



2019

Annual Report

**Growing.
Building.
Relationships.**



HFCU *Houston Federal
Credit Union*

HoustonFCU.org — Federally Insured by NCUA





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Chairman's Report.

Originally chartered in 1960, 2019 was the fifty-ninth year of Credit Union operations. Fifty-nine years of serving our membership, building and growing relationships with generations of families and businesses and always adhering to our mission statement to “Be our members’ advocate by helping them achieve their dreams with personalized financial solutions.” Two thousand and nineteen was a year of change, excitement and growth for Houston Federal Credit Union.

Over the past year, HFCU introduced new and convenient products and services, experienced excellent financial results and maintained community outreach programs including financial literacy. These initiatives benefit members and the Credit Union, which contribute to continued growth while building lasting relationships. One initiative is *HFCU QuickPay*, which provides an easy, convenient and secure way for members and business members to make loan payments, view their loan payment history and manage their payments through the *HFCU QuickPay* portal. Protecting members’ identities and personal information remains a priority for HFCU, and the new *ActivEdge* technology helps protect members against credit and debit card fraud at all HFCU owned and surcharge-free ATMs. *ActivEdge* card readers are the financial industry’s first secure card reading method. Instead of inserting and reading the card in a more traditional way, *ActivEdge* technology requires the cardholder to insert their cards long-edge first. This new enhanced feature makes it impossible for skimmers to capture the credit and debit card’s information due to an encrypted moving read head inside the *ActivEdge* reader.

As the nation’s economy remained steadfast through the longest economic expansion in American history and with unemployment at its lowest level in fifty years, Houston Federal Credit Union’s financial strength and membership experienced unparalleled growth. At the end of 2019, assets rose to \$700

million, loans outstanding grew to \$463 million and total membership increased to 61,000 members. HFCU saved members \$4.6 million through loan refinances. By refinancing members’ loans, we save members’ money, which improves their lives and helps them reach their financial dreams, all while fulfilling the Credit Union philosophy of “*People Helping People*.” Saving members’ money, improving their lives and helping them reach their dreams is at the heart of HFCU’s mission. These results speak to the loyalty of our membership, and HFCU’s strong member relationships continue to create a strong foundation for the Credit Union to grow and build upon.

HFCU understands education is the key to economic empowerment for all. That is why HFCU is an integral part of financial education in the communities in which we serve, by providing free financial seminars and our online financial literacy program, ELEVATE. Through a partnership with the Literacy Council of Fort Bend County, ELEVATE is made available to their students, and makes a positive impact on their lives. In conjunction with the Houston Rockets Community Outreach team, HFCU also introduced Houston area middle school students to financial literacy basics through the Power of Preparation (P.O.P.) program in six area middle schools. HFCU will always remain committed to helping our members, and will continue to provide free financial education to current and future generations of families.

Since our inception, Houston Federal Credit Union has remained dedicated and passionate in support of the communities in which we serve and operate. HFCU makes a difference in our communities by supporting worthy causes and organizations through outreach initiatives, volunteer efforts and financial contributions. Through these initiatives we have built strong business and community relationships including: East Fort Bend Human Needs Ministry, Fort Bend Women’s Center, Hemophilia of South Carolina,

Houston Baptist University, Houston Rockets, Literacy Council of Fort Bend County, Pride Houston Inc. and Shriners Hospitals for Children.

The future of our membership and our Credit Union is stellar as we continue to set new records in many of our key performance areas. The continued success of HFCU is because of you—our members. On behalf of the Board of Directors, management, and staff, we thank you for choosing Houston Federal Credit Union for all your financial needs, and as you continue to grow and go through life’s financial journey, HFCU will be there and continue to grow with you.

Nancy Breland

Chairman of the Board

What our members are saying.

“Great experience working with the team in opening my account. Miranda Ikedi was responsive, super helpful and went above and beyond to make sure the experience was as seamless as possible, especially for a first-timer like myself who asked a lot of questions throughout the process. She deserves recognition in my opinion. Thank you again, Miranda. Keep up the fantastic work!”

Peter A.

Ribbon Cutting & Grand Opening Celebration.

Southeast Branch
October 2019



One of four \$1,000
prize winners during our
Grand Opening Celebration!

President's Report.



Houston Federal Credit Union continues to experience overall growth through the trust and loyalty of its members, the dedication of the Board of Directors and the volunteers and staff who embrace and embody the Credit Union movement's philosophy of "People Helping People." The relationship between HFCU and its membership is a symbiotic relationship, both benefit by improving the other. HFCU is and always has been a member advocate by building relationships, expanding branches, improving member service and providing secure value added products and services that continue to build financial strength for both the Credit Union and the membership.

In 2019, Houston Federal Credit Union constructed a new larger Southeast branch, relocating from a leased facility off the Interstate 45 feeder road to South Sam Houston Parkway East, in Southeast Houston. The new Southeast branch is over 7,000 square feet and is the second largest HFCU branch. The branch was expanded and relocated to improve service for over 7,300 current members and to extend the opportunity for Credit Union membership to more than 35,000 potential members within three miles of the new branch. Members are able to conduct financial transactions and choose from a full range of consumer and business checking, savings and loan products. The new location has four convenient drive through lanes—including a commercial drive through lane for business members, a drive-up ATM and a walk up ATM located at the front of the branch. Both ATMs are available 24/7, accept check and cash deposits and are surcharge free through the CO-OP Network. The Southeast branch now offers a conference room that is used for member educational seminars presented by HFCU's *Mortgages* team, Financial Counselor, Financial Advisor and Business and Commercial Lending team.

Houston Federal Credit Union has plans to relocate the Oaktree branch on Blintiff Drive to a retail center near the campus of Houston Baptist University (HBU) located at Fondren Road and Interstate 69 (Southwest

Freeway). In the last half of 2019, HFCU negotiated and signed a retail contract, making the long anticipated HBU branch a reality. Once the permitting process is complete with the City of Houston, the build out of our HBU branch in the existing retail space will begin, and is expected to be completed before or by the end of the first half of 2020. Before, during and after the relocation of the Oaktree branch, HFCU will keep members informed through every step of the move in order to make the move as seamless as possible.

Construction on Houston Federal Credit Union's newest branch located in Sienna Plantation, Missouri City began the last week of September 2019, and is projected to be completed by the second quarter of 2020. The Sienna Plantation branch will encompass approximately 4,000 square feet and feature four drive through lanes that include an ATM and Night Drop Service, two lanes for retail member service and the fourth lane being a commercial lane to serve our business members. The Sienna Plantation branch will feature a member lounge area and coffee bar, and a conference room to be used for member educational seminars. As HFCU's membership grows, the Credit Union will evaluate additional branch locations. Prospective branch locations in Humble, Kingwood and Atascosita are currently being evaluated. Future growth is important to the Credit Union's vitality, and having a strong branch network is necessary for future growth.

In 2018, HFCU brought real estate lending completely in-house to improve member service and satisfaction when financing a home—which is one of life's most important financial decisions. During 2019, HFCU continued to make improvements to member services, by providing assistance to members who are buying or selling a home and teaming with CU Realty, to introduce a new program, the *HomeAdvantage* Real Estate Agent Network. This network is free of charge, and guides members through the home buying or selling process by pairing them with over 5,000 local

real estate professionals, across 23 states. Members utilizing the *HomeAdvantage Network* can save hundreds to thousands of dollars in cash at closing when either buying or selling a home. *HomeAdvantage Network* provides an excellent value for members who can use that extra cash to purchase items for their home, put money back into home repairs, or simply roll the cash into the closing costs of their new home. In addition to HFCU's focus on making the home buying and selling process easier, we continued to save our members' money by refinancing their mortgages with HFCU. *HFCU Mortgages* will continue providing affordable real estate loans that will allow both our members and HFCU to grow stronger together.

Members place significant trust in the Credit Union and we honor that trust with outstanding member service, and provide secure products and services to our membership. Last year, HFCU made it easier to become a member by offering a secure, private and convenient online membership and loan application, located on the Credit Union's website. This application allows potential members to apply for membership, loans, set up savings accounts and open additional accounts from the convenience of a desktop computer, laptop or mobile device. In addition, HFCU improved the online loan application for its members by adding a loan application tab to its online banking service, making it more convenient and accessible to apply for a loan. Providing convenient secure access to member accounts is of paramount importance to Houston Federal Credit Union.

Houston Federal Credit Union recognizes that continuous service is extremely important, and is continuing to evolve systems and services to ensure your Credit Union is at your service 24x7x365 regardless of circumstances. In 2018, HFCU completed work to establish highly secure and secondary data center operations completely outside of Texas. Through 2019 and ongoing in 2020, these data centers and systems are replicated and tested on a regular basis

and are ready for deployment at a moment's notice. Protecting member's financial assets is one of HFCU's top priorities and we continue to improve technology and processes to ensure critical services will remain available to members, even during times of crisis.

The principals of financial strength, superior products and services, building member relationships and outstanding member service for our member-owners is at the very core of HFCU's mission. Meeting our members' needs while exceeding their expectations has been a goal since our doors opened. We appreciate the trust placed in our institution with every member account, loan and service. Houston Federal Credit Union looks to the future for continued growth by building more branches, expanding member products and services and creating positive relationships while serving our members with honesty, integrity and respect for generations to come.

Chris Choat
President & CEO



Power of Preparation (P.O.P.)

Houston Middle Schools
Winter/Spring, 2019



HFCU employees after a P.O.P. rally posing with Rockets' legend, Maurice Taylor.



Treasurer's Report.

Houston Federal Credit Union is proud to have completed another successful year in 2019, thanks to thousands of members who make HFCU their financial institution of choice. Each day we are reminded that HFCU is not just a financial institution; we are a Credit Union—a unique organization that is owned and operated by our members. We hear of the positive impact we make on our members' lives on a daily basis; this is a testament to HFCU's long-standing service motto of "Exceeding Members' Expectations."

Over the past year, HFCU had outstanding financial results. Deposits totaled \$631,099,604 as of December 31, 2019, representing a growth rate of 8.40%. End-of-the-year assets increased by 8.42% for a total of \$700,193,142. Capital contributions (net income in a for-profit entity) at year end totaled \$5,194,892 and resulted in a total net worth of \$62,444,624. HFCU's net worth was at 8.92% as of December 31, 2019. These results, meet the National Credit Union Administration's regulatory requirements and classifies HFCU as being "well-capitalized" under these standards. Although Houston Federal Credit Union is a not-for-profit organization, capital is necessary to protect the Credit Union from unforeseen issues that are detrimental to its well-being. Capital is also required by the Credit Union's primary regulator and provider of Federal Deposit Insurance, the National Credit Union Administration.

Financially, the Credit Union had a positive stable year of growth, exceeding projections with a loan growth rate of 10.95% for a year end total loan portfolio at \$463,109,649. This strong positive growth can be attributed to our commitment to helping our members save money by providing low-rate loans for new, used and refinanced autos, boats and recreational vehicles, new and refinanced mortgages, home equity loans and lines of credit, as well as business and commercial loans.

Houston Federal Credit Union's success is not only measured in the form of financial statements, but more importantly by the financial success of each and every member. Houston Federal Credit Union plans to deliver and expand affordable financial services such as real estate lending, small business services and lending and financial and credit counseling. This will provide our members with access to the tools that are needed to become financially successful.

With focused efforts, HFCU pledges to remain committed to our members as we work to deliver exceptional service and affordable products that address and simplify your financial needs. With the continued support of our loyal members, there is no doubt that the Credit Union will have another financially strong year in 2020, and will continue to see further growth and prosperity in the years ahead.

Sally McKnight
Treasurer

What our members are saying.

"I located a vehicle and processed the application with Ms. Julie Heath. Ms. Heath was extremely accommodating and explained everything step by step. While in her office working on terms, the vehicle I originally wanted sold and the application terms were not as they were in April. Instead of saying there is nothing she could do, Julie packaged everything together and met with Amber, the Branch Manager. They worked all night (and I do mean all night) to get terms that I could accept and with the vehicle I originally wanted back in April. I can't thank both of you ladies enough for helping me get exactly what I wanted and at an incredible rate!"

Alicia A.

Financial Information.

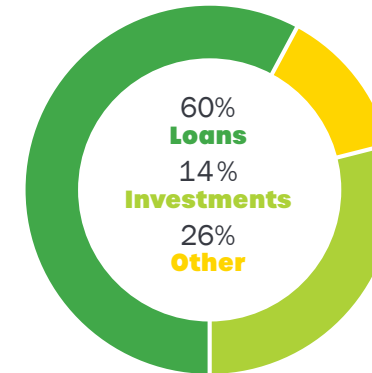
December 31, 2018 *Compared to* December 31, 2019

Assets	2018	2019
Loans to Members	\$417,421,701	\$463,109,649
Less: Allowance for Loan Losses	\$1,635,389	\$1,894,351
Net Loans to Members	\$415,786,312	\$461,215,298
Cash	\$9,162,879	\$7,720,757
Investments	\$196,242,770	\$200,936,321
Other Assets	\$24,633,658	\$30,320,766
Total Assets	\$645,825,619	\$700,193,142

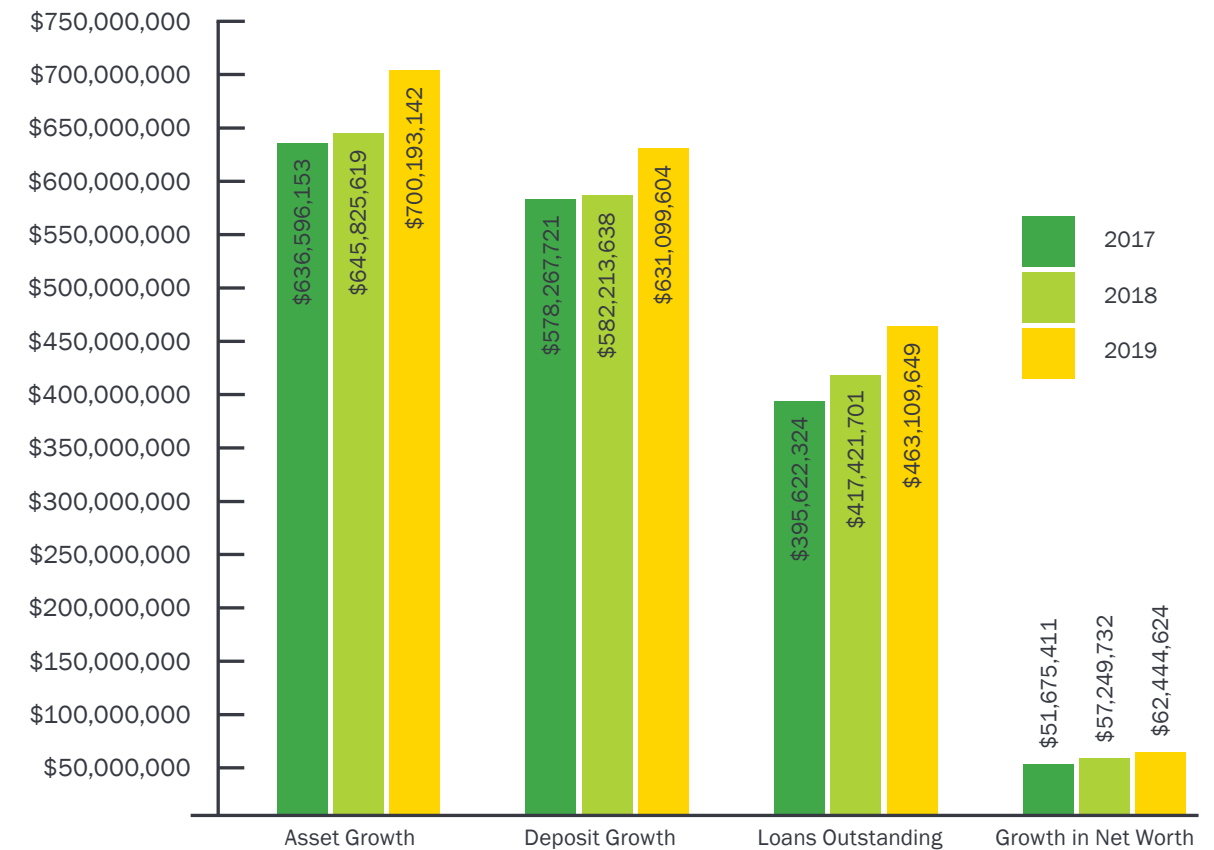
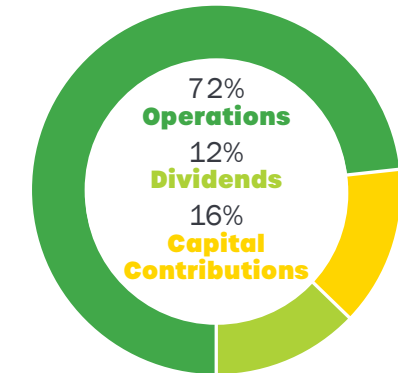
Liabilities & Equity

Accounts Payable	\$3,699,530	\$4,030,087
Accrued & Dividends Payable	\$424,376	\$846,959
All Other Liabilities	\$2,383,477	\$1,692,369
Total Liabilities	\$6,507,383	\$6,569,415
Shares	\$224,121,973	\$221,510,068
Club Accounts	\$90,383	\$89,270
Share Drafts	\$127,310,807	\$128,151,126
Health Savings Accounts	\$604,745	\$619,649
Term Share Accounts	\$65,178,067	\$106,194,336
IRAs	\$31,620,694	\$36,544,198
Insured Money Market	\$122,258,654	\$123,642,536
Business Accounts	\$11,028,315	\$14,348,420
Net Worth	\$57,249,732	\$62,444,624
Unrealized Gain/Loss on Investments	(145,134)	(79,500)
Total Equity	\$639,318,236	\$693,623,727
Total Liabilities & Equity	\$645,825,619	\$700,193,142

2019 Income \$31,545,946



2019 Expenses \$31,545,946



Houston Baptist University Events.

Houston Baptist University
Through 2019



Husky Veterans Association attending our 4th Annual First Responders and Military Appreciation Game and Tailgate Party at HBU.

Supervisory Committee's Report.

Houston Federal Credit Union's Supervisory Committee is responsible for ensuring that credit union policies and procedures adhere to relevant laws and regulations, and internal controls are adequately designed to protect members' assets.

The Committee consists of three volunteer-members who devote their time to serve the entire membership by directing audits and verifying accounts. The Committee executes these duties by meeting monthly to review and discuss the results of various audits, which are part of an audit plan that is updated yearly.

To fulfill their responsibilities, the committee oversees and reviews the activities of the internal audit department and engages the outside accounting firm, Nearman Maynard and Vallez, Certified Public Accountants, to perform a Certified Audit of HFCU's Financial Statements. This ensures the financial condition of the Credit Union is accurately presented in HFCU's Financial Statements. The Firm also conducted member account verification, verification of credit cards and mortgage loans, the annual ACH (Automated Clearing House) audit-as required by the National Automated Clearing House Association (NACHA), the annual Bank Secrecy Act (BSA) and Office of Foreign Assets Control (OFAC) audits.

In addition, the National Credit Union Administration (NCUA) evaluates the safety and soundness of the Credit Union, focusing on the following risk areas: credit risk, strategic risk, interest-rate risk, liquidity risk, transaction risk, compliance risk and reputation risk. The controls and processes examined by NCUA in 2018 and our independent CPA accounting firm in 2019, both yielded no issues of concern for the Credit Union.

Based on the results of the annual financial audit, the Supervisory Committee is pleased to report that under the leadership of our Board of Directors, President and CEO and the Internal Audit Department, Houston Federal Credit Union continues to meet its obligation of operating in an efficient and responsible manner that confirms its financial stability and soundness during 2019.

The continuous monitoring and review of HFCU's operations, procedures and controls ensure the safeguarding of assets, and allows Houston Federal Credit Union to enter 2020 in an excellent position to serve the financial needs of its members and future generations for years to come.

Gail McGuire
Supervisory Committee

What our members are saying.

"The Southeast branch is my go to branch for most of my personal needs. I have had multiple car loans, a signature loan and had a business account with this credit union. And most recently I have a HELOC with them. The rates are really competitive, and in my opinion, the best. Joanna Martinez has helped me with most of my loans. She is very professional and efficient, and I trust her when I need to get things done. Thank you HFCU and thank you Joanna."

Danny B.



Sienna Branch Groundbreaking Ceremony.

Missouri City, TX
May, 2019



City Councilmember Jeffrey L. Boney giving a speech and welcoming HFCU into the community at the Sienna Branch Groundbreaking Ceremony.

Board of Directors and Committee Members.

Nancy Breland

Chairman of the Board



John Senna

Assistant Secretary



Chris Choat

Director, President & CEO



Mike Ciancarelli

Vice Chairman



Sally McKnight

Treasurer



Virgil Harris

Director



Brent Holloway

Secretary



Samaria Chambers

Director



Gail McGuire

Director



Our Board of Directors and committees consist of volunteers dedicated to making decisions that benefit the entire membership, and continue the success of Houston Federal Credit Union.

Advisory Directors:

Richard Conley
Clayton Forbes
Carlos Sepeda
Margaret Taylor

Supervisory Committee:

Gail McGuire
Durenda Mason
Rebekah Riddle

Other Volunteers:

Richard Conley
Business Financial Services Committee

Durenda Mason
Human Resource Committee

Carlos Sepeda
Information Technology Committee

Various HFCU Community Events.

Houston, TX Area, 2019
Greenville, SC, 2019



Presenting Sponsor for the 10th Annual Fort Bend Empty Bowls event, benefitting the East Fort Bend Human Needs Ministry.

Branch Locations.

Sugar Land

16320 Kensington Drive
Sugar Land, TX 77479
281.243.0500

Kirby

3701 Kirby Drive, Suite 120
Houston, TX 77098
281.243.0650

HBU

(COMING SOON)
7459 Southwest Freeway,
Suite 100
Houston, TX 77074

Northwest

21550 State Highway 249
Houston, TX 77070
281.243.0800

Fluor Houston

One Fluor Daniel Drive
Sugar Land, TX 77478
281.263.3351

Greenville

100 Fluor Daniel Drive C102U
Greenville, SC 29607
864.676.7300

Southeast

8507 South Sam Houston
Pkwy East
Houston, TX 77075
281.243.0680

Oaktree

(RELOCATING TO HBU)
6808 Bintliff Drive
Houston, TX 77074
281.243.0620

Champions

5507 Cypress Creek Pkwy, Suite E
Houston, TX 77069
281.243.0880

Sienna Plantation

(COMING SOON)
8130 Highway 6
Missouri City, TX 77459

Rosenberg

28050 Southeast Freeway
Rosenberg, TX 77471
281.243.0600

Imperial

203 Matlage Way
Sugar Land, TX 77478
281.243.0695

Website:

houstonfcu.org

Email:

talktous@houstonfcu.org

Houston Area Local:

281.243.0500

Toll-Free:

866.OUR.HFCU (687.4328)

Greenville Toll-Free:

844.GVL.HFCU (485.4328)



In Memory of **Jack B. Smyth**, Vice Chairman

Houston Federal Credit Union Board of Directors

January 5, 1947–July 30, 2019



Jack served with distinction as one of Houston Federal Credit Union's Board of Directors, a volunteer position, for over 18 years dating back to February 28, 2001.

During his tenure at Houston Federal Credit Union, he served in various

Board positions, including Chairman during the years of 2009-2011. He was also Chairman of the Business Financial Services Committee where his entrepreneurial spirit and small business expertise served the credit union well in expanding this important service to our members. It was truly a passion for him, and he often referred to himself as a "serial entrepreneur" and was proud of the many businesses that he had formed and helped over his lengthy career.

Jack was passionate about his efforts to help people develop their ideas, and improve their businesses. His background in marketing and business development was a key element, and he was

constantly challenging our organization to tell its story, which he thought was very powerful and needed to be shouted from the tops of the mountains. Consequently, it was one of many areas where the credit union benefited through his leadership.

Jack was one that was continually pursuing knowledge and self-improvement, and was never afraid to use what he learned to help improve the lives of others. That is why HFCU was so important to Jack, why he volunteered so much of his time and energy to HFCU; it was because of his love for people, both in terms of the members served and the comradery of the people who sat with him around the Board table for almost two decades.

The Houston Federal Credit Union Board of Directors are grateful and appreciative for the many contributions Jack Smyth made to our credit union, our membership and his eighteen plus years of volunteer service on our Board of Directors. Jack will be missed for all of the wonderful things that made Jack special.



HFCU **Houston Federal
Credit Union**



Houston
Federal Credit
Union NMLS
#673404