



ANNUAL REPORT

FOR YEAR ENDING DECEMBER 31, 2020



CHAIRMAN'S REPORT

At the start of 2020, LOC Credit Union entered its 70th year of member service with new leadership and a bold vision to move us forward into the next decade. In early February, the Credit Union welcomed its new President/CEO Stephen Grech, who has an extensive background in financial services lending and most recently served as President/CEO of a similar-sized credit union in Monroe, Michigan.

The start of the new decade also ushered in the once-in-a-lifetime global pandemic. As our lives experienced major disruption, LOC also was required to navigate through the economic and social challenges associated with COVID-19.

Early on, the pandemic caused LOC to operate on an appointment-only model for our lobbies before shifting all interactions to our drive-thru and digital banking options in April and May. This was done out of an abundance of caution for all concerned. We were able to reopen lobbies in June, but with the rising COVID-19 cases in our service areas, we moved back to an appointment-only model in early November. Limiting in-person interactions at peak times helped LOC avoid closing a single location completely due to an outbreak of the virus.

The pandemic also caused many members to consider new ways to do business with LOC. We saw a significant number of requests for instant issue debit cards, coinciding with an increase in mobile payment adoption as members looked for “cashless” and “touchless” payments. Nearly 60% of all consumer loan applications were initiated online by members and our Docusign solution helped members close loans and add, or make changes, to their account relationships remotely. Most impressively, there were more than 1.5 million sessions using our mobile apps in 2020.

Even with the significant challenges of COVID-19, LOC was able to take on a number of initiatives to improve our member experience and help assert itself as the “Lender of Choice” for our members. For example, the Credit Union:

- Completed a renovation of our Howell location to mirror the member experience at our Farmington office
- Revamped our home equity programs with pricing focused on LTV and lien position as opposed to the traditional credit score
- Developed a new in-house Real Estate Lending team and unveiled a new first mortgage lending program

- Introduced best-in-market auto loan rates in tandem with our 70th anniversary
- Implemented phase one of a solution to allow members to transfer funds to an LOC account or pay an LOC loan from another financial institution; Phase two, scheduled for early 2021, will provide members self-service options for these transfers/payments
- Launched our *Loving Our Community Heroes* program with special rates and benefits for those who help keep communities healthy and safe
- Implemented “*It’s a Money Thing*” financial literacy program to provide financial education remotely to our school and community partners

On the financial side, net income for 2020 was slightly more than \$2 million compared to \$2.7 million in 2019. The decrease in net income can be attributed to the low interest rate environment during 2020. Our Return on Assets (ROA) in 2020 was 0.80% and compares quite favorably to our peer credit unions.

In summary, LOC continues to be a well-capitalized and well-managed financial institution. In fact, LOC earned Bauer Financial’s five-star rating. This is the highest rating a credit union can receive and denotes the highest level of banking performance by an independent source. What this means for LOC members is peace of mind. Anyone who deposits funds with LOC can be assured their funds are safe and secure.

At the start of 2021, the world is still experiencing the effects of the pandemic, but the future of our Credit Union remains strong, and the leadership continues to look for ways to meet the ever-changing financial needs of our members. On behalf of the Board of Directors, I want to thank you for your continued participation in LOC Credit Union.

Best regards,

Michael Lasley

Chairman of the Board

Let's win together.

Financial Report as of December 31, 2020

Balance Sheet

Assets	2020	2019
Loans	\$140,561,405	\$124,496,559
Allowance	(783,237)	(457,308)
Cash	2,115,928	1,595,277
Investments	121,561,624	85,842,525
Other Assets	17,519,199	15,705,597
Total Assets	\$280,974,919	\$227,182,650
Liabilities & Equity		
Member Shares	\$182,104,890	\$147,167,491
Share Drafts	60,916,061	44,972,833
IRAs	4,414,740	4,466,690
Certificates	9,811,186	9,341,312
Other Liabilities	3,559,205	3,474,198
Reserves	1,920,789	1,920,789
Undivided Earnings	21,310,337	19,281,407
Other Comprehensive Income	(3,062,289)	(3,442,070)
Total Liabilities & Equity	\$280,974,919	227,182,650

Statement of Income and Expenses

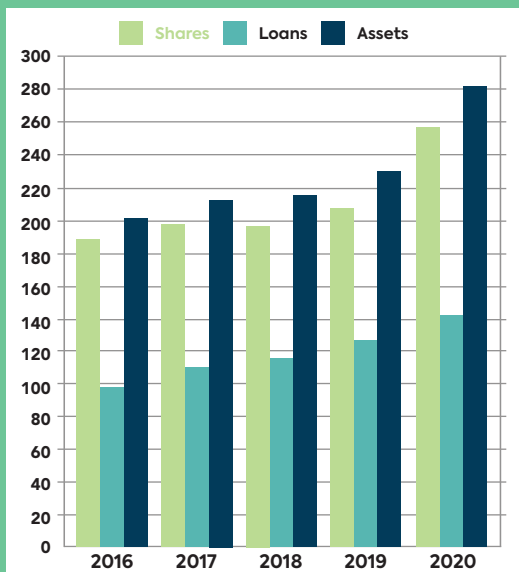
Income	2020	2019
Interest on Loans	\$5,378,626	\$5,184,149
Income From Investments	1,373,937	1,746,661
Other Income	2,851,763	3,223,923
Total Income	\$9,604,326	\$10,154,733
Expenses		
Employee Compensation & Benefits	\$3,567,647	\$3,466,916
Cost of Space	515,962	432,521
Office Operations	794,938	718,626
Professional & Outside Services	1,311,129	1,501,041
Marketing	147,416	238,089
Other Expenses	939,104	659,193
Total Expenses	\$7,276,196	\$7,016,386
Non-Operating Income (Loss)	(\$11,665)	(\$3,518)
Net Earnings Before Dividends	\$2,316,465	\$3,134,829
Distribution of Earnings		
Reserves	\$0	\$0
Dividends	\$287,534	\$391,249
Undivided Surplus	\$2,028,931	\$2,743,580
Statistical		
Number of Accounts	24,653	24,750
Number of Loans Made	13,209	15,368
Amount Loaned	\$63,658,334	\$39,685,430
Delinquent Loans	\$542,987	\$329,460
Increase (Decrease) in Assets	\$53,792,269	\$11,273,627
Increase (Decrease) in Loans	\$16,064,846	\$7,699,184

TREASURER'S REPORT

LOC Federal Credit Union saw unprecedented growth with both loans and deposits during 2020. Assets grew by 24% and ended the year at nearly \$281 million, fueled mostly by COVID-19 pandemic relief stimulus payments. Loans grew by more than \$16 million over 2019 representing a 13% increase. This growth occurred due to members taking advantage of LOC's best-in-market auto loan rates and historically low mortgage rates. Vehicle loans totaled a record \$27.7 million during 2020 compared to \$10.3 million during 2019. First mortgage originations totaled \$28 million compared to \$15 million in originations during 2019. Overall, we issued 13,209 loans in 2020, representing approximately \$64 million. This brings our total loans outstanding to nearly \$141 million. LOC continues to serve nearly 25,000 members and their families. I would like to extend appreciation to our members for the support and confidence you place in LOC when choosing us for your financial needs, especially as we navigated a global pandemic.

Dale Countegan

Treasurer



Five-Year Comparison
In Millions

SUPERVISORY COMMITTEE REPORT

It is the bylaw-mandated function of this committee to carry out a financial statement audit by a licensed firm. This was accomplished through the services of the experienced auditing firm of Plante Moran, PLLC as of September 30, 2020. It is the unanimous opinion of this committee that the statements contained in the report fairly represent the condition of the credit union at this time, and further that it continues to be operated in a sound and professional manner.

THE OFFICIAL TEAM

Board of Directors

Michael Lasley, Chairman
Patrick Monti, Vice Chairman
Dale Countegan, Treasurer
Paul Hain, Secretary
Kurt David
David Drake
Richard Lampi

Supervisory Committee

Patrick Monti, Chairman
Michael Connolly
Dennis S. Green
Domenic Lauria
Jon Vondrasek

Leadership

Stephen P. Grech, President/CEO
Kari Ciaramitaro, Executive Vice President
Marc Buchanan, Chief Marketing Officer
Kim Hagstrom, Chief Financial Officer
Sheryl Taylor, Chief Operations Officer
Karla Walker, Chief Lending Officer

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