

# TREASURER'S REPORT

Despite rising interest rates, LOC Credit Union again saw strong loan growth during 2022 as the newly combined credit union extended its value propositions to the Dearborn market and former MemberFocus Community Credit Union members.

At year end, loans had grown more than \$26.8 million, increasing 12.9% over December 31, 2021. This growth occurred due to members taking advantage of LOC's best-in-market auto loan rates, unique home equity pricing and new Adjustable-Rate Mortgage (ARM) products.

Vehicle loan fundings totaled \$44 million for 2022, and home equity fundings and line extensions totaled \$30 million—a record for LOC Credit Union.

First mortgage originations totaled nearly \$17.3 million compared to \$35 million in 2021. The 2022 total does not include mortgage loans from MemberFocus Community Credit Union that were originated with their previous service provider. It's clear that we have shifted from a refinance market to a purchase market, and our strong 2022 results suggest that our strategy of offering ARMs is meeting the demands of the marketplace.

Inflationary pressures impacted member deposit balances, which decreased by \$3.0 million, or 0.71%, in 2022. Assets also declined 2.7% to end the year at \$450 million.

Overall, we issued 16,578 loans in 2022, representing approximately \$98 million. This brings our total loans outstanding to nearly \$235 million. LOC Credit Union now serves almost 30,000 members and their families. I would like to extend appreciation to our members for the continued support and confidence placed in us, especially as we navigated a merger vote and system integration in 2022. We hope you will continue to see us as your lender of choice when it comes to your borrowing needs.

**Dale Countegan**  
Treasurer

*Let's win  
together.*

## AUDIT 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, 2022. 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  
Paul Renko, Vice Chairman  
Dale Countegan, Treasurer  
Paul Hain, Secretary  
Natalie Clemons  
Michael Connolly  
David Drake  
Charles Lacy  
Dominic Lauria  
Patrick Monti  
Betty Richards  
Ann Schroeder  
Paul Wydendorf

### Audit Committee

Jon Vondrasek, Chairman  
Kurt David  
Charles Lacy  
Betty Richards

### Senior Leadership

Stephen P. Grech, President/CEO  
Jon Elliott, Senior Executive Vice President  
Kari Ciaramitaro, Executive Vice President, Finance & Accounting  
Christena Koester, Executive Vice President, Operations & IT  
Darin Bentley, Vice President, Chief Information Officer  
Marc Buchanan, Vice President, Chief Marketing & Digital Banking Officer  
William Cook, Vice President, Real Estate Lending  
Kim Hagstrom, Chief Financial Officer  
Karla Walker, Vice President, Process Improvement & Operations

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**DEARBORN** | Chase | 6246 Chase Road | Dearborn, MI 48126

**DEARBORN** | Telegraph | 1050 N. Telegraph Road | Dearborn, MI 48128

**FARMINGTON** | 22981 Farmington Road | Farmington, MI 48336

**HOWELL** | 3020 E. Grand River Avenue | Howell, MI 48843

**HARTLAND** | 10002 Highland Road | Hartland, MI 48353

 Federally Insured by NCUA



# ANNUAL REPORT

FOR YEAR ENDING DECEMBER 31, 2022



# CHAIRMAN'S REPORT

While the lingering challenges of the COVID-19 pandemic began to subside in early 2022 and the world returned to a relative sense of normalcy, 2022 was anything but routine for LOC Credit Union.

In mid-February, LOC Credit Union received approval from both the National Credit Union Administration and the Michigan Department of Insurance and Financial Services to move forward with a vote and special meeting of its membership to consider the proposed merger with MemberFocus Community Credit Union previously announced in August 2021.

In mid-March, ballots were mailed to members and a special meeting was called on April 26, 2022 to allow members to ask the Board of Directors questions about the merger and to tally the final vote. At the conclusion of the special meeting, the results were announced with members overwhelmingly approving the merger with an effective date of July 1, 2022 and a system conversion on August 1, 2022. Once finalized, the merger created a state-chartered credit union retaining the LOC Credit Union name with headquarters in Farmington, serving nearly 30,000 members across five branches and year-end assets at \$450 million.

As part of this merger, the newly combined credit union's service area was expanded to include anyone who lives, works, worships or goes to school in the State of Michigan and their immediate family members.

March also saw a significant upgrade to LOC Credit Union's digital services. Our new digital platform addressed many of the pain points that members had previously identified including the lack of feature parity between the desktop and mobile experiences, and the inability to easily move money to and from LOC from another financial institution. At year end, our new digital platform saw approximately 18,000 unique users and nearly 2.5 million total logins.

Members using the platform:

- Performed more than 330,000 transfers totaling nearly \$211 million
- Paid 108,000 bills totaling \$56 million
- Deposited more than 40,000 checks totaling nearly \$21 million
- Added 1,853 external accounts for money movement purposes

While these totals illustrate our members' migration to and adoption of self-service options, retail brick and mortar branches continue to be a relevant option for many members who prefer the in-person interaction—especially when it comes to those high-touch, consultative financial engagements. During 2022, the Board of Directors authorized the entering of a purchase agreement and began due diligence on property in Brighton on Grand River Avenue for construction of a 3,000 square foot branch. LOC currently has approximately 1,500 members with a Brighton address, making it the largest concentration of membership currently without a branch. Brighton is also the largest population center in Livingston County. The new location is expected to open in late 2023 or early 2024.

As it relates to product delivery, members continued to take advantage of LOC's best-in-market rates for auto and home equity loans, despite a rising rate environment. In fact, 2022 was a record year for home equity fundings and line extensions, which totaled more than \$30 million.

Rate increases, in addition to high home prices and the lack of inventory, have contributed to housing being at its least affordable level in the last 20 years. However, LOC's approach of adding Adjustable Rate Mortgages (ARMs) to its offerings at a margin below traditional fixed rate mortgages helps to make the product attractive to members who can purchase a home while providing LOC a differentiation in our markets.

On the operations side, our merger resulted in opportunities to create economies of scale. As an example, we signed a competitive card processing agreement, which will bring debit and credit solutions under one service provider and help lower our costs over the course of the agreement.

The merger also resulted in a more complex organization, and in mid-2022, LOC Credit Union hired a Chief Information Officer and selected a new IT managed service provider to ensure our technology infrastructure meets the demands of a financial institution of our size and scale while protecting both the Credit Union and our members' most sensitive data.

Finally, LOC Credit Union continues to be a well-capitalized and well-managed financial institution. Our Return on Assets (ROA) in 2022 was 0.92%, resulting in net income of approximately \$4.2 million. This not only reflects one-time merger expense but also a one-time merger gain as part of the required valuation process.

As we enter our first full year as a combined credit union, the Board of Directors along with the senior leadership team continues to seek ways to ensure the Credit Union's relevance and success, which is largely dependent on the faith and trust our members place in us each day with their personal finances. In the end, we know our members have a lot of choices when it comes to financial services, and it's our job to deliver value in our product offerings and provide excellent service. On behalf of the Board of Directors, I want to thank you for your continued participation in LOC Credit Union. We look forward to another year of continued growth and success.

Best regards,

**Michael Lasley**  
Chairman of the Board

# Financial Report as of December 31, 2022

## Balance Sheet

Assets	2022	MFCCU 2021	LOC 2021
Loans . . . . .	\$234,558,318	\$44,149,468	\$163,684,563
Allowance . . . . .	(256,366)	(183,836)	(649,281)
Cash . . . . .	3,008,365	1,151,051	1,894,495
Investments . . . . .	184,939,493	87,759,746	139,636,448
Other Assets . . . . .	28,048,790	5,102,570	19,586,364
<b>Total Assets . . . . .</b>	<b>\$450,298,600</b>	<b>\$137,978,999</b>	<b>\$324,152,589</b>
<b>Liabilities &amp; Equity</b>			
Member Shares . . . . .	\$302,952,911	\$88,366,905	\$217,287,606
Share Drafts . . . . .	99,741,933	30,831,100	66,738,339
IRAs . . . . .	5,052,551	1,782,190	4,779,867
Certificates . . . . .	13,736,293	4,067,102	10,647,671
Other Liabilities . . . . .	5,325,312	499,897	4,045,055
Reserves . . . . .	2,022,782	2,022,782	1,920,789
Undivided Earnings . . . . .	33,087,333	11,166,338	23,357,005
Other Comprehensive Income . . . . .	(1,620,515)	(757,315)	(4,623,743)
Total Liabilities & Equity . . . . .	\$450,298,600	\$137,978,999	\$324,152,589

## Statement of Income and Expenses

Income . . . . .	2022	MFCCU 2021	LOC 2021
Interest on Loans . . . . .	\$7,770,691	\$1,753,598	\$5,243,174
Income From Investments . . . . .	3,681,422	1,064,927	1,163,701
Other Income . . . . .	3,693,610	1,050,104	3,354,219
Total Income . . . . .	\$15,145,723	\$3,868,629	\$9,761,093
<b>Expenses</b>			
Employee Comp. & Benefits . . . . .	\$6,510,035	\$1,613,666	\$3,994,226
Cost of Space . . . . .	651,842	170,750	534,323
Office Operations . . . . .	1,383,253	675,595	814,360
Professional & Outside Services . . . . .	2,353,544	399,353	1,538,621
Marketing . . . . .	327,962	36,287	250,524
Other Expenses . . . . .	1,166,126	323,757	452,037
Total Expenses . . . . .	\$12,392,762	\$3,219,408	\$7,584,091
Non-operating Income (Loss) . . . . .	\$1,723,719	\$63,282	\$272
Net Earnings Before Dividends . . . . .	\$4,476,680	\$712,503	\$2,177,276
<b>Distribution of Earnings</b>			
Reserves . . . . .	\$0	\$0	\$0
Dividends . . . . .	\$289,444	\$123,800	\$130,606
Undivided Surplus . . . . .	\$4,187,236	\$588,703	\$2,046,668
<b>Statistical</b>			
Number of Accounts . . . . .	30,297	8,254	24,722
Number of Loans Made . . . . .	16,578	782	13,745
Amount Loaned . . . . .	\$97,317,584	\$21,850,503	\$83,700,697
Delinquent Loans . . . . .	\$481,536	\$85,845	\$244,045
Increase (Decrease) in Assets . . . . .	(\$11,832,988)	\$11,409,025	\$43,177,670
Increase (Decrease) in Loans . . . . .	\$26,724,287	\$414,981	\$23,123,158