

Meeting Challenges

# Together

2020 ANNUAL REPORT



# Board of Directors *Report*

On behalf of your volunteer Board of Directors, I'm pleased to report, while 2020 was an extraordinarily challenging year, your Credit Union family pulled together to meet those challenges.

Like virtually every financial institution in the country, our finances were impacted by both the COVID-19 pandemic and very low interest rate environment. Low interest rates were great for members looking to buy or refinance homes, but those same low rates made it difficult for us to achieve our net interest goals. "Net interest" is the difference between the dividends the Credit Union pays members on their deposits and interest income we generate from loans made—it makes up the lion's share of revenue used to pay the costs of operating the Credit Union.

In the face of these unprecedented challenges, our Executive Management team steered a responsible and prudent course, moving rapidly to help offset the shortfall with other revenue sources, such as investments, as well as major spending reductions. The benefits of our prudent lending policies also bore fruit in these difficult times, as our loan portfolio remained stable and we avoided the major losses one might expect during extended economic uncertainty and unemployment. Together, these enabled us to keep the Credit Union on solid financial footing, as we provided help and support to members in need and maintained the member service that makes USECU so special.

All in all, 2020 was a year characterized by **Meeting Challenges Together**, which is the theme we chose for this year's annual report. My fellow Board Members and I are proud to serve you and are grateful for your loyal membership. We look forward with hope for a healthy and prosperous 2021 and have confidence in our Credit Union's commitment to **transforming lives by making dreams happen**.

Sincerely,



Beverly Randez  
Chair, Board of Directors

# Letter from the CEO

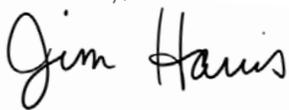
In 2020, there wasn't much unaffected by the global COVID-19 pandemic. So, naturally, you'll read a lot in this annual report about the many ways USE Credit Union and our employees – we call them Dream Makers – stepped up to help members in need, do our part to assist our community, minimize the spread of the virus, and protect our members' health and safety.

While the pandemic was the year's dominant global headline, and touched every aspect of our business, we never lost sight of our core mission—to empower members to dream bigger and build better futures through quality financial services. We helped countless members reach savings goals, develop personalized investment strategies for retirement, and take advantage of super-low rates to buy or refinance homes. We even raised the bar on our exceptional service, doubling down on our commitment to delivering member service that makes you feel like you own the place—because you do!

Another major headline from 2020 was the attention focused on issues of race and equality. While inclusiveness has always been a part of who we are as a Credit Union, and we have worked hard to ensure our corporate culture and brand are a reflection, we are committed to doing more. I want to thank our Board of Directors and members for their support of our efforts, and the team of thoughtful and caring Dream Makers who are helping to guide us and ensure we achieve meaningful results.

As you read through this annual report, I hope you're inspired by snapshots of some of the ways we demonstrated our *Better Together* philosophy. I also hope you're encouraged to reach out to us anytime—we're here to help and proud to be your financial partner.

Sincerely,



Jim Harris  
President and Chief Executive Officer

# Supervisory Committee *Report*

The volunteer Supervisory Committee represents member interests by upholding policies and procedures and ensuring regulatory requirements are met. To that end, the Committee meets regularly throughout the year to review internal and external audit reports. In keeping with its annual financial audit responsibilities, the Committee retained Moss Adams, LLP to review USE Credit Union's books and records as of December 31, 2020. Moss Adams' resulting opinion states the Credit Union's financials present fairly, in all material respects, the financial position and results of operations in conformity with U.S. Generally Accepted Accounting Standards. A condensed version of the audited financial statements, is attached. A full copy of Moss Adams' 2020 audit report has been provided to the Board of Directors, and the State of California's Department of Financial Protection and Innovation, and will be made available to members, upon request.

Sincerely,

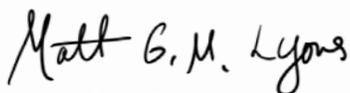


Kimberly Floyd  
Chair, Supervisory Committee

# Credit Manager's *Report*

USE Credit Union offers its members loan products, at competitive rates, through a team of talented and committed individuals who work with external partners, such as auto dealers and other credit unions. In 2020, USECU's loan portfolio decreased 8.3% or \$63,950,000 versus growth of 2.3% or \$17,297,490 in 2019. We continued to review and adjust the portfolio mix to ensure we meet our member, financial and strategic needs. In 2020, our delinquency rate increased to .20%, from 0.16% in 2019, and our loan losses decreased from 0.29% to .19%.

Sincerely,



Matt G.M. Lyons  
Senior Vice President, Chief Lending Officer, Credit Manager

# Dream Makers **in action**

## **When we say people come first, we really mean it.**

Our passion for making a real and positive difference in people's lives is one of the things that makes USE Credit Union different from typical financial institutions. We're there for members in good times and bad. So, when COVID-19 hit, we quickly stepped up with programs and support for individual members who were struggling financially due to the extended lockdowns.

### **Emergency Loans**

For members having work interruptions that caused financial hardship, we created a zero percent emergency loan with a 90-day payment deferral. In 2020, we granted \$562,250 in these emergency loans to members in need.

### **Loan Forbearance**

Throughout 2020, we deferred a total of 1,599 loan payments, including mortgages.

### **Suspended Fees and Limits**

While our branches were closed, we made sure that all members had uninterrupted access to their accounts by suspending numerous fees, increasing ATM withdrawal and other limits, and working with countless members on special arrangements to assist with their individual circumstances.

### **Needs Beyond Banking**

We empowered our frontline employees to lend a hand to members – beyond their immediate banking needs – by creating a special support fund that was tapped to help those struggling financially with needs ranging from deferred vision care and new eyeglasses, to help paying a beloved pet's veterinary care.

### **Appointments for Critical Needs**

The safety of members and employees are always our top priority, so we implemented a range of measures to comply with government orders while providing flexibility to assist members. For example, when we had to close our branches to normal business, our team members made one-on-one appointments with members. Once we reopened for walk-in service, we still maintained enhanced cleaning procedures, social distancing standards and mask requirements, and set aside special hours to serve seniors and others at greater risk.

### **Increased Contact Center Support**

When our branches closed temporarily, we quickly implemented a major cross-training effort to redeploy our branch employees to help members looking to our Contact Center for help with transactions, account questions and assistance using our mobile app and online banking to manage their accounts.

# Better *together*

## **We're passionate about making a difference in our communities, too.**

As the COVID-19 emergency evolved and grew into a pandemic, we took action to help our community cope with the situation. And while the pandemic prevented most in-person activities, we continued our support for our employer partners and causes that reflect our commitment to our communities' health, wellness and well-being.

### **CU4 Kids**

Between direct contributions and support for fundraisers like Rady Children's Dream Big Walk, Miracle Jeans Day and more, we contributed \$23,000 to benefit Children's Miracle Network Hospitals throughout California.

### **Feeding San Diego**

While the pandemic cut into the time our employees would normally spend volunteering to sort and organize food, the three food drives we organized provided 139,000 meals to hungry San Diegans.

### **Serving Seniors**

We helped this organization better protect the disadvantaged seniors it serves by donating 3,500 face masks that were provided to individuals receiving both home-delivered meals and to-go meal boxes.

### **YMCA**

When our Chula Vista branch team learned that the local YMCA was in critical need of funds to purchase basic supplies for local families in need, we donated \$2,500 to help bridge the gap.

### **Operation Gratitude**

Those who serve our nation once again stepped up during the pandemic and we took the opportunity to express our appreciation, with letter writing campaigns that delivered over 100 thank you notes to first responders.

### **Thank You Essential Workers**

With USECU partners employing healthcare workers and first responders battling the pandemic on the frontlines, we saw an opportunity to thank them for their dedication to our community's well-being by coordinating and delivering lunch for teams of workers at UCSD Medical Center, UC Davis Medical Center, R.J. Donovan Correctional Facility, and Cal Veteran Home.

### **Dream Scholarships**

We awarded a total of \$6,500 in scholarships to deserving young members pursuing their dreams of higher education.

# The right loan makes all the *difference*

## **We're here to help you pick the one that's right for you.**

Whether a member was struggling financially with work interruptions from the pandemic or looking to take advantage of historically low interest rates to lower their mortgage payment, we were there with a range of loans at great rates. After all, that kind of help is a big part of why you joined the Credit Union, right?

### **Dream Homes**

Super-low rates made 2020 a great year to purchase or refinance a home. Throughout the year, we provided more than \$183 million in mortgage loans that helped more than 450 Californians realize their dreams of home ownership.

### **Going Green**

Our renewable energy loans offer 100% financing, no origination fees and rates as low as 4.99%. It's a great deal that enabled 715 members to install solar power systems to green-up their homes in 2020.

### **HELOC Campaigns**

This year, lots of members enjoyed increased equity in their homes and many took advantage of the opportunity to open or tap a USECU home equity line of credit (HELOC) for everything from home improvements to paying off student loans.

### **Personal Loans**

In addition to offering special emergency loans to members struggling financially due to the pandemic, we also launched campaigns to make members aware of our flexible personal loans, which can be a smart and low-cost option for covering unexpected expenses.



# Anything's possible *together*

## **We give you lots of ways to save for what matters most.**

Sure, there's a lot that members couldn't do in 2020 because of the pandemic, but we helped lots of you flip the script with checking and savings accounts that made it easier to boost emergency savings, save for the future, and make progress on all kinds of financial goals. All that added up to USE Credit Union reaching a share balance milestone of \$1.02 billion in 2020!

**52-Week Savings Challenge:** Put just \$1.00 in your USECU savings account the first week, and then increase your deposit by \$1.00 each week. By year's end, you'll have saved almost \$1,400. That's the gist of the 52-Week Savings Challenge we rolled out to help members put aside some of their cash in a way that's pretty painless, but really adds up.

**IRA Term Certificates:** When it's a long way off, it can be easy to let retirement savings take a back seat to today's challenges. This year, we stepped up our outreach to encourage members of all ages to take advantage of our competitive IRA term certificates to grow their retirement nest eggs.

**Student Checking:** When classes went virtual, we found creative ways to collaborate with partners such as UC Davis' Cal Aggie Alumni, SDSU Bookstore, and Collegiate Magazine UCSD to promote our Student Checking account and get more young people off on the right foot financially.



# Building for the future of your *dreams*

## **Our Financial Advisors are with you every step of the way.**

Dreaming of becoming a digital nomad, putting the kids through college, or maybe leaving a legacy that helps make the world a better place? A solid investment strategy, created just for you, can help make it happen.

### **Securities America**

In 2020, we transitioned to a Securities America as our broker-dealer which really upped our investment services capabilities. Securities America is part of Advisor Group, the nation's largest network of independent wealth management firms. That gives USECU members access to thousands of stocks, bonds and mutual funds, competitive annuity and insurance products, and industry-leading technology for 24/7 online account access.

### **Comprehensive Investment Expertise**

Most people seek out our Financial Advisors because they know college is a huge expense and need help planning for it, or they want to make sure they'll have enough money for retirement. A significant number already have a portfolio but aren't sure it's invested properly. And some may have experienced a major life event and feel they need to get serious about an estate plan or get a tune-up on their insurance. Wherever members were in their investment journey, we were there throughout 2020 – first with in-person meetings and then via Zoom – to help get them closer to their life goals.



# Simplifying your financial life

## **Our digital tools let you do your banking anywhere.**

Most members have been on board with digital banking for a while, but the pandemic lockdowns caused even more to explore the ease and convenience of online banking and mobile banking. We were there to make it simple to manage your money with tons of new features and a user-friendly digital experience.

### **New USECU.org Website**

Loving our new website? You probably noticed that we overhauled it completely in 2020 to make it easier for you to find what you're looking for and bring you lots of relevant new financial wellness resources.

### **Improved Online Banking**

When we rolled out the new website, we also debuted a better online banking platform that enables you to do more, like use Zelle® to send money via email or text, manage your USECU credit card, view different membership numbers with a single login, submit Skip-a-Pay requests electronically, and more.

### **Enhanced Mobile Banking**

Most of the things you can do in online banking, you can also do in our mobile app. Plus, the app's new digital receipts feature lets you upload and organize your paper and email receipts, making it a breeze to track your spending.

### **#WellnessWednesday**

We're passionate about helping you understand your finances, so you can fulfill your dreams. So, we launched #WellnessWednesday webinars with topics ranging from becoming a homeowner, to rebuilding after a financial crisis.



# Meeting challenges *together*

## **We're here to help when you need us.**

By the end of 2020, lots of relationships were showing a bit of pandemic fatigue, but we look back on it as a year we had the privilege of showing you the value of being a USE Credit Union member instead of some big bank's customer. We hope you felt special and super important to us, because you are!

### **Speak with a Human**

At the outset of the pandemic lockdowns and beyond, our Dream Makers actively reached out to members who typically visit our branches, offering assistance in enrolling and using our digital channels. We also made sure to get cards in the hands of members without debit cards to ensure they had access to their funds, and issued regular updates to keep members in the loop about how we were responding to the pandemic.

### **Social Media**

As the situation and government orders continuously evolved, we ramped up our social media posting. In addition to our regular fun, inspiring and informative posts, we shared timely news about our branches and efforts to ensure member and employee safety, as well as emergency loans and other assistance. You responded with lots of thumbs up!

### **Upgraded Chat and Secure Messaging**

With more members than ever turning to digital channels for answers to their account questions and help with their banking, it was the perfect time to upgrade our live chat and secure messaging capability. Among the new features was screen-sharing, so we can troubleshoot member issues on-the-fly. While March 2020 saw triple the previous month's volume of secure emails and four times the number of chats, we still responded within hours to emails and wait times were mere seconds for chat.



# Financials

AS OF DECEMBER 31, 2020

## ASSETS

Cash and cash equivalents	\$	276,105,865
Available-for-sale investments		97,739,287
Federal Home Loan Bank (FHLB) stock		5,070,500
Loans, net		696,670,275
Accrued interest receivable		2,365,636
Premises and equipment, net		24,482,175
National Credit Union Share Insurance Fund (NCUSIF) deposit		8,870,029
Insurance contracts		21,594,548
Other assets		43,885,667
<b>Total assets</b>	<b>\$</b>	<b>1,176,783,982</b>

## LIABILITIES & MEMBERS' EQUITY

### LIABILITIES

Members' shares	\$	1,023,993,656
Borrowed funds		37,000,000
Accrued expenses and other liabilities		10,125,909
<b>Total liabilities</b>		<b>1,071,119,565</b>

### MEMBERS' EQUITY

Retained earnings		103,950,759
Accumulated other comprehensive income (loss)		1,713,658
<b>Total members' equity</b>		<b>105,664,417</b>
<b>Total liabilities &amp; equity</b>	<b>\$</b>	<b>1,176,783,982</b>

## INTEREST INCOME

Loans	\$	31,102,901
Investments and cash equivalents		2,948,358
<b>Total interest income</b>		<b>34,051,259</b>

## INTEREST EXPENSE

Members' shares		3,620,188
Borrowed funds		452,820
<b>Total operating expenses</b>		<b>4,073,008</b>
<b>Net interest income</b>		<b>29,978,251</b>

## PROVISION FOR LOAN LOSSES

Net interest income after provision for loan losses		28,850,745
<b>Net interest income</b>		<b>29,978,251</b>

## NONINTEREST INCOME

Interchange income, net of fees	\$	2,413,150
Service charges and other fees		2,720,938
Gain on sales of loans		1,357,018
Courtesy pay fees		770,797
Other noninterest income		906,828
<b>Total noninterest income</b>		<b>8,168,731</b>

## NONINTEREST EXPENSE

Compensation and benefits		18,327,644
General and administrative expenses		13,357,960
Occupancy		3,413,840
<b>Total noninterest expense</b>		<b>35,099,444</b>
<b>Net Income</b>	<b>\$</b>	<b>1,920,032</b>

# Leadership

## BOARD OF DIRECTORS

Beverly Randez, Board Chair  
Joshua Lawrence, Board Vice Chair  
Matt Adams, Board Member  
Antony C. Cherin, Board Member  
Scot Eisendrath, Board Member  
David Ely, Board Member

Yvonne L. Marsh, Board Member  
Leslie Overman, Board Member  
Steve St. Marie, Board Member  
Harry Le Grande, Associate Board Member  
Steven Lei, Associate Board Member

---

## SUPERVISORY COMMITTEE

Kimberly Floyd, Supervisory Committee Chair  
Carolynn Winship, Supervisory Committee Member  
Nancy Herbst, Supervisory Committee Member  
Andrew Greaves, Associate Supervisory Committee Member  
Megan Hall, Associate Supervisory Committee Member

---

## EXECUTIVE TEAM

Jim Harris, President & Chief Executive Officer  
Paris Chevalier, Senior Vice President, Chief Experience Officer  
Matt G.M. Lyons, Senior Vice President, Chief Lending Officer  
Todd Tharp, Senior Vice President, Chief Financial Officer  
Laura Young, Senior Vice President, Chief Human Resources Officer

# Annual Meeting of the Membership *Minutes*

## 1. CALL TO ORDER

USE Credit Union's Annual Meeting of the Membership was held virtually on May 28, 2020. The meeting was called to order by Chair Randez at 5:06 p.m.

## 2. WELCOME AND INTRODUCTIONS

Chair Randez welcomed everyone to the 84th Annual Meeting of the Membership and introduced attending Corporate Officers, Board Members and Supervisory Committee Members.

## 3. ROLL CALL

Corporate Secretary Tharp stated a quorum is 10% of total active members, or 50 members, whichever is less, present in person or by proxy. A quorum was present.

## 4. APPROVAL OF THE MINUTES

Chair Randez stated minutes of the May 23, 2019 Annual Meeting of the Membership were made available to all members attending in the Annual Report, posted on USE's website at [www.usecu.org](http://www.usecu.org) on the "Who We Are" page under the "Our History" section. Attendees were requested to email questions, comments or changes, in advance of the meeting, to [annualmeeting@usecu.org](mailto:annualmeeting@usecu.org). Having none, Chair Randez declared the minutes approved by acclamation and ordered them filed as distributed.

## 5. REPORTS

**A Board of Directors Report:** Chair Randez noted the Board's report was included in the Annual Report for review and information.

**B. President's Report:** Harris welcomed and thanked everyone for joining in on the credit union's first virtual annual meeting. He then gave a brief presentation highlighting some of 2019's strategic objectives' accomplishments. Harris was pleased to report we received both the Union Tribune's "Top Workplaces" award as well as achieved "Best of the Best" status on our employee opinion survey, again. Harris went on the review two important financial metrics – Net Worth and Assets, noting both are trending favorably, demonstrating the Credit Union's safety and soundness. Next he highlighted a variety of enhancements implemented over the year creating means for making USECU "easy-to-do-business-with". Lastly, Harris explained how we've worked to increase our Net Promoter Score (NPS), and ended the year at an all-time high.

Harris provided a few brief comments regarding the future, given the current COVID-19 pandemic. He expressed confidence in surviving and thriving through the crisis and noted the Credit Union is as financially strong as it's ever been. Harris concluded by extending his appreciation to the Board, Supervisory Committee and staff for another successful year.

**C. Credit Manager's Report:** Lyons presented the Credit Manager's report, noting a copy was included in the Annual Report for review and information.

# Annual Meeting of the Membership *Minutes*

**D. Supervisory Committee Report:** On behalf of the Committee, Chair Floyd reported a copy of the Committee's report was included in the Annual Report. She stated a summarization of Moss Adams' 2019 year-end audit was also in the packet and that we have received good reports from all external regulators and auditors.

## 6. UNFINISHED BUSINESS

Chair Randez noted the opportunity to submit unfinished business was made to all attendees by emailing the credit union at [annualmeeting@usecu.org](mailto:annualmeeting@usecu.org); none was received.

## 7. NEW BUSINESS

Chair Randez noted the opportunity to submit new business was made to all attendees by emailing the credit union at [annualmeeting@usecu.org](mailto:annualmeeting@usecu.org); none was received.

## 8. ELECTION OF OFFICIALS

**A. Report of Nominations by Petition:** Corporate Secretary Tharp reported no nominations by petition were received.

**B. Election of Officials:** Nominating Committee Chair Le Grande reported at the close of nominations:

- Carolynn Winship was nominated to serve a 3-year term on the credit union's Supervisory Committee; and,
- Antony C. Cherin, Leslie B. Overman and Beverly Randez were each nominated to serve 3-year terms on USE Credit Union's Board of Directors.

In keeping with its responsibilities, on behalf of the Nominating Committee, Chair Le Grande presented these candidates and moved into nomination of this slate of candidates.

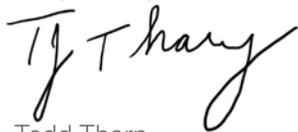
There being no nominations by petition, Chair Randez declared the nominees elected by acclamation.

## 9. ADJOURNMENT

There being no further business to report, Chair Randez thanked everyone for joining the meeting. She invited questions about the meeting or anything in the Annual Report to please be emailed to [annualmeeting@usecu.org](mailto:annualmeeting@usecu.org).

There being no further business, the meeting was adjourned at 5:26 p.m.

Respectfully submitted,



Todd Tharp  
SVP, Chief Financial Officer, Corporate Secretary



866.873.4968 | [usecu.org](http://usecu.org)