

# 17

## 2017 ANNUAL REPORT



**HudsonValley**<sup>®</sup>  
FEDERAL CREDIT UNION

### We'd like to begin by saying thank you to each of our more than 283,000 members.

The trust you place in us is the reason we can move towards our 55th anniversary of serving the Hudson Valley as a safe, strong, and secure financial cooperative. As you'll see in our Treasurer's Report, our continued growth in savings, loans, and assets is a testament to your faith in our ability to provide you the financial products and services that meet your needs now and in the future. And whether we're looking at our products, rates, services, or policies, the primary question we always ask ourselves is, "how does this benefit our members?"

#### Products & Services

This past year, we implemented several new products beneficial to a variety of members, including:

- A Visa Signature credit card offering additional spending power and improved rewards.
- A new deposit account allowing our attorney members to manage their clients' funds more easily.
- Four cash management options so our business members can have more choices to help them manage their growth.
- On-site financing at merchants beyond car dealers, so when you need additional spending power at places like the jeweler, siding company, or even the doctor's or veterinarian's office, the financing process is easier.

In addition, we improved several of our existing services, such as the enhancements we made to both MAGIC, our telephone automated response system, and our monthly statements. If you use eStatements, you'll now receive your statement on the first of each month. To help members maintain a healthy credit score,

members with a consumer loan or credit card can now view their FICO® Credit Scores through Internet Banking for free. Our mobile app was upgraded and includes eBills, as well as a "quick balance" widget for Android device users. And for smartphone users, we now offer Android and Samsung Pay, as well as mobile fingerprint and face recognition for authentication purposes.

#### Home, Sweet Home

One of our biggest initiatives this past year was the effort to improve our mortgage processes. While our staff works with mortgages every day, we recognize that for many of you, this transaction happens once every five to ten years at best – sometimes once in your life! After listening to your feedback, a common theme we heard was that we needed to improve our communications across the process. We implemented new systems that make it easier to apply online, upload your documents electronically, and check the status of your application as it moves through our process to closing. We also automated email communications to keep you apprised of key events and next steps needed to make the process as smooth as possible. These enhancements, coupled with our new mortgage staff have helped us to improve our members' overall satisfaction with the mortgage process.

#### Branch Growth

Despite the sustained increase in electronic account access, our branches continue to be busy hubs where many members turn for personalized service and financial advice. In January, we celebrated the grand opening of our LaGrange office opposite Arlington High School. Mid-way through the year, we celebrated the grand re-opening of our renovated Hyde Park branch. And by the time you read this message, our Poughkeepsie branch will have celebrated its move to our new location at the corner of Route 9 and IBM

Road. We continue to pursue opportunities in other markets in the region for additional branches as well; more news on those will come later in 2018.

### **Educating and Protecting**

We continue to promote financial literacy across all ages of our membership, from the addition of online tools and education for teens and young adults, to community-based seminars ranging from basic money management to social security and retirement planning, buying a home, and preventing elder financial abuse and identity theft. We encourage members to take advantage of our free services such as electronic and paper recycling events and our YouTube videos on safety and security, including how to spot skimming devices on ATMs and other card machines.

In addition to members being vigilant with your personal information, protecting your accounts is a paramount concern of ours – one we take very seriously. Our staff, including an entire department dedicated to risk mitigation, is always on alert for red flags that can help us prevent unauthorized use of your accounts either electronically or in person.

### **Bringing Value**

Even after 54 years serving members, HVFCU's commitment remains the same – provide members with the affordable financial products and services that are valuable to you and help make your life better. Our 800+ staff, Board, and volunteers resolve each and every day to provide you the highest level of attention because we know you have come to expect that of us. On behalf of your Board and management staff, we hope you continue to place your trust in us for many years to come. We look forward to serving you, your families, and our local business community throughout 2018 and beyond.



A handwritten signature in black ink that reads "Noreen Hennessy".

**Noreen Hennessy**  
Chairman



A handwritten signature in black ink that reads "Mary D. Madden".

**Mary D. Madden**  
President and CEO



**HVFCU's 2017 consolidated financial results reflect a growing and well-capitalized financial institution.**

I am pleased to report that we experienced growth in all key areas in 2017 (shown in the accompanying chart). Total membership increased 3.1% to over 283,000 individuals and businesses, helping to drive a 4.8% increase in deposits to \$4.16 billion. Loans in our portfolio grew by 8.3% to \$2.77 billion. Assets totaled \$4.68 billion at December 31, 2017, which represents an increase of \$237 million, or 5.3% over the prior year. Net worth also grew in 2017 to 10.89%, which is the overall measure of our safety and soundness.

Recognizing that members want a variety of touch points from us, we continued to invest in both our branch and digital networks this past year. During 2017, those investments included renovating our Hyde Park branch, implementing an enhanced online mortgage application system, and upgrading MAGIC, our automated telephone response system.

Your board's goal remains the same for HVFCU – continue to show positive results and remain the Hudson Valley's trusted financial partner for years to come. HVFCU will continue our investments of time and resources to ensure members receive the best financial products and services. We are all looking forward to another successful year in 2018.

**Nancy Kappler-Foster**  
Treasurer

## Key Measurements

Net Worth at the end of 2017 was 10.89% of Total Assets.

*B Billions*

Total Assets		% Growth
2017	<b>\$4.682B</b>	<b>5.3%</b>
2016	\$4.445B	

Total Savings		% Growth
2017	<b>\$4.159B</b>	<b>4.8%</b>
2016	\$3.968B	

Total Loans		% Growth
2017	<b>\$2.768B</b>	<b>8.3%</b>
2016	\$2.556B	

Member Growth		% Growth
2017	<b>283,433</b>	<b>3.1%</b>
2016	274,994	

# Annual Meeting

---

**Tuesday, April 24, 2018, 7 p.m.**

Putnam Hospital Center Auditorium  
670 Stoneleigh Avenue, Carmel, NY

---

This year's Annual Meeting will be held in Putnam County on Tuesday, April 24 beginning at 7 p.m. Our standard business meeting will include a brief review of the state of the credit union. To ensure the safety of our members, volunteers, and staff, everyone attending the meeting will be required to pass through a security check-point. Potentially hazardous items (such as pocket-knives or weapons) will be held by security personnel during the Meeting or you will be asked to return them to your vehicle. Thank you.

## SUPERVISORY COMMITTEE REPORT



**HVFCU is committed to serving our members with the utmost integrity.**

The five members and three associate members of the Supervisory Committee

collaborate with our credit union's Internal Audit Department to ensure proper processes and procedures are adhered to throughout the organization. As volunteers donating our time and talents, we work to ensure our financial cooperative remains strong and secure.

To that end, we also work with our external auditors. I can report once again that our external accounting firm (CliftonLarsonAllen) delivered an unqualified opinion during the 2017 audit of our financial statements. Our federal regulator - The National Credit Union Administration – also found no areas of concern during their annual exam of HVFCU.

In addition to our audit oversight, the committee responds to member feedback when they've experienced an issue that management cannot resolve to their satisfaction. We look forward to another successful year and to continue our service to our entire financial family here at Hudson Valley Federal Credit Union.

A handwritten signature in black ink that reads "Kathleen Dispensa".

**Kathleen Dispensa**

*Supervisory Committee Chair*

# Consolidated Statements of Financial Condition

	Years Ended December 31,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 121,083,047	\$ 138,763,590
Investments	1,640,567,436	1,607,749,579
Loans to members:		
Real Estate loans	675,846,619	590,092,917
Consumer loans	1,700,232,064	1,607,989,647
Member Business loans	391,749,868	358,224,778
Total loans to members	2,767,828,551	2,556,307,342
Allowance for loan losses	(48,757,947)	(37,681,312)
Accrued interest receivable	12,740,630	10,864,918
Prepaid expenses	3,282,266	2,581,893
Property and equipment, net	78,607,600	78,547,037
NCUSIF deposit	39,327,146	35,945,859
Other assets	67,815,380	51,916,787
<b>TOTAL ASSETS</b>	<b>\$4,682,494,109</b>	<b>\$4,444,995,693</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' savings accounts:		
Regular Savings	\$ 1,044,459,010	\$ 970,008,324
Checking	596,635,649	558,549,804
Money Market	784,232,349	807,747,319
IRAs	238,161,457	235,444,280
Certificate Accounts	1,149,436,441	1,026,935,949
Business Accounts	346,062,013	369,494,514
Total members' savings accounts	4,158,986,919	3,968,180,190
Borrowed Funds:	—	—
Accrued expenses and other liabilities	41,052,127	33,367,460
<b>TOTAL LIABILITIES AND SAVINGS</b>	<b>4,200,039,046</b>	<b>4,001,547,650</b>
Members' equity, substantially restricted	482,455,063	443,448,043
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$4,682,494,109</b>	<b>\$4,444,995,693</b>

# Consolidated Statements of Income

	Years Ended December 31,	
	2017	2016
<b>Interest income:</b>		
Loans	\$131,851,564	\$124,270,283
Investments	38,031,657	33,154,503
Total interest income	169,883,221	157,424,786
<b>Interest expense:</b>		
Members' savings accounts	28,545,178	26,839,964
Borrowed funds	2,829,097	7,082
Total interest expense	31,374,275	26,847,046
Net interest income	138,508,946	130,577,740
<b>Provision for loan losses</b>	35,070,055	36,862,701
Net interest income after provision for loan losses	103,438,891	93,715,039
<b>Non-interest income:</b>		
Gain on sale of assets	4,863,031	12,037,542
HVFCU Financial Services Income	4,193,887	4,031,247
HVFCU Insurance Agency Income	645,444	616,588
Other	41,830,321	36,121,944
Total non-interest income	51,532,683	52,807,321
<b>Non-interest expenses:</b>		
Compensation	40,050,998	38,874,505
Office operations	24,942,749	24,344,100
Loan servicing	21,822,518	18,701,653
Employee benefits	15,492,319	13,827,695
Office occupancy	6,211,781	6,275,426
Professional and outside services	2,920,895	2,577,602
Marketing	2,907,418	2,803,960
Federal operating fee	495,310	376,005
Travel, conferences and training	481,144	590,873
Association dues	319,132	309,685
Members' insurance	310,149	316,024
Annual meeting/election	120,603	146,014
Directors/Volunteers expense	118,432	119,444
Cash over and short	28,669	15,827
Miscellaneous	(22,260)	937,601
Total non-interest expenses	116,199,857	110,216,414
<b>Net income</b>	<b>\$38,771,717</b>	<b>\$36,305,946</b>
NCUSIF/TCCUSF Stabilization Expense	0	0
<b>Net income after NCUSIF/TCCUSF Stabilization Expense</b>	<b>\$38,771,717</b>	<b>\$36,305,946</b>

## BOARD OF DIRECTORS



**Noreen Hennessy** *(Left)*  
Chairman

**Takao Inouye** *(Right)*  
First Vice Chairman



**Joseph E. Eppich** *(Left)*  
Second Vice Chairman

**Nancy Kappler Foster** *(Right)*  
Treasurer



**Stephen M. Caswell** *(Left)*  
Assistant Treasurer

**William L. Spearman** *(Right)*  
Secretary



**Marianne Collins** *(Left)*  
Director

**Misty V. Decker** *(Right)*  
Director



**Kenneth Muckenhaupt**  
Director

### IN MEMORY OF



**Henry J. Rodgers Jr.**  
(1941 – 2017)

HVFCU Volunteer, Board Member  
and Director Emeritus 1967 to 2017



**David Bagley**  
(1930 – 2017)

HVFCU Volunteer, Board Member  
and Director Emeritus 1991 to 2017

### DIRECTOR EMERITUS

**Jan Mahar Sturdevant**

### SENIOR MANAGEMENT

**Mary D. Madden**  
President and Chief Executive  
Officer

**Anton L. Rohrmeier**  
Executive Vice President and Chief  
Operating Officer

**Scott VanZandt**  
Chief Financial Officer

**Diane M. Allenbaugh**  
Senior Vice President, Human  
Resources and Organizational  
Development

**Chelen L. Reyes**  
Senior Vice President, Retail Delivery  
and Marketing

**Brian M. Waldron**  
Senior Vice President, Lending

## COMMITTEES

### Asset Liability Management Committee

Nancy Kappler-Foster, Chair  
Stephen M. Caswell  
William L. Spearman  
Mary D. Madden  
Scott VanZandt  
Brian J. Haughey  
Peter Lampasona

### Compensation & Benefits Committee

Takao Inouye, Chair  
Noreen Hennessy  
Stephen M. Caswell  
Lauren Gillett  
Sharon McGinnis

### Nominating Committee

Lynn R. Fielitz, Chair  
Paul Anderson  
Julieta Majak  
Vanessa S. Primus  
William L. Spearman

### Policy Committee

Misty Decker, Chair  
Joseph E. Eppich  
Marianne Collins  
Chris Wyble  
Patricia Miller

### Supervisory Committee

Kathleen Dispensa, Chair  
Daniel F. Thomas, Secretary  
William J. Mulvey  
Tuknekah Noble  
Michael J. Young  
Alan Gallantar (Associate Member)  
Elinor Speckman (Associate Member)  
Robert Tompkins (Associate Member)

### CUSERVE Board of Directors

Andrea J. Mannix, Chair  
Mary D. Madden, Secretary/Treasurer  
Joseph Lapore  
Kenneth Muckenhaupt  
Rich Trocino

Federally Insured  
by the NCUA

