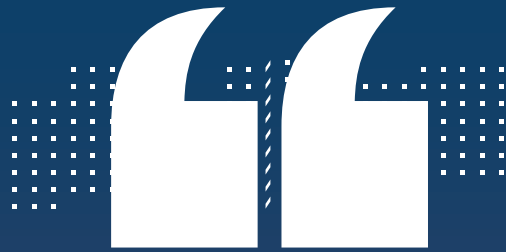


# HERE FOR YOU TODAY AND EVERY TOMORROW

## 2018 Annual Report



Federally Insured by NCUA



# MEMBER SUCCESS STORIES

## HFCU TEAM MEMBERS

*Exceeding Member's Expectations Since 1960*

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As a not-for-profit financial cooperative, Houston Federal Credit Union exists to serve our members. Service is accomplished through our team of volunteers and employees who are the reason why Houston Federal Credit Union is able to fulfill its mission of *"Being our members' advocate by helping them achieve their dreams with personalized financial solutions."*

Throughout this report are real member success stories. These stories demonstrate how HFCU *Exceeded Members' Expectations* today and every tomorrow by going above and beyond our normal duties and responsibilities to provide awesome member service. These are true testaments and demonstrate our core values of Integrity, Honesty and Respect; Passion, Commitment and Enthusiasm; Seeking Excellence in All We Do; Working Hard and Having Fun; and Friendly Service and Superior Value.



# **TABLE OF CONTENTS**

---

**2 / CHAIRMAN'S REPORT**

---

**6 / PRESIDENT'S REPORT**

---

**10 / TREASURER'S REPORT**

---

**12 / FINANCIAL INFORMATION**

---

**16 / SUPERVISORY COMMITTEE'S REPORT**

---

**20 / BOARD OF DIRECTORS & COMMITTEE MEMBERS**

---

**24 / OFFICE LOCATIONS**

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# CHAIRMAN'S REPORT

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Houston Federal Credit Union stands apart from other financial institutions by *Exceeding Member's Expectations* with exceptional products and services that give back to the members in the form of affordable loans, lower fees, and attractive deposit options. This makes HFCU an exemplary not-for-profit financial institution worthy of saying, *We're Houston's Credit Union*. HFCU continues to facilitate strong relationships with our members, business partners, and other affiliated non-profit organizations by being involved in Houston, Greenville and their surrounding communities. Through these relationships, the Credit Union continues to grow through engagement by striving to help improve peoples' lives. That is what distinguishes us from many other organizations, which by design are driven by profits rather than people.

Although not profit driven, growth and healthy contributions to capital are important to serving our members today and every tomorrow. We are pleased to inform you that your Credit Union's Assets grew to \$646 million in 2018, which was comprised of \$417 million in loans to a membership of almost 59,000 people. HFCU's positive financial and member growth are the direct result of the importance placed on member relationships, which has been our focus since formation in 1960. This growth can also be attributed to your Board of Directors, volunteers, and employees who personify HFCU's mission and core values, which are intended to create positive experiences for members and their families by striving to improve lives and fulfill dreams.

HFCU also supported many community partners and events during 2018, such as the Ballard Hospital Hospitality House; East Fort Bend Human Needs Ministry; Exchange Club of Sugar Land's Spaghetti Dinner, Fort Bend County Collaborative Information System's Back To School Bash; Fort Bend Exchange Club; Fort Bend Women's Center; Gulf Coast Regional Blood Drive; Hemophilia of South Carolina's Annual Turkey Trot; Houston Baptist University's Annual First Responders and Military Appreciation Game; Houston BarcWalk; Houston LGBT Pride Celebration; Literacy Council of Fort Bend County; and Sugar Land Skeeters' Kickball Classic benefitting Skeeters Baseball Foundation.

As the Official Credit Union of the Houston Rockets, HFCU is connecting with a broader audience to promote the difference Houston Federal Credit Union can make in peoples' financial lives. This includes working with the Houston Rockets and their community outreach program to educate younger generations about the Power of Preparation (POP), which introduces middle school students in the Houston area to financial literacy and the importance of planning for their financial futures.

ELEVATE is HFCU's financial literacy program, which is free for everyone to use through HFCU's website to gain knowledge and insight about financial literacy. The program was successfully piloted in 2018 by the Literacy Council of Fort Bend County for six weeks, and involved twenty students who came from diverse socioeconomic backgrounds. The students and staff appreciated the valuable information that was provided, and ELEVATE was added to the Literacy Council's overall curriculum. HFCU believes that this educational material should be available to everyone because providing this program falls under our philosophy of *People Helping People*.

The Credit Union values the importance of community involvement, and the impact it has on peoples' well-being. Thus, HFCU will continue to support such endeavors with the goal of making our communities healthy and vibrant. HFCU is here for you today and every tomorrow, and we are grateful for the opportunity to continue to serve you in the coming year.

## **VIRGIL HARRIS**

*Chairman of the Board*

# 3RD ANNUAL FIRST RESPONDERS AND MILITARY

**APPRECIATION GAME** / *Houston Baptist University*





# MEMBER SUCCESS STORIES

**HFCU TEAM MEMBER / JOSIE W.**

*Exceeding Member's Expectations Since 2016*

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In May of 2018, a member purchased an extended warranty from a local dealership. The finance manager accepted her cancelation form in May but never actually submitted the cancelation. At some point the finance manager stopped taking her calls. The member finally got through to someone, and a refund was issued. Josie, who is a loan officer with HFCU, helped the member file a complaint with the Texas Department of Licensing and Regulation (TDLR), and followed up and spoke with the investigator for this case. The TDLR ruled in the member's favor, and the member received a \$500 refund.





# PRESIDENT'S REPORT

People place significant trust in their financial institutions, and Houston Federal Credit Union is honored to repay that trust with exceptional service, stable financial strength, and member-focused principles. The Credit Union's financial stewardship is based on helping members make better financial decisions so that they can feel secure knowing their Credit Union is their financial advocate.

As the members' best interests are always our priority at Houston Federal Credit Union, the decision was made in 2018 to bring our real estate lending completely in-house to improve member service and satisfaction for one of our members' most important financial purchases. A few of the enhancements include the introduction of a new real estate website to educate and inform members about the process. The new online application is a fully functional and feature rich application that guides members through the entire real estate experience, and integrates directly into HFCU's mortgage processing system. Further, we are developing a new service, which will help members sell and purchase their homes by connecting them with qualified, local brokers. Not only will these brokers have members' best interest at heart, but the program includes a cash back feature that will put cash back in participating members' pockets.

Another important product introduced in 2018, was the Visa Platinum Family Credit Card. This new credit card was designed with families in mind, and features one shared line-of-credit with a primary cardholder and other family members as authorized users. It provides the primary account holder with the ability to adjust spending limits for any of the authorized users, and can also be useful to parents or guardians who are trying to teach responsible spending habits to children as young as fifteen. Sometimes it can be a challenge for young adults to get a loan because they have no credit, but this card can help establish a credit history, making it easier for young adults to obtain credit. HFCU wants to continue building relationships with our younger members, and this is a product that can help put them on the path of financial success.

HFCU continues to promote its Visa Checkout payment solution, HFCU Card Alerts, and our Digital Wallet solutions including Apple Pay, Google Pay, and Samsung Pay. These member-focused services are pivotal in deterring fraud and saving members and their Credit Union from financial losses. As fraud and cybersecurity threats have become an

ever-present part of everyday life, HFCU will continue to deliver new services and improved technology designed to prevent fraud and protect members' valuable financial assets.

During 2018, the Kirby Office was expanded to provide improved service to members, and will serve as a base to explore more business development opportunities within the inner loop of Houston. Construction has also begun on a new stand-alone, full-service branch in Southeast Houston, which will serve as our new Southeast Office, and is projected to be completed in June 2019. Property has also been purchased in Missouri City within the Sienna Plantation community, which will strengthen HFCU's presence in Southeast Fort Bend County. Future growth is important to the Credit Union's long-term vitality, and having a strong branch network is vital to building future growth by fostering relationships that sometimes require face-to-face interactions.

In 2017, Houston was devastated by Hurricane Harvey. Such events can be disruptive. Your Credit Union recognizes that continuous service is paramount, and is evolving systems and services to ensure we are 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. The secondary data center operation is continually replicated and tested, and is ready for deployment at a moment's notice. You have our pledge that protecting your financial assets is one of our top priorities, and we are continuing to work to improve technology and processes to ensure we continue to be here for you even during times of crisis.

In conclusion, we take pride in how we helped members save \$2,837,211 during 2018 through loan refinances. Saving our members money and improving members' lives is why we exist, and it is what defines our success today and every tomorrow. We appreciate your business, and look forward to continuing to serve you in 2019 and beyond.

**CHRIS CHOAT**

*President & CEO*



# CENTRAL FORT BEND CHAMBER OF COMMERCE

**RIBBON CUTTING** / *Houston Federal Credit Union - Sugar Land*







## MEMBER SUCCESS STORIES

**HFCU TEAM MEMBER / JOANNA M.**

*Exceeding Member's Expectations Since 2000*

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I found an automobile through social media I wanted to purchase on a Tuesday. I applied online for a loan and waited for an update. Unfortunately, I was in a time crunch as the seller was leaving the country that Friday and needed the transaction completed before then. Fearing that I would not have everything in place I contacted the Southeast location and spoke to Joanna. I informed her of my loan application and the time restraint I was under. She immediately started processing my application and kept me well informed on the entire process. To my surprise, she had me approved and ready by the afternoon.



# TREASURER'S REPORT

Houston Federal Credit Union is a member-owned and member-centric organization. Through members' continued support and dedication, the Credit Union continues to grow, experience positive financial results, and remains stable today and every tomorrow. HFCU is committed to providing quality, valuable, convenient products and services for its members to enhance their lives. The relationship between the Credit Union and its members is one of trust and respect and embodies our *People Helping People* philosophy that has been at the core of our existence since 1960. This includes maintaining a safe and financially sound operation that members can depend upon. The year two thousand eighteen was no exception, and can be summarized as having steady growth, a strong contribution to capital, and a stable net worth (capital) position.

When looking at the financials from a growth perspective, Houston Federal Credit Union's deposits totaled \$582,213,638 as of December 31, 2018, representing a growth rate of 0.68%. End-of-year assets increased to \$645,825,619, or a growth rate of 1.45%. Capital contributions (net income in a for profit entity) totaled \$5,574,321, and resulted in total net worth of \$57,249,732. The Credit Union is a not-for-profit organization, but capital is necessary to protect the Credit Union from issues that are unforeseen and detrimental. Capital is also required by HFCU's regulator and provider of Federal Deposit Insurance, the National Credit Union Administration. HFCU's net worth rose significantly in 2018, and as of December 31, 2018 was at 8.86%. This meets the National Credit Union Administration's regulatory requirements, and classifies the Credit Union as being "well-capitalized" under these standards.

Having a sound lending program is also a critical function of the organization, which allows us to increase revenue and capital contributions, which keeps the Credit Union "well-capitalized". As of December 31, 2018, total loans outstanding climbed to \$417,421,701, representing a growth rate of 5.51%. The Credit Union continues to experience positive growth in its loan portfolios, and first lien real estate loans grew significantly by 13.95%, while second liens increased 1.99%. Automobile loans also experienced growth with new automobile loans growing 4.42% and used automobile loans at 0.45%.

Houston Federal Credit Union continues to look to its future by expanding services such as real estate lending, small business services and lending, and financial and credit counseling. These expanded services represent investments into our members' financial futures. The decision to offer these new services falls in line with the Credit Union's mission statement of being the members' advocate to help them achieve their dreams with personalized financial solutions. These services have been well-received by members, and have given them an improved outlook for the future with guidance from a Credit Union that cares.

The Credit Union will always remain committed to our members and their families, who are the reason why we do what we do. This includes managing the business in a safe and sound financial manner so that members and future generations can enjoy the benefits of their Credit Union today and every tomorrow.

## **SALLY MCKNIGHT**

*Treasurer*

# GULF COAST REGIONAL BLOOD DRIVE

*Houston Federal Credit Union / Sugar Land, Texas*



# FINANCIAL INFORMATION

## ASSETS

	2017	2018
Loans to Members	\$395,622,324	\$417,421,701
Less: Allowance for Loan Losses	\$1,791,704	\$1,635,389
Net Loans to Members	\$393,830,620	\$415,786,312
Cash	\$8,220,786	\$9,162,879
Investments	\$212,989,959	\$196,242,770
Other Assets	\$21,554,788	\$24,633,658
<b>TOTAL ASSETS</b>	<b>\$636,596,153</b>	<b>\$645,825,619</b>

## LIABILITIES & EQUITY

Accounts Payable	\$3,891,183	\$3,699,530
Accrued & Dividends Payable	\$273,995	\$424,376
All Other Liabilities	\$2,549,953	\$2,383,477
<b>TOTAL LIABILITIES</b>	<b>\$6,715,131</b>	<b>\$6,507,383</b>

Shares	\$222,096,495	\$224,121,973
Club Accounts	\$85,509	\$90,383
Share Drafts	\$127,767,209	\$127,310,807
Health Savings Accounts	\$543,884	\$604,745
Term Share Accounts	\$61,658,473	\$65,178,067
IRAs	\$32,659,845	\$31,620,694
Insured Money Market	\$122,565,431	\$122,258,654
Business Accounts	\$10,890,875	\$11,028,315
Net Worth	\$51,675,411	\$57,249,732
Unrealized Gain/Loss on Investments	(62,110)	(145,134)

<b>TOTAL EQUITY</b>	<b>\$629,881,022</b>	<b>\$639,318,236</b>
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<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$636,596,153</b>	<b>\$645,825,619</b>
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December 31, 2017 *Compared to* December 31, 2018

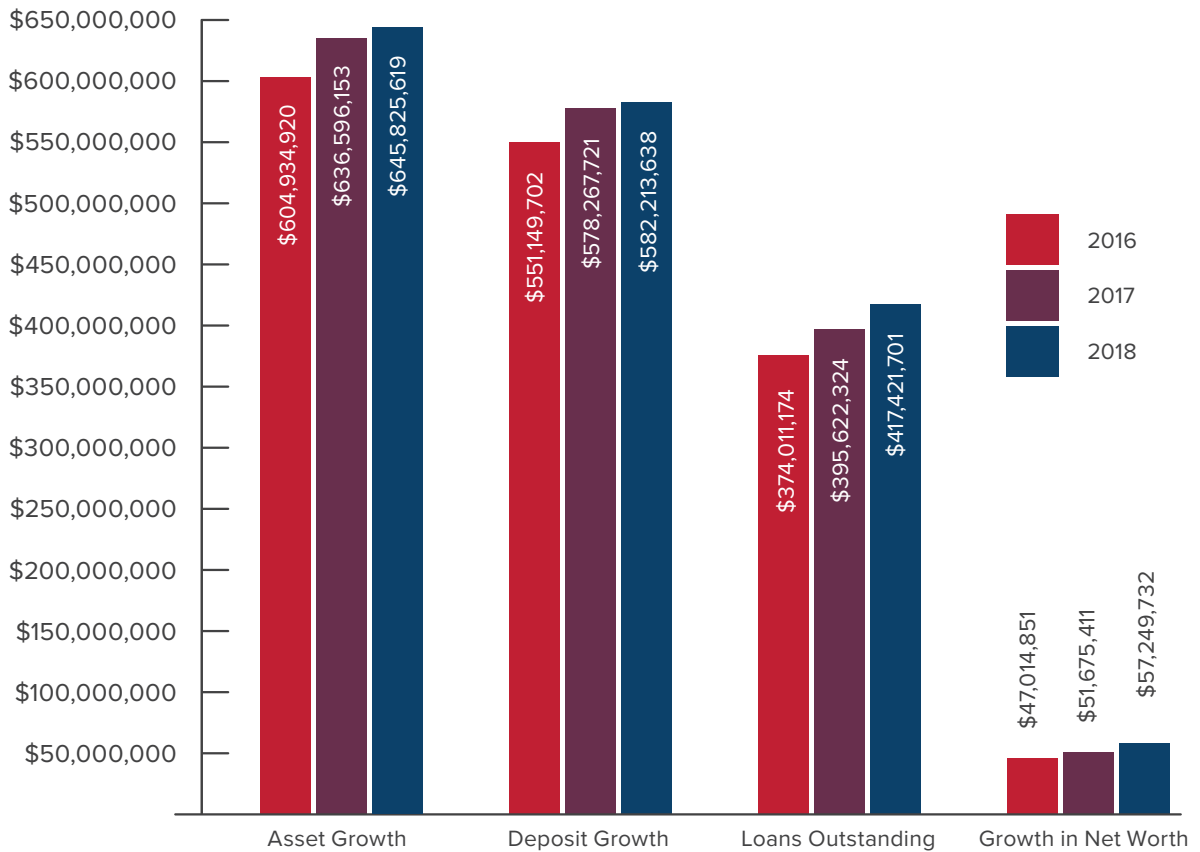
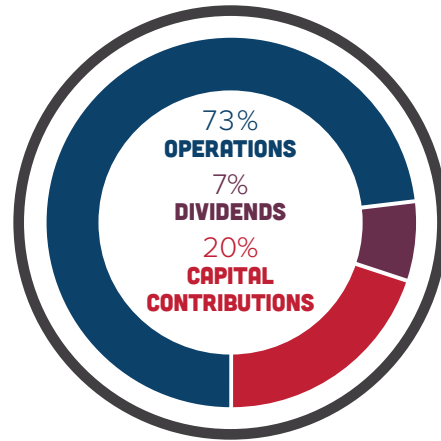
**2018 INCOME**

\$28,469,385



**2018 EXPENSES**

\$28,469,385





# MEMBER SUCCESS STORIES

**HFCU TEAM MEMBER / CORIECE J.**

*Exceeding Member's Expectations Since 2016*

I am very impressed with Coriece's professionalism, timely response, and excellent customer service. She responds to my emails promptly to keep me updated on the status of my loan, and also answers all my questions and concerns. My latest dealings with her have been nothing but a pleasant experience. I know good service when I see it, and this is why I am taking the time to point it out to you. I'm just sorry I didn't say anything sooner. I do hope she gets the recognition and compensation she deserves. Having low-interest rates is good but having people like her that go out of their way to make sure a member's business is handled with the utmost importance is what makes a company great!







# SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee is made up of member volunteers who are responsible for directing audits and verification of accounts annually. The Committee serves in the best interests of the Credit Union and its members by faithfully executing these duties.

It performs these duties by meeting at least monthly to review and discuss the results of various audits and verifications, which are part of an audit plan that is updated each year. The objective is to safeguard the assets of the Credit Union by ensuring policies, practices, and procedures are sound and in conformity with relevant laws and regulations, financial statements fairly reflect the financial condition of the organization, and records, reports and internal controls are appropriate based upon the size and complexity of the Credit Union operation.

The Committee achieves these objectives by overseeing comprehensive evaluations of the Credit Union, which may be performed internally or externally and are composed of audits, reviews, verifications, and investigations. Included in this work is a review of policies and procedures developed by both the Board of Directors and management to ensure the Credit Union is in compliance with applicable federal and state laws and regulations and examines activity to ensure practices align with these policies and procedures. The Supervisory Committee also oversees outside regulatory reviews and examinations, and works with third-party auditing firms who evaluate the financial condition of HFCU and other operational functions as required under various mandates and best practices.

The Supervisory Committee retains Nearman, Maynard, Vallez, Certified Public Accountants, to perform the Certified Opinion Audit of HFCU's records and financial statements. The firm also conducted the 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), and the annual Bank Secrecy Act (BSA), and Office of Foreign Assets Control (OFAC) audits. For 2018, the Committee is pleased to announce that no material deficiencies were noted.

In addition, The National Credit Union Administration evaluated the safety and soundness of the Credit Union during 2018, which included evaluations of the following risk areas: Credit Risk; Strategic Risk; Interest Rate Risk; Liquidity Risk; Transaction Risk; Compliance Risk; and Reputation Risk. Once again, the credit union was in compliance and no material issues were noted.

HFCU remains well-managed, and operates in compliance within the credit union's bylaws, policies, and federal and state laws and regulations. As laws and regulations change over time, and as the world we live in becomes more complex, your Supervisory Committee will continue to maintain such oversight to ensure your Credit Union remains strong for today and every tomorrow.

## **GAIL MCGUIRE**

*Supervisory Committee Chairman*

# HOUSTON LGBT PRIDE CELEBRATION

*Houston, Texas*







## MEMBER SUCCESS STORIES

**HFCU TEAM MEMBER / JOEY T.**

*Exceeding Member's Expectations Since 2017*

I am taking this opportunity to make you aware of the excellent customer service I received from Joey this afternoon and well into the evening. His attention to detail, knowledge, time, and amiable approach to my unique situation allowed me to complete a transaction during what is generally considered after-hours. Please note that my wife and I were considering closing our account at HFCU since we no longer live in Houston and do not typically use this account or HFCU's services. However, after the excellent member service I received this evening from Joey, we will remain loyal members for the long foreseeable future. Thanks again for the excellent service and best wishes from our family during the holidays.



# BOARD OF DIRECTORS & COMMITTEE MEMBERS

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



**VIRGIL HARRIS**

*Chairman of the Board*



**MIKE CIANCARELLI**

*Assistant Secretary*



**CHRIS CHOAT**

*Director, President & CEO*



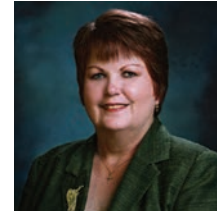
**NANCY BRELAND**

*Vice Chairman*



**SALLY MCKNIGHT**

*Treasurer*



**GAIL MCGUIRE**

*Director*



**JACK SMYTH**

*Secretary*



**JOHN SENNA**

*Director*



**BRENT HOLLOWAY**

*Director*

**Advisory Directors:** Samaria Chambers / Clayton Forbes / Margaret Taylor

**Supervisory Committee:** Gail McGuire, Chairman / Karen Langley / Rebekah Riddle

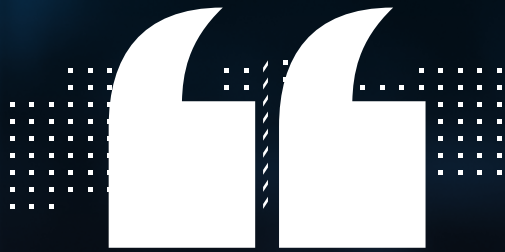
**Other Volunteers:** Richard Conley - Business Loan Committee /

Durenda Mason - Human Resource Committee / Carlos Sepeda - Information Technology Committee

# RENOVATION CELEBRATION

*Sugar Land, Texas*



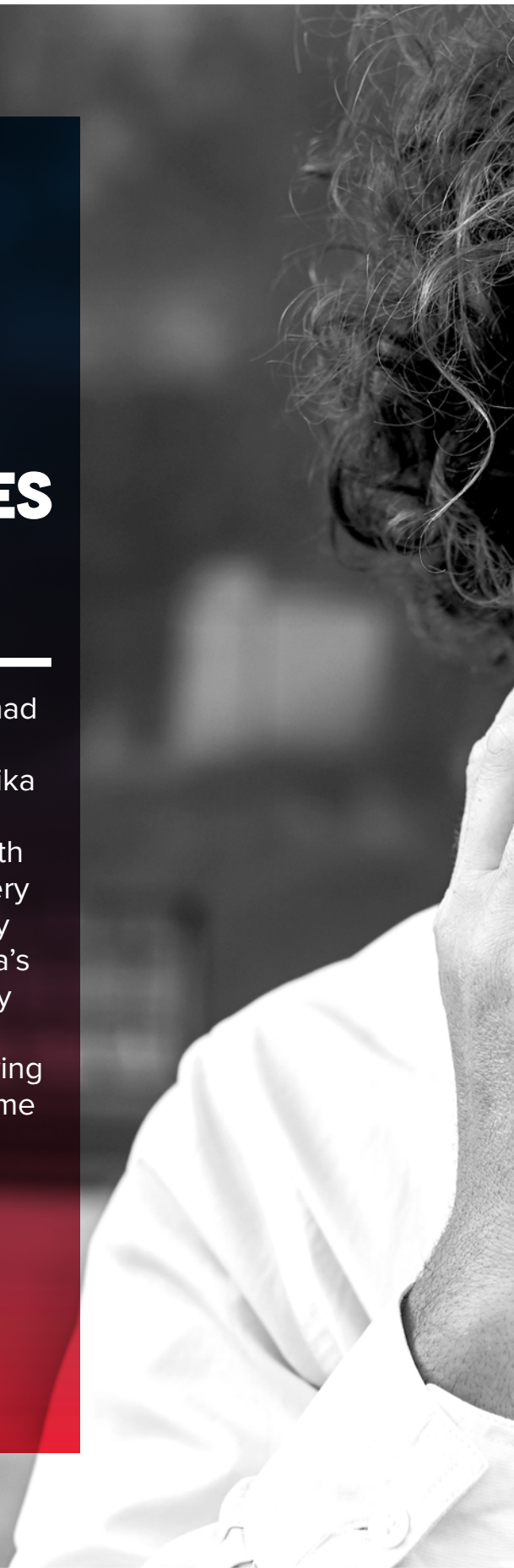


## MEMBER SUCCESS STORIES

**HFCU TEAM MEMBER / ZULIKA D.**

*Exceeding Member's Expectations Since 2017*

I was referred to HFCU's Financial Counselor Zulika. I had a financial dilemma compounded by my unreasonable debt consolidation agreement with another debtor. Zulika listened attentively and completely, understanding my situation and confusion before she started to plan a path to my recovery. She helped me with this path to recovery every step of the way; I felt safe; I finally felt Hope in my life again; and I am feeling so much better due to Zulika's efforts. The progress toward financial recovery in a very short time period was unimaginable for me just a short time ago. I am forever grateful to her and HFCU for saving me in every way. I was hopeless and broken when I came to HFCU; now I am hopeful and happy again.







# OFFICE LOCATIONS

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## **1 / SUGAR LAND**

16320 Kensington Drive  
Sugar Land, TX 77479  
281.243.0550

## **2 / KIRBY**

3701 Kirby, Suite 120  
Houston, TX 77098  
281.243.0650

## **3 / NORTHWEST**

21550 State Highway 249  
Houston, TX 77070  
281.243.0800

## **4 / FLUOR HOUSTON**

One Fluor Daniel Drive  
Sugar Land, TX 77478  
281.263.3351

## **5 / GREENVILLE**

100 Fluor Daniel Drive. C102U  
Greenville, SC 29607  
864.676.7300

**Website:** [houstonfcu.org](http://houstonfcu.org)

**Email:** [talktous@houstonfcu.org](mailto:talktous@houstonfcu.org)

**Houston Area Local:** 281.243.0500

## **6 / SOUTHEAST**

12346B Gulf Freeway  
Houston, TX 77034  
281.243.0680

## **7 / OAKTREE**

6808 Bintliff Drive  
Houston, TX 77074  
281.243.0620

## **8 / CHAMPIONS**

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

## **9 / ROSENBERG**

28050 Southeast Freeway  
Rosenberg, TX 77471  
281.243.0600

## **10 / IMPERIAL**

203 Matlage Way  
Sugar Land, TX 77478  
281.243.0650

**Toll-Free:** 866.OUR.HFCU (687.4328)

**Greenville Toll-Free:** 844.GVL.HFCU (485.4328)

# SUGAR LAND SKEETERS' KICKBALL CLASSIC

*Constellation Field / Sugar Land, Texas*



# **HFCU** *Houston Federal Credit Union*

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