achieve the dream of home ownership. Our experienced staff includes some of the most talented in the Vermont mortgage industry today.

Our goal is simple – we aim to provide our members with the financing that is right for them, with very competitive rates and fees, through a process designed to make the entire journey both smooth and successful.

To assist first-time homebuyers work through today's financial hurdles, NEFCU offers creative programs such as the H.O.M.E. (Home Ownership Made Easy) product, which provides a 3% forgivable interest-free down payment loan. With the H.O.M.E. loan, NEFCU also pays the cost of private mortgage insurance, making payments more affordable.

With our continued support of local housing advocates such as Vermont Housing Finance Agency (VHFA), Champlain Housing Trust, and the Committee On Temporary Shelter (COTS) we have increased the supply of affordable housing in our region.

A stable living environment is essential for children to reach their full potential, and NEFCU's support is making a real difference in the lives of these young people and in the community as a whole.



French Block, Montpelier, VT

Photo Credit: Housing Vermont



Allard Square, South Burlington, VT

Photo Credit: Cathedral Square

VHFA Housing Projects Supported by NEFCU

Vergennes Community Housing, Vergennes, VT

Photo Credit: Addison County Community Trust



Pleasant Hills, Bristol, VT

Photo Credit: Housing Vermont



2020 Preview

A strategic planning process led by the senior management team in 2019 helped chart a path for NEFCU in 2020 and beyond. We have identified several initiatives that will guide us toward improved service and even higher levels of member satisfaction in the years ahead.

Areas of focus include an expansion of the services we offer to our business members; helping a wider demographic in our community with their liquidity needs; and adding more locations to enable easier access to our products and services.

Meanwhile, we will be striving to make things easier and more convenient for our members through our regular process of continual improvement. The mortgage department will be doing even more to “make home possible” for members and potential members; our consumer

loan products will be improved to help as many of our members as possible; and we will expand our financial education program by introducing new topics of interest to audiences yet unreached.

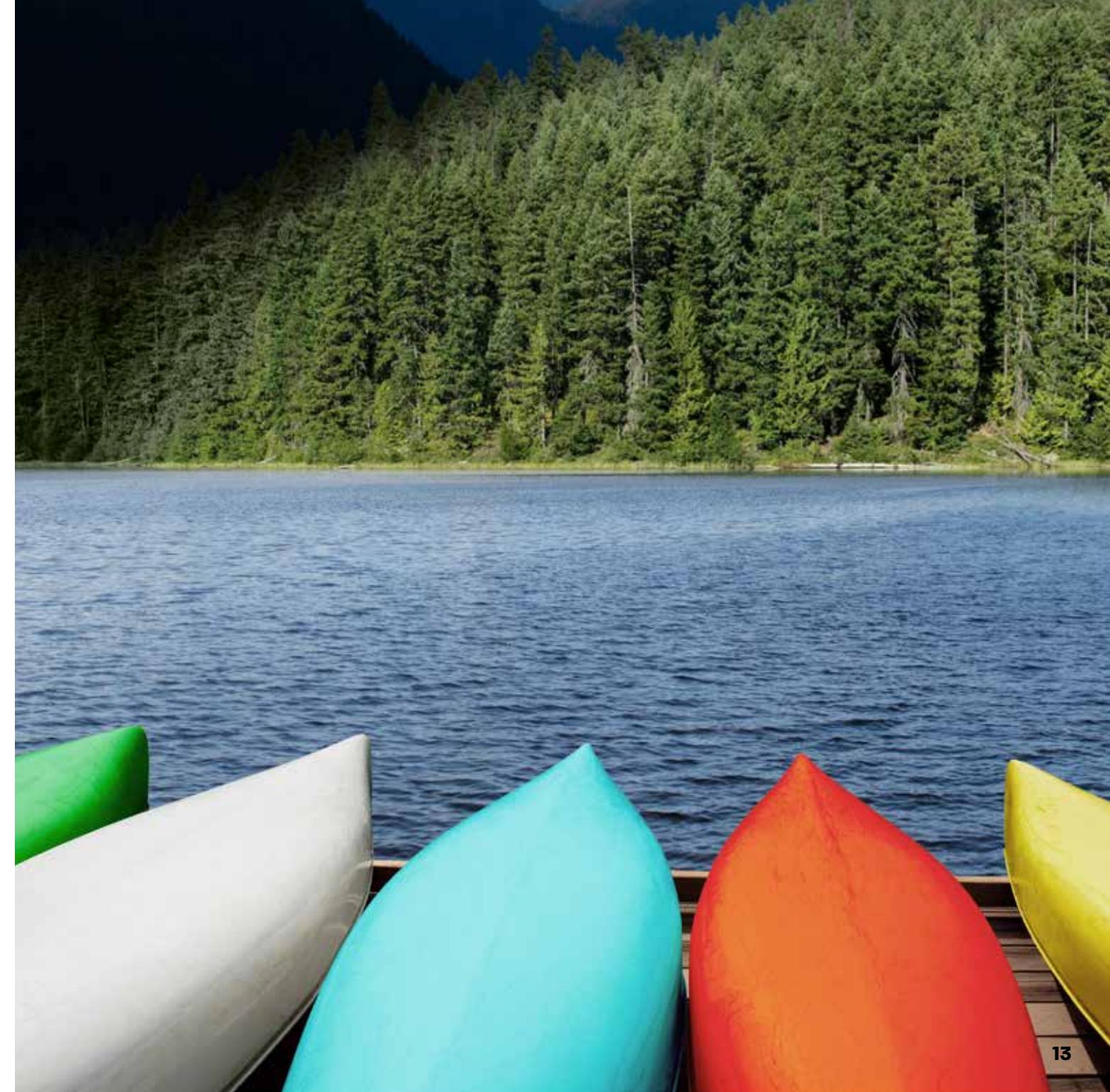
Digital delivery and capabilities will continue to be a strong focus in 2020. We will be introducing a new “peer to peer” money transfer service that will give members an expanded ability to send and receive funds to friends, family, and social groups.

Our website will be refreshed to make it easier to find relevant content, acquire additional services, and apply for loans, and we will continue to devote resources to improving mobile device functionality.

Transactional security and the protection of personal information is an ongoing area of importance for us, and we are currently working with our vendors to introduce more powerful credit and debit card controls.

In Michigan, we will continue to concentrate our efforts on serving the needs of BCBS staff members while developing our capabilities as a mortgage originator. We are having some success with both.

But as always, our main focus will always be on you – helping to improve your financial condition by ensuring you get the financial service that’s exactly right for you, at a price you can afford.



Report of the Supervisory Committee



LEFT TO RIGHT:

Henry R. Farmer

Amy T. Vaughan

Glenn F. Enos

John R. Eisenmann, Jr.
Chair

Susan M. Francis
Internal Auditor Manager

Michael J. Towle

The Supervisory Committee provides oversight of the Credit Union's financial reporting process on behalf of the Board of Directors. As part of that oversight process, the Committee independently selects a certified public accounting firm to perform an opinion audit on the Credit Union's financial statements. The Committee selected the firm CliftonLarsonAllen LLP to perform an audit of the Credit Union's financial statements for the period ending December 31, 2019, expressing an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. The accounting firm expressed an unmodified opinion for the financial statements audited.

Management is responsible for the financial statements and the financial reporting process, including internal controls. In fulfilling its oversight responsibilities, the Committee discussed the financial statements in the annual report with management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Supervisory Committee discussed with the independent certified public accounting firm's auditors, their judgments as to the quality, not just the acceptability, of the Credit Union's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the independent certified public accounting firm the auditor's independence from management and the Credit Union, and considered the compatibility of non-audit services with the auditor's independence.

The Supervisory Committee discussed with the company's internal and independent auditors the overall scope and plan for their respective audits. The Committee meets with internal and contracted auditors as well as the independent certified public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Credit Union's internal controls, and the overall quality of the Credit Union's financial reporting and compliance initiatives.

The Committee is perpetuated by the volunteer efforts of Credit Union members. Members who are interested in serving on the Committee are encouraged to submit their names to Susan Francis, Internal Audit Manager, at 802.764.6528 for consideration by the Board of Directors and the Supervisory Committee.

~ **John R. Eisenmann, Jr.**
Chair, Supervisory Committee

Directors, Management, & Committees

BOARD OF DIRECTORS



LEFT TO RIGHT:

Margaret H. O'Donnell
Frank G. Harris, III
Evan Langfeldt
Charles T. DesLauriers
Ruth E. Uphold
Arthur G. Woolf
Amy Vaughan

Missing from photo:
Kathleen S. Emery-Ginn
Deborah McDowell

MANAGEMENT



LEFT TO RIGHT:

Mark Ackerly
Chief Information Officer

Susan E. Leonard
Senior Vice President & CFO

William S. Smith
Chief Retail Officer

John J. Dwyer, Jr.
President & CEO

Gregory W. Hahr
Chief Lending Officer

Susan F. Church
Chief Human Resources Officer

DIRECTORS

Chair
Charles T. DesLauriers

1st Vice Chair
Arthur G. Woolf

2nd Vice Chair
Frank G. Harris, III

Secretary
Margaret H. O'Donnell

Treasurer
Evan Langfeldt

Kathleen S. Emery Ginn
Amy T. Vaughan
Ruth E. Uphold
Deb McDowell

Directors Emeritus
Edward Blaise, III
Martin J. Mara
Anna S. Niemiec

BOARD COMMITTEES

Finance and Investment
Evan Langfeldt – *Chair*
John R. Eisenmann, Jr.
Arthur G. Woolf

Marketing & Business Development
Margaret H. O'Donnell – *Chair*
Jonathan P. Ebbers
Ruth E. Uphold

Human Resources
Kathleen S. Emery-Ginn – *Chair*
Deborah McDowell
Margaret H. O'Donnell

Information Systems
Frank G. Harris, III – *Chair*
Kathleen S. Emery Ginn
Syd Eren

Statements of Financial Condition

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 34,682,000	\$ 83,638,000
Investments		
Available-for-Sale	145,166,000	153,599,000
Equity Securities	24,678,000	17,020,000
Other	3,562,000	2,825,000
Loans Held-for-Sale	1,218,000	4,278,000
Loans to Members, Net	1,142,542,000	937,242,000
Accrued Interest Receivable	3,239,000	2,803,000
Property and Equipment, Net	32,759,000	32,597,000
National Credit Union Share Insurance Fund Deposit	10,658,000	10,392,000
Mortgage Servicing Rights, Net	9,463,000	9,698,000
Other Assets	7,213,000	5,614,000
TOTAL ASSETS	\$ 1,415,180,000	\$ 1,259,706,000
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' Shares	\$ 1,178,819,000	\$ 1,081,574,000
Accrued Expenses and Other Liabilities	20,234,000	18,764,000
Borrowed Funds	39,730,000	0
Total Liabilities	1,238,783,000	1,100,338,000
Members' Equity		
Retained Earnings	178,026,000	165,346,000
Accumulated Other Comprehensive Loss	(1,629,000)	(5,978,000)
Total Members' Equity	176,397,000	159,368,000
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 1,415,180,000	\$ 1,259,706,000

Statements of Income

Years Ended December 31, 2019 and 2018

	2019	2018
INTEREST INCOME		
Interest on Loans to Members	\$ 39,800,000	\$ 34,979,000
Interest on Investments and Cash Equivalents	5,913,000	5,281,000
Total Interest Income	45,713,000	40,260,000
INTEREST EXPENSE		
Dividends on Members' Shares	11,506,000	8,069,000
Borrowed Funds	172,000	0
Total Interest Expense	11,678,000	8,069,000
Net Interest Income Before Provision for Loan Losses	34,035,000	32,191,000
PROVISION FOR LOAN LOSSES		
Net Interest Income After Provision for Loan Losses	33,735,000	31,111,000
NON-INTEREST INCOME		
Mortgage Origination Fees	1,674,000	2,373,000
Deposit Fees	6,538,000	6,265,000
Credit Card Fees	2,043,000	2,023,000
Mortgage Servicing Fees	3,471,000	4,405,000
Commissions, Fees and Other Income	2,021,000	1,925,000
Unrealized Gain on Equity Securities	3,252,000	0
Total Non-Interest Income	18,999,000	16,991,000
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	22,220,000	20,150,000
Operations	10,996,000	10,225,000
General and Administrative	2,316,000	2,023,000
Occupancy	2,738,000	2,170,000
Promotional	2,372,000	3,346,000
Total General and Administrative Expenses	40,642,000	37,914,000
NET INCOME	\$ 12,092,000	\$ 10,188,000

Products & Services



MORTGAGES
 First Time Homebuyer Programs
 Fixed Rate Mortgages
 Adjustable Rate Mortgages
 Jumbo Mortgages
 Second Home Mortgages
 Investment Property Mortgages
 Mobile Home Loans
 Land Loans
 Construction Loans
 MyChoice Mortgage™
 VA Loans
 FHA Loans
 VHFA Program

HOME EQUITY LOANS
 Home Equity Plus
 Home Equity Line of Credit

BUSINESS LENDING
 Machinery/Equipment/Vehicle Term Loans
 Real Estate Term Loans
 Real Estate Lines of Credit
 Secured Lines of Credit

CHECKING AND DEPOSIT ACCOUNTS
 SimplySmarter Checking™
 Business Share Draft Account
 Share Account (Savings)
 Power Account (Money Market)
 Term Share Certificates
 Individual Retirement Accounts
 Direct Deposit
 Courtesy Pay

NEFCUOnline
 BillPay™
 Expedited Payments
 Electronic Bill Presentment
 Automated and Scheduled Account Transfers
 Live Chat & Secure Messaging
 Online Account Opening
 Money Management
 eDelivery of Statements and Notices
 Alerts and Notifications
 Mobile Deposit
 Shared Access with Others
 Card Dispute Forms
 Stop Payments
 Person-to-Person Payments
 Account-to-Account Transfers

CONSUMER LOANS
 Auto Loans
 Truck Loans
 Recreational Vehicle Loans
 Motorcycle Loans
 Boat Loans
 Snowmobile Loans
 Personal Loans
 Consolidation Loans
 Lifestyle Loans
 Energy Smart Loans
 First Time Auto Buyer Loans

VISA®
 Visa Explorer Card
 Visa Explorer Rewards Card
 Visa Online Access

ACCOUNT ACCESS
 NEFCUOnline & Mobile Banking
 ATMs & Debit Card
 Accountline
 Wire Transfers
 NEFCU Contact Center & Loan Center
 Apple Pay® Samsung Pay™, Google Pay™
 Smartwatch Banking
 NEFCU Credit Card Manager
 SecurLOCK Equip™
 LoanPay Express
 Money Movement Services
 Digital Access

FINANCIAL COUNSELING
 Budget Counseling
 Credit Counseling
 Debt Counseling
 Educational Seminars



INSURANCE
 TruStage® Accidental Death & Dismemberment Insurance
 TruStage® Life Insurance
 Debt Protection
 GAP Protection
 MetLife Auto & Home® Insurance
 Travelers® Auto & Home Insurance

SECURITIES, INVESTMENT AND INSURANCE
 Services and products offered to NEFCU members by Advisors at NEFCU Financial Group, available through CUSO Financial Services, L.P. (Member FINRA/SIPC)



ADMINISTRATIVE OFFICES

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295 Tuckers Way, St. Albans, VT

LOAN CENTER

866.80.LOANS

NEFCU FINANCIAL GROUP

Available through CUSO Financial Services, L.P.
(CFS) Investment and Insurance services available
to NEFCU members through CFS Financial Advisors
at NEFCU Financial Group, located at New England
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