



ANNUAL
REPORT 2021
Resilient Year, Exciting Future



**New England
Federal Credit Union**

FEDERALLY INSURED BY NCUA

LETTER TO OUR MEMBERS

For over 60 years, NEFCU has provided the resources to help you, our members, make the best decisions possible to achieve your financial goals. The 2021 results reflect the positive impact of these ongoing commitments. Overall deposit balances increased by \$196.4 million and assets by 12.9%. We had our second strongest year to date in mortgage loan originations. Survey results indicated high levels of satisfaction. NEFCU Financial Group now manages over \$225 million in member investment and retirement assets. Operational results were solid, including positive regulatory and external audits. We experienced minimal service interruptions and loan losses were modest.

We continued to invest in services that met and supported member needs and expectations during periods of rapid industry changes. Most recently, we streamlined how we identify members calling in to our Contact Center and improved support for members using or opening products and services online.

Our strength enabled us to make significant contributions to the communities we serve, including a major, multi-year affordable housing initiative. In addition, NEFCU proudly supported many local causes and events that improve the quality of life throughout our region. Our contributions benefited our membership both directly and indirectly, by strengthening the communities where our members live.

Our employees demonstrated their ongoing dedication to members and the credit union through a very taxing year that saw COVID surge, then wane throughout the summer, and then surge again from fall to year's end. Adjusting to these new and evolving demands allowed us

to maintain in-person branch and lending capabilities. Our team consistently provided the highest level of service, earning independent awards and the recognition and support of members. We are especially proud of our employees' accomplishments during 2021's unprecedented COVID-related challenges.

Looking forward, 2022 will be an exciting year indeed! In February, VSECU and NEFCU's Boards of Directors approved a plan to merge. Pending regulatory approval by the NCUA, and an affirmative majority vote by members of VSECU, in late 2022 or early 2023 the credit unions will go forward as one credit union. Empowered with new resources and a statewide presence, NEFCU will continue to deliver the locally owned, community-minded, and values-based excellence that has allowed us to maintain a place as the largest financial institution domiciled in Vermont. We look forward to enhancing relationships with members and welcoming new members throughout Vermont and beyond.

Thank you for your membership and participation!



Arthur G. Woolf
Chair



John J. Dwyer, Jr.
President & CEO



Evan Langfeldt
Treasurer

OUR MISSION

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

2021: THE YEAR IN REVIEW

MEMBER SATISFACTION

We regularly measure levels of loyalty and satisfaction. During 2021, 97.4% of members were either “very satisfied” or “satisfied” with our service. 78% were “Very” or “Extremely” likely to recommend NEFCU to a family member or friend. 70% indicated that we were their “primary”, or “most important” source for financial services.

“Your entire staff went above and beyond our expectations to make our dream home a reality.”

~Member Quote

WORKPLACE EVOLUTION

Our exemplary financial and member loyalty results could not have been achieved without the extraordinary contributions from our employees who met every challenge presented by COVID and its variants. Many staffers—and especially our Mortgage and Contact Center teams—supported members remotely and through extended hours. At the same time, branch workers continued to serve members in person with normal and extended hours.

NEFCU has demonstrated its commitment to strong employee values with highly competitive pay, benefits, and inclusivity considerations. We also recognized specific contributions that employees made toward the success of our members, the credit union, and their peers. We created an Inclusion Committee made up of a diverse group of employees charged with reviewing our current practices and identifying opportunities for improvement as we work to ensure an inclusive culture for our staff and our members. We also partnered with Champlain College to help build the futures of our staff through Credit Union sponsored degree programs and specific education to address the ongoing needs of NEFCU.

COMMUNITY INVOLVEMENT

A core NEFCU value is that our credit union can only be as strong as the communities we serve.

Accordingly, to address a housing crisis worsened by COVID, we launched a major Affordable Housing Initiative in 2021. Over the next 3 years we are committing **\$6 million** in partnership with the Vermont Housing and Finance Agency and the Champlain Housing Trust. Within this initiative, major donations were earmarked for the BIPOC community.

In addition to affordable housing, other major contributions helped meet basic nutritional needs, supported children and families through medical distress, and funded STEM and Nursing Scholarships.

Our support of cultural enrichment included lead sponsorship of the Burlington Discover Jazz Festival and other local events.

We furthered financial literacy by offering 58 financial education webinars that were free, open to the community, and attended by 1,191. In addition, we launched ZOGO, a popular and accessible app that helps navigate complex financial issues.

25
organizations



\$8,500

22
events & sponsorships



\$153,827

20
donations



\$6,207,500

BURLINGTON DISCOVER JAZZ FESTIVAL

June 4 - June 13, 2021
NEFCU is the main sponsor of the festival.



CATHEDRAL SQUARE

Basket donations were delivered in December.

UNITED WAY OF NORTHWEST VERMONT

Donation of \$5,000



SCHOLARSHIP TO NATIONAL GUARD ASSOCIATION OF VERMONT

December 15, 2021, NEFCU presented five scholarships of \$1,000 each to winning applicants.

ADDITIONAL ORGANIZATIONS & EVENTS

- American Cancer Society
- Champlain Housing Trust
- Community Health Centers of Burlington
- COTS
- CVOEO
- FCIDC
- Franklin County Home Health
- GBIC
- Lake Champlain Opportunity Fund
- LaunchVT
- Martha's Kitchen
- Rhino Foods Foundation
- Tim's House
- United Way
- VT Children's Hospital
- VHFA
- Williston Community Food Shelf
- Greater Burlington YMCA
- Shelburne Little League
- Spectrum
- St. Mikes Fire and Rescue
- Vermont Food Bank
- Cure SMA
- Families First
- Center for Health and Learning
- VT College of Fine Arts
- VT Family Network
- Eastview at Middlebury Retirement Community
- Charlotte Shelburne Hinesburg Rotary
- Lucy's House
- Lund

- Sail Beyond Cancer
- Age Well
- Ronald McDonald House Charities
- VT Works for Woman
- Special Olympics
- VCPI
- Hope Grows
- Mentor VT
- Snelling Center
- Cancer Patient Support Foundation
- Rallython
- Association of VT Credit Union League
- Boys and Girls Club of Burlington
- CampTaKumTa
- Champlain Valley Expo
- Essex Police Association
- Filene Research
- Flynn Center
- Feed a Family Food Drive
- Franklin County Home Health
- KidSafe Collaborative
- KidsVT
- Lake Champlain Regional Chamber of Commerce
- Rotary Club Charities of Essex
- Shredfest
- Spectrum Youth & Family Services
- St. Albans Recreational Dept
- Travis Roy Foundation
- UVM Hockey
- VT Children's Trust Foundation
- UVM Health Network
- VT Lake Monsters

AFFORDABLE HOUSING INITIATIVE

October 4, 2021
New England Federal Credit Union (NEFCU) announced the launch of a three-year, \$6 million campaign to address the affordable housing crisis in Vermont.



Michael Monte
CHT Chief Executive officer



Maura Collins
VHFA Executive Director

FINANCE & OPERATIONS

Low interest rates generated high demand for mortgage refinancing. Members continued to save at higher rates and spend less, resulting in growing share balances. The shortage of new and used auto inventory and price increases resulted in lower overall automobile loan balances.

While Vermont's unemployment rate recovered during 2021, the participation rate declined, and employee scarcity drove up labor costs. Because we had fewer branches than many competitors, we maintained an asset/staff level ratio in the 75th percentile, meaning we were more efficient than most. This efficiency helped us provide high value to staff in wages, benefits, and development opportunities which, in turn, helped attract and retain an exceptional workforce.

Mortgage production totaled \$832.9 million in 2021, our second highest year ever. We held more mortgage balances in our portfolio last year (versus selling the loans) as other investment opportunities were less attractive. While this impacted non-interest income, it

helped boost our net interest margins. To manage the interest rate risk these longer-term assets presented, NEFCU retained the services of a highly regarded asset/liability consulting firm to monitor our profile. Our interest rate risk remained manageable through careful deposit pricing, asset selection, and the judicious application of derivative transactions.

Overall, NEFCU grew by 13.2% in deposits and 5% in loan balances in 2021. At year end, assets were \$1.941 billion, and capital was solid at 11.92% of assets. Return on average assets was also very strong at 1.52%. NEFCU has not experienced any significant loan losses from COVID or other events. Delinquent loans were 0.19% of total loans and net charge-offs were 0.06% of total loans.



2022: LOOKING FORWARD

NEFCU & VSECU MERGER

On February 23rd, we notified members, employees, and the media that Vermont's two largest credit unions—NEFCU and VSECU—*plan to merge*.

We applied to the National Credit Union Administration (NCUA) for approval, which we estimate will take three to five months. Following that, an affirmative majority vote by Vermont State Employees Credit Union members will be required. Pending those approvals, the new legal entity will go forward as New England Federal Credit Union in late 2022 or early 2023. The new organization will include \$3 billion in assets, 16 statewide branches, almost 500 employees, and over 150,000 members.



2022 INITIATIVES

Each year, new initiatives evolve from annual discussions with stakeholders and observation of emerging trends. In 2022, we expect to see our industry being reshaped by powerful macro-trends including:

- Increasing member demand for simplicity and unique value
- Unprecedented advances and adoption rates in technology
- Heightened competition from mega-banks and new market entrants (FinTech)

To address these challenges and continue providing the highest possible levels of member service, we anticipate implementing a constellation of products and services including the following:

TECHNOLOGY

Innovative technology is dramatically changing the banking landscape. The most significant anticipated advances for 2022 include:

- 1 Digital Account Opening**
COVID has changed the expectation that deposit accounts and loans need to be originated in branches. Most consumers now expect to fulfill these services online. Our ongoing goal will be to simplify application status updates and fulfillment options, and to improve proactive communication across service and originations groups, channels, and devices.
- 2 Customer Relationship Management (CRM) and platform integration**
CRM enables us to better understand members' financial journeys and improves our ability to personalize services to their unique needs. Integration between CRM and our information system platforms helps us minimize redundant questions and predict more accurately how to help members achieve desired outcomes.
- 3 eCommerce**
The pandemic made face-to-face encounters impossible or less desirable for many consumers. This heightened the demand for remote video and chat support with NEFCU's service, lending, and investment advisors. Branches will always be needed, but we will continue to enhance our online transaction and purchase capabilities.
- 4 Payments**
Payments are moving faster than ever. We will improve delivery of information that helps members understand the best ways to make payments and purchases. In addition, we want to simplify payment experiences to help avoid problems—especially overdrafts and fees.
- 5 Credit & Debit Cards**
In 2022 we are moving credit card accounts to a new platform and in 2023, debit cards will be moved. Among other advances, the new system will enable digital provisioning of cards, more active alerts, and card management tools, such as travel notifications and card reprovisioning, within NEFCUOnline.

EXPANDED FIELD OF MEMBERSHIP

The presence of 16 statewide branches will help make NEFCU the first choice of Vermonters for financial services. Working beyond the state's borders will increase mortgages and energy loans. Adding online and mobile channel capabilities will make it possible for members to do business regardless of their proximity to branches.

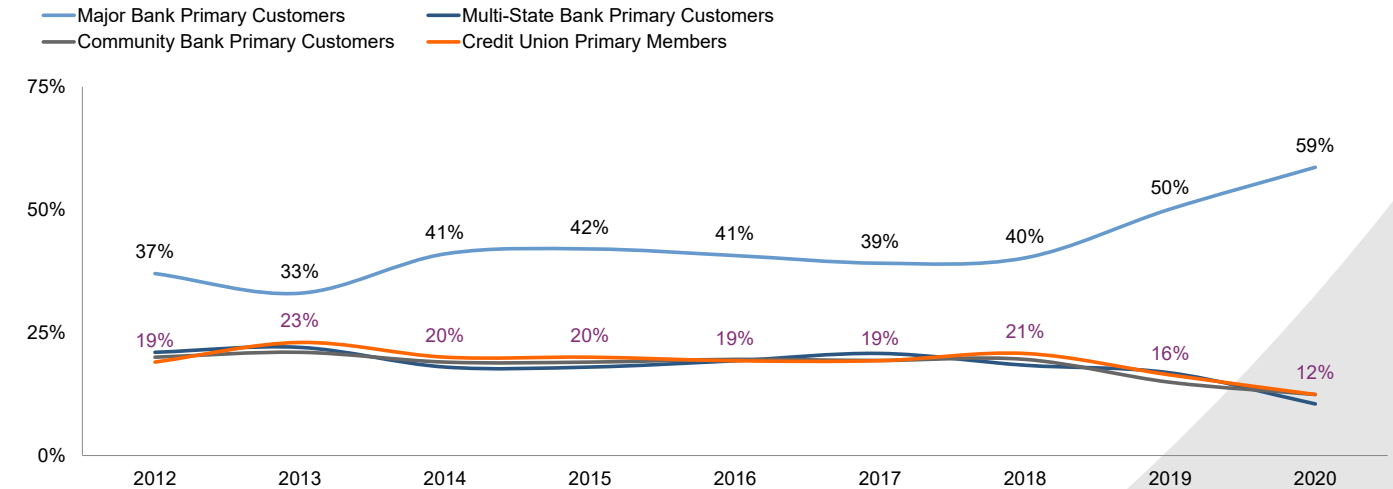
EMPLOYEE VALUE PROPOSITION

Delivering optimal member service depends on attracting and retaining exceptional employees. With worker scarcity increasing the challenges of staffing, in 2022 we are committed to a comprehensive recruitment/retention strategy, including:

- Creating specific tracks for employees to grow and stay in member-facing roles.
- Furthering education programs that support life-long learning and internal development needs.
- Rewarding exceptional performance where staff commitment produces member success.
- Valuing workplace diversity and inclusion by understanding, respecting, and operationalizing in ways that acknowledge the needs of persons from diverse backgrounds.

SCALE

Significant investments are needed to serve and retain members in an increasingly competitive marketplace. Maintaining a branch close to members' homes or workplaces is no longer adequate per se. Larger financial institutions and FinTech companies are competing for market share in Vermont. On a national scale, major institutions are spending billions on innovation and technology, with significant impact:



While NEFCU is the largest financial institution and mortgage lender domiciled in Vermont we are small compared to regional and national banks. For instance, People's United has \$60 billion in assets and Chase has \$2.87 trillion—25 and 95 times our size, respectively.

To remain competitive while maintaining the local quality of member experience, NEFCU is focused on developing partnerships—our merger with VSECU is one example—that enables investments to compete with these large financial institutions. Additional efforts include partnering within our industry in FinTech investments and organically growing our membership base with geographic expansion and product-based inbound marketing.

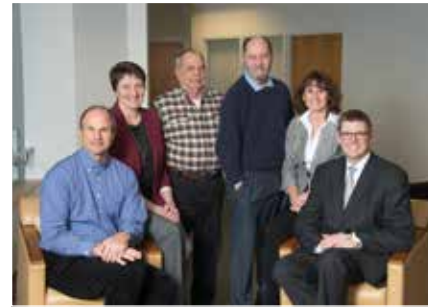
2021 SUPERVISORY COMMITTEE REPORT

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.

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



SUPERVISORY COMMITTEE (left to right)
Henry R. Farmer/Secretary, Amy T. Vaughan,
Glenn F. Enos, John R. Eisenmann, Jr./Chair,
Susan M. Francis/Associate VP, Internal Audit,
Michael J. Towle

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, Associate VP, Internal Audit by calling 802.764.6528 for consideration by the Board of Directors and the Supervisory Committee.

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

BOARD OF DIRECTORS, SENIOR MANAGEMENT & COMMITTEES



BOARD OF DIRECTORS – left to right:
Margaret H. O'Donnell/Secretary, Frank G. Harris, III/2nd Vice Chair, Evan Langfeldt/Treasurer, Charles T. DesLauriers, Ruth E. Uphold, Arthur G. Woolf/Chair, Amy Vaughan, Kathleen S. Emery-Ginn/1st Vice Chair, and Harold Colston.



SENIOR MANAGEMENT – left to right:
Mark Ackerly/Senior VP, Chief Information Officer
Susan E. Leonard/Executive VP, Chief Financial Officer
William S. Smith/Senior VP, Chief Retail & Marketing Officer
John J. Dwyer, Jr./President & Chief Executive Officer
Gregory W. Hahr/Senior VP, Chief Lending Officer
Susan F. French/Senior VP, Chief Human Resources Officer

DIRECTORS

Chair
Art Woolf

1st Vice Chair
Kathleen S. Emery-Ginn

2nd Vice Chair
Frank G. Harris, III

Secretary
Margaret H. O'Donnell

Treasurer
Evan Langfeldt

Charles T. DesLauriers
Amy T. Vaughan
Ruth E. Uphold
Harold Colston

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

BOARD COMMITTEES

Finance & Investment
Evan Langfeldt—Chair
Sivan Cotel
John R. Eisenmann, Jr.
Harold Colston

Business Development & Marketing
Margaret H. O'Donnell—Chair
Ruth E. Uphold
Jonathan P. Ebbers
Subha Luck

Human Resources
Kathleen S. Emery-Ginn—Chair
Margaret H. O'Donnell
Chuck DesLauriers

Information Systems
Frank G. Harris, III—Chair
Kathleen S. Emery Ginn
Syd Eren
Christopher Shenk

Statements of FINANCIAL CONDITION

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 222,622,000	\$ 168,951,000
Investments		
Available-for-Sale	235,996,000	123,401,000
Equity Securities	32,291,000	25,874,000
Other	2,374,000	2,232,000
Loans Held-for-Sale	13,689,000	37,693,000
Loans to Members, Net	1,360,911,000	1,296,217,000
Accrued Interest Receivable	3,316,000	3,286,000
Property and Equipment, Net	34,153,000	34,736,000
National Credit Union Share Insurance Fund Deposit	14,863,000	12,773,000
Mortgage Servicing Rights, Net	12,616,000	10,057,000
Other Assets	11,857,000	7,341,000
TOTAL ASSETS	<u>\$ 1,944,688,000</u>	<u>\$ 1,722,561,000</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' Shares	\$ 1,683,085,000	\$ 1,486,682,000
Accrued Expenses and Other Liabilities	34,097,000	32,649,000
Total Liabilities	1,717,182,000	1,519,331,000
Members' Equity		
Retained Earnings	231,511,000	203,391,000
Accumulated Other Comprehensive Loss	(4,005,000)	(161,000)
Total Members' Equity	227,506,000	203,230,000
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 1,944,688,000</u>	<u>\$ 1,722,561,000</u>

Statements of INCOME

Years Ended December 31, 2021 and 2020

	2021	2020
INTEREST INCOME		
Interest on Loans to Members	\$ 47,829,000	\$ 46,861,000
Interest on Investments and Cash Equivalents	4,164,000	3,936,000
Total Interest Income	51,993,000	50,797,000
INTEREST EXPENSE		
Dividends on Members' Shares	6,992,000	10,264,000
Borrowed Funds	0	222,000
Total Interest Expense	6,992,000	10,486,000
Net Interest Income Before Provision for Loan Losses	45,001,000	40,311,000
(CREDIT) PROVISION FOR LOAN LOSSES		
	(28,000)	2,200,000
Net Interest Income After Provision for Loan Losses	45,029,000	38,111,000
NON-INTEREST INCOME		
Mortgage Origination Fees	12,670,000	16,685,000
Deposit Fees	7,339,000	6,215,000
Credit Card Fees	2,323,000	1,963,000
Mortgage Servicing Fees	6,531,000	4,166,000
Commissions, Fees and Other Income	1,784,000	1,302,000
Realized and Unrealized Gain (Loss) on Equity Securities	3,796,000	(178,000)
Total Non-Interest Income	34,443,000	30,153,000
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	26,643,000	25,723,000
Operations	12,120,000	11,198,000
General and Administrative	2,265,000	1,845,000
Occupancy	2,834,000	2,674,000
Promotional	749,000	1,459,000
Total General and Administrative Expenses	51,352,000	42,899,000
NET INCOME	<u>\$ 28,120,000</u>	<u>\$ 25,365,000</u>

PRODUCT & SERVICES

MORTGAGES

First Time Homebuyer Programs
H.O.M.E. (Home Ownership Made Easier)
Fixed Rate Mortgages
Adjustable Rate Mortgages
Jumbo Mortgages
Second Home Mortgages
Investment Property Mortgages
Mobile Home Loans
Land Loans
Construction/Renovation Loans
VA Loans
VHFA Program

HOME EQUITY LOANS

Home Equity Plus
Home Equity Line of Credit



CONSUMER LOANS

Car & Truck Loans
Boat, RV, Motorcycle ATV, and Snowmobile Loans
Personal Loans
MyConsolidator Loans
Auto Repair/Improvements
Lifestyle Loans
MyRenovator Loans
Energy Smart Loans
First Time Auto Buyer Loans
MyChoice Mortgage™

VISA®

Visa Card
Visa Rewards Card
Visa Online Access

ACCOUNT ACCESS

NEFCUOnline & Mobile Banking
ATM & Debit Card
ITM (Interactive Teller Machine)
Accountline
Wire Transfers
NEFCU Contact Center & Loan Center
Apple Pay™, Samsung Pay™, Google Pay™
Smartwatch Banking
SecurLOCK Equip™
LoanPay Express
Zelle®
External Funds Transfer

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
ChangeSaver
Courtesy Pay

NEFCUOnline

BillPay™
Expedited Payments
Electronic Bill Presentment
Automated & 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
Travel Notifications

FINANCIAL COUNSELING

Budget Counseling
Credit Counseling
Debt Counseling
Educational Seminars
Zogo

BUSINESS LENDING

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

INSURANCE

TruStage® Accidental Death & Dismemberment Insurance
TruStage® Life Insurance
Debt Protection
GAP Protection
Travelers® Insurance
Farmers 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)



Available through CUSO Financial Services, L.P.



ADMINISTRATIVE OFFICES

P.O. Box 527, Williston, VT 05495
802.879.8790 / 800.400.8790

BRANCHES & SERVICE CENTERS

141 Harvest Lane, Williston, VT
74 Pearl Street, Essex Junction, VT
GlobalFoundries 969, Essex Junction, VT
University of Vermont Medical Center,
Main Campus, McClure 2 Connector, Burlington, VT
1000 Shelburne Road, South Burlington, VT
295 Tuckers Way, St. Albans, VT
18 Lower Mountain View Drive, Colchester, VT
110 Merchants Row, Rutland, 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 Federal Credit Union, 141 Harvest Lane in Williston, VT 802.879.8580

ON THE WEB

nefcu.com



SERVICE CENTER

600 Lafayette E., Detroit, MI
800.966.8200

MORTGAGE CENTER

20956 Mack Avenue
Grosse Pointe Woods, MI 48236
313.309.5556

ON THE WEB

directfinancial.com