



**MINUTES OF THE 62nd ANNUAL MEETING
TUESDAY, MARCH 24, 2020**

The 62nd Annual Meeting of the Meijer Credit Union Membership was held on Tuesday, March 24, 2020, via teleconference.

Tom Riddle, Chairman, called the meeting to order at 5:30pm with the following members present per a voice roll call:

Sheila Marshall
Cathy Ellis
Tom Riddle
Adrian Lewis
Matthew Yanoschik
Betty Honicutt
Jeff Powers
Keith Morrison
Bryan Richards
Mike Davey
Sandy Siedlecki
Zac Hoffman

Total number of members in attendance: 12

Cathy Ellis, President & CEO, acknowledged that a quorum was present constituting an official meeting of the membership. According to our bylaws, a quorum exists with not less than 7 members present.

MINUTES OF THE PREVIOUS MEETING

The minutes of the 61st Annual Meeting were reviewed. A motion to approve the minutes was made by Sheila Marshall and seconded by Adrian Lewis. Motion carried.

REPORTS

A. **Elections Committee**
See attached report.

B. **Chairperson**
See attached report.

C. **Treasurer**
See attached report.

D. **Member Services & Business Development**
See attached report.

E. **Lending Department**
See attached report.

F. Supervisory Committee

See attached report.

G. President

See attached report.

OLD BUSINESS

There was no old business presented.

NEW BUSINESS

There was no new business presented.

ADJOURNMENT

A motion to adjourn the meeting at 5:55pm was made by Sheila Marshall and seconded by Bryan Richards. Motion carried.

Respectfully Submitted,

Tom Riddle, Chairman
Sheila Marshall, Secretary



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ELECTIONS COMMITTEE REPORT**

The Elections Committee members include Keith Morrison, Jeff Powers, and Bryan Richards.

Two Board of Director positions are up for election and the committee nominated Adrian Lewis and Sheila Marshall for re-election.

Cathy Ellis, President & CEO, has confirmed that no other nominations were received from the membership. As a result, the Credit Union bylaws state that the Secretary is to cast a unanimous vote for those nominated.

The term for each director will be 3 years.

The Credit Union would like to thank these individuals for volunteering their time to serve on the Board of Directors.

Sheila Marshall
Secretary



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Chairman Report

On March 11, 2020, the World Health Organization announced that the COVID-19 outbreak can be characterized as a pandemic. On March 13, 2020, President Trump declared that the COVID-19 pandemic constitutes a national emergency.

Our Executive and Business Continuity Plan teams have been monitoring the impact and spread of the coronavirus since it was first announced by China in December 2019. Meijer Credit Union took several proactive steps related to the impact on supply chains for technology equipment, cleaning supplies, and other regularly used items. We've implemented work-from-home for much of our staff and have limited in-person service at our locations on an appointment only basis when necessary to provide service for a member. Our pandemic response is monitored daily and adjusted as appropriate to protect the MCU team and our members, while still preserving high service standards. The threat to our citizens health is real, is serious, and it affects all of us. Frequent hand washing, not touching your face, and maintaining 6' of social distancing are simple steps that we need to take to help slow and stop the spread of the coronavirus.

It is under these conditions that the Board of Directors took the unprecedented step to close our annual meeting to the general membership. This step was taken to do our part to follow social distancing recommendations by State and Federal governments. It is important for me to communicate that this decision does not impact our members' ability to engage in the governance of our Credit Union. As no other board member nominations were received from the membership, our bylaws state that the Secretary is to cast a unanimous vote for those nominated by the Elections Committee.

I want to thank the entire Meijer Credit Union team for their on-going due diligence while maintaining day-to-day operations.

Tom Riddle
Chairman



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Year Ended 12/31/2019
TREASURER'S REPORT

Member Equity and Total Assets both increased from 2018.

	<u>2019</u>		<u>2018</u>	
Member Equity Change	\$2,262,000	4.0%	\$ 582,000	1.0%
Total Assets Change	\$2,808,000	4.4%	\$ 295,000	.5%

Loan income and the loan portfolio both decreased from 2018.

	<u>2019</u>		<u>2018</u>	
Loan Income	\$ -100,000	- 3.1%	\$ 403,000	14.1%
Net Loans	\$-7,709,000	-14.4%	\$2,270,000	4.9%

Our net worth ratio increased to 10.4% which is slightly below our goal of 10.5%.

Total operating expenses had a slight increase of \$25,000 or .6% over 2018 but were under plan by \$24,000.

2019 saw strong growth in member equity and total assets. A thorough review of the individual loan programs and loan policies was completed in 2019 which contributed to the reduction in loan income and the portfolio balance. That review and the resulting changes to the programs and policies resulted in a material reduction in loan write-off losses. The provision for loan losses decreased \$358,000 from 2018.

Controlling the operating expense growth and reducing the loan write-offs returned the Credit Union to profitability. The Credit Union had net income of \$352,000 for the year, an improvement of \$567,000 from the prior year.

Jeff Powers
Treasurer



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VP of Member Service & Business Development Report

In April, we reorganized and changed leadership for Member Services, Marketing, Business Development, and Payment Solutions from Matt Yanoschik to me. I have over 30+ years' experience in retail banking and started with MCU in early April.

Member Services

2019 was an exciting year for Member Services. We opened almost 3500 new memberships during the year!! That's 58% more than in 2018. We had net growth of 1301 memberships which is a 30% increase from the previous year. Our total memberships at the end of the year were 13,432.

In July, we switched our online account opening process to CU Answers MOP process and saw a significant increase in the number of new membership applications. This is due to a combination of marketing/business development and a much easier application process. To handle the new volume, we created a new position called Member Experience Associate. The MEA's role is to onboard the new member and cross sell additional products and services so that we have a fully engaged member who uses multiple products and services. As a result, we have seen an increase in checking accounts and debit cards.

Our Contact Center also saw an increase in volume as our membership grew. In late summer, we began using new tools from our phone provider that allow us to track calls and talk time so we can provide appropriate staffing and coaching to our team which allows us to provide better service to our members. We also cross trained several individuals for better staffing and team member growth.

Marketing and Business Development

2019 was a year where Marketing and Business Development took off. Cortney Gailey started with the Credit Union in February and brought many positive changes to our marketing approach. Sheila Marshall also was fully up and running as our Business Development officer all year. Their combined efforts led to more involvement at Meijer including DF Visits, Store Visits, Participation in the Store Director Seminar and more. All of that contributed greatly to our record membership levels.

During the year, we also improved the quality of our email communications sent thru CU Answers by upgrading from plain text to html. This means the messages have custom photos and a variety of text size and font. Additionally, we created many of our own marketing pieces in house to provide a consistent look and messaging. We use Constant Contact to send those and have open rates of 25% or more which is above industry standards.

We have created several series of email messaging for Meijer Team Members who opt in to receive messages from us and special onboarding messages for our new members. We are also able to respond quickly when things change and new communications or marketing pieces are needed because Cortney creates our material for us.

Payment Solutions

Hiring Brenda Beverwyck as our Payment Solutions Supervisor has had a very positive impact on this department and the Credit Union. Brenda has worked on restructuring and improving some of our procedures. For example, we now keep some of the collection responsibilities in-house rather than using attorneys to process our paperwork and she decreased the number of calls that our outside company LSI was making. All of this was a substantial savings to the Credit Union. She also began working our negative balance accounts in the same manner as our delinquent loans which allowed us to recover money and keep memberships open when payment plans were put in place.

Financial hardship is a difficult subject for many people to discuss and to work through. Brenda and her team approach all members with the appropriate amount of empathy but balance it with the appropriate amount of accountability. In 2019 our NCO/Avg loans improved from 1.64% to 1.40%. Our delinquency to loan ratio improved from 2.39% to 1.50%.

Sandy Siedlecki
Vice President of Member Service & Business Development



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Lending Department Report**

Consumer Lending

In 2019 the lending department continued their mission of serving our member base by providing fair & sound underwriting decisions and education & counseling when needed. The independent loan reviews completed in 2019 revealed that our practices and training improved our lender's ability to underwrite with safe and sound lending practices. We expect that these will help us lower delinquencies in the 2019 pools and beyond. Our lenders increased their data mining focus to help our members refinance their debt, while saving them time, money, and adding piece of mind. In 2019, our training and focus on the concentration analysis allowed us to de-risk parts of our consumer portfolio.

In 2019 our loan officers performed monthly autopsies on charged-off and delinquent loans which reinforced our current lending practices and supplemented their training & education. It also allowed them to seek out new attributes that may indicate risk and understand the value of good underwriting.

The Meijer Team Member Loan continues to drive membership growth. The 2019 volume almost doubled 2018. We wrote 2,478 loans for \$2,079,132 in 2019! Our loan support team worked very hard to book this increase with no additional labor in 2019. We modified this loan recently to reduce future losses by changing the initial loan amount and seniority requirements.

We created a new program for lending in preferred mobile home communities allowing us to gain a foothold in a strong and growing market.

We opened 3,123 loans in 2019 which was an increase of 22.4% over 2018, which is the highest number of loans the Meijer Credit Union has ever done in a single year. Our loan portfolio decreased this year by 14% which brought us from \$48,895,359 to \$42,681,826.67 in total portfolio loans. The yield on the portfolio increased from to 6.70% to 6.927% over the year.

As we move through 2020, the consumer lending department looks to continue to be a benefit to our member base through meeting their needs and helping our members with challenging credit.

Mortgage Lending

In 2019 the Mortgage Lending team had \$10,892,950 in production, which was a 16% increase over 2018. The average loan amount also increased by 8% to over \$143K.

2019 was also a year we continued to build a solid foundation for the future. We completed the Freddie Mac application and recently received approval! This will allow us to offer better rates to our members as well as increase our income.

We also obtained a waiver from Mortgage Guaranty Insurance Corporation (MGIC) to offer mortgage insurance (MI) secured niche products for low income, small down payment, first time home buyers as well as 5 other MI programs. We are very excited to offer these products, as they allow us to serve our membership as well as de-risk our portfolio.

In 2019 we also focused on our portfolio concentration and implemented several policies to decrease portfolio risk. We built solid relationships with two new real estate agencies and continued to mine our membership data to find members who could benefit from refinancing.

2020 will be an exciting year with the opportunities that our Freddie Mac ticket will provide. We are working hard to implement as soon as we are able, and we will take a deliberate approach to ensure we implement the program accurately.

Matthew Yanoschik
Senior VP of Lending and Information Technology



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SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is a voluntary committee made up of four credit union members including: Mike Davey - Chairperson, Steve Schrems, Secretary, Zac Hofman, and Phil Keibler.

The purpose of the Supervisory Committee is to ensure that:

- Management's financial reporting objectives have been met
- The Board of Directors works in the best interests of the members
- Policies and procedures are maintained and followed
- The assets of the Credit Union are properly safeguarded

In meeting these objectives, the Supervisory Committee participates in training sessions, meets independently each month and participates in the yearly planning session. At least one member of the Supervisory Committee attends the monthly Board of Director's meeting. The Supervisory Committee also performs several independent reviews throughout the year including compliance with the SAFE Act, and an Interest Rate Risk review. All results are reported to Management and the Board of Directors.

The Supervisory Committee meets with and contracts an external audit firm to perform a comprehensive annual audit and a bi-yearly membership verification audit. The Supervisory Committee also attends the exit meeting with The State of Michigan's Department of Insurance and Financial Services (DIFS) upon the completion of their examination and monitors the implementation of recommendations.

The Supervisory Committee also reviews audits performed by external auditors and monitors the implementation of recommendations.

The results of the audits and examinations completed for year ending December 31st, 2019 by the Financial Standards Group indicate that the financial of the Meijer Credit Union are properly stated and the internal control environment is adequate.

Respectfully Submitted,

Mike Davey
Supervisory Committee Chairperson



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President's Report

You have heard from our SVP of Lending & IT and our VP of Member Services & Business Development of the many accomplishments we had during 2019 despite still working to overcome some missteps from previous years. It's a testament to the on-going commitment of the MCU team to meet the financial service needs of our members. Our staff, the Board and Supervisory Committee, and our key third-party partners all working together to partner with our members.

As the Executive team met with their teams to discuss plans and goals for 2020, the outlook was bright and exciting. What we had accomplished during 2019 and the incredible team we have built over the years gave us confidence for continued growth and solid earnings for 2020. Soon we will be able to sell mortgages directly to Freddie Mac, enabling us to pass along lower rates and have access to additional programs to support lower income families. Additional projects are planned to lower our operating expenses and increase efficiencies.

What a difference a couple of months make. We now find ourselves in the midst of a pandemic that has brought significant volatility to global financial markets and tremendous health and financial concerns by our members, family, and friends. And while this is a time of great uncertainty, there are many things to reassure us that we will get through this time successfully.

Our State and Federal governments have implemented emergency programs to financially assist those who are unable to work due to the impact of the pandemic. To further support those efforts, Meijer Credit Union has implemented our Natural Disaster Payment Relief Policy to assist our members whom may have trouble meeting their financial obligations.

State and Federal regulators, the Michigan Credit Union League, national credit union industry organizations, and our third-party partners have all reached out to the credit unions they serve to reassure us that they will be able to continue to serve and support us and our members. Additionally, it is the credit union way to support other credit unions and, in that light, we have reached out to some local credit unions to provide them with help and support as we are able to.

I am confident that we can help our members throughout the COVID-19 pandemic, while taking appropriate steps to protect the health of our team and our members. The more diligent we are today in taking steps to prevent or slow the spread of the coronavirus, the sooner we will be able to return to "life before COVID-19". We will take lessons learned from this significant time in our life, become stronger individuals, a stronger organization, and an even better supporter of our members.

Cathy Ellis
President & CEO