Strategic Plan

2021-2024
Primary Goals

Grow Margins

Support Members
Mission

To create wealth and promote economic development by bringing affordable capital and financial services to low income and traditionally underserved populations.
Competitive Advantages

Excellent Reputation
- Steady, effective financial institution for underserved, low-income Vermonters
- Received 32% of CDFI grants to Vermont in 2020.
- Well-known in Chittenden County; Over $18M in deposits there

Only LICU business lender
- Only 5 CUs in VT are SBA lenders (25 Fis in Vermont)
- Gardner Goldman Fund helps small business without access to capital

Access to Low Cost Funds for Business Lending
- Participant in FHLB-B Jobs for New England Program (0-1% funds)

Room for Growth in our Niche
- Market Share is only 9% of total Low Income Vermonters
  - Most VT credit unions can’t grow their market share (already serve 50-60%)
2020 Results vs 2019 Results

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>43</td>
<td>53</td>
</tr>
<tr>
<td>Deposits</td>
<td>31.8</td>
<td>41.9</td>
</tr>
<tr>
<td>Mortgage lending</td>
<td>11.7</td>
<td>28</td>
</tr>
<tr>
<td>Business lending</td>
<td>1.4</td>
<td>2.8</td>
</tr>
</tbody>
</table>

- **Increase in average mortgage size**: 30%
- **Mortgages for immigrants & refugees**: 40%
- **Mortgages for first time home buyers**: 30%
- **Debit card transaction value growth**: 14.60%

**CHALLENGES**

- Did not meet consumer loan target due to slow auto sales
- Consumer and mortgage borrowers needed loan forbearance
- High counseling demand for Money Sense
- Winooski branch continues to be closed
- Membership numbers fell slightly

- High level of cash from loan sales and stimulus deposits
- Did not hit goals for mobile app users or bill pay transactions
- Loan balances rolled off due to high mortgage refi activity
- Declining present value of future mortgage servicing rights as expected mortgage pay-down increases
SWOT ANALYSIS

**Strengths**
- Unique products & programs
- LICU and CDFI certification
- Stable membership
- Managing late payments
- Known in community
- Recognized nationally
- Strong, diverse
- Understands members
- Reflects the community
- Experienced, committed Board and Committees
- Strong capital position and net worth
- Strong history of raising capital & grants

**Weaknesses**
- Little use of online banking
- Members not financially literate
- Weak sales culture
- Dependency on individuals rather than departments
- High reliance on grants
- Tight margins

**Opportunities**
- Move members to digital
- Savings account ATM cards
- Member Services/ Lending cross referral
- Increase electronic services
- Increase brand awareness
- More partnership with community entities
- New federal small business stimulus

**Threats**
- Bank competition
- Product piracy
- Continued COVID
- Regulatory ramp-up
- Loan funds used up
- Grants dry up
- Margins shrink

- Crowded physical branches
- No drive-thru window
- Cumbersome account opening
- No electronic account opening
<table>
<thead>
<tr>
<th>Goals</th>
<th>How</th>
</tr>
</thead>
</table>
| • Reduce rate on secondary capital to 2% by 2024  
• Raise net interest margin to 4.35% by 2024  
• Raise return on assets to 1.00% by 2024  
• Keep average interest expense under 1.00%  
• Improve engagement through more visual reporting  
• Complete outsourcing to VSECU (quarterly call reports) | • Replace current secondary capital investors  
• Increase community outreach  
• Solidify relationships with investors  
• Redesign monthly Board, ALCO, and leadership reports  
• Outsource quarterly call reports to VSECU |
| Finance | How |
| | • Recruit and retain diverse staff  
• Promote from within  
• Increase entry level hiring and training | • ID staff and leaders with key skills and motivation  
• ID skill gaps for training  
• Custom training programs for higher positions |
| HR | How |
Lending

- Originate $8.5m small business loans by 2024
- Grow WOW Auto balances to $7.7m by 2024
- Originate $16.8m consumer loans by 2024
- Grow fee income
- New interest rate “Drive Down” funding for auto loans

Money Sense

- Scale the program
  - 1,000 clients in 2021
  - 1,200 clients in 2022
  - 1,500 clients in 2023

Goals

How

- Improve community relationships for referrals
- Annual winter month WOW Auto Loan promotion
- Simple 5 Program marketing
- Monitor competitor fees, add 0.50% if possible
- Adjust internal fees, e.g. mortgage closing

- Expand foreclosure counseling services
- Expand community partnerships
- Create web resources to leverage counseling reach
- Streamline client intake process
Member services

- Increase fee income to $449,000 by 2024
- Increase debit card interchange income
- Provide better service
- Grow deposits

Communications

- Social media to
  - Promote low cost deposits and high rate loans
  - Expand impact in low income populations
  - Leverage positive opinion

Goals

- Promote debit card usage
- New cards: ATM cards for savings accounts, loadable cards for minors
- Restrict fee waivers to financial hardship
- Signage to promote ATM use by non-members
- Upgrade debit card vendor
- Improve training: electronic services & referrals for lending or Money Sense
- Develop remote account opening by end of 2021

How

- Campaign themes with twice-weekly posts
- Promote products, services, unique programs e.g. PPP
- Share news about credit union industry
- Establish baseline metrics
- Monitor successful posts and fine tune to right customers
- Invite members with good experience to elevate ratings
**Goals**

- Maintain working relationship with CDFI Fund
- Find additional grant opportunities
- More connections with philanthropic community

**Operations**

- Automate escrow collection and payment
- Convert physical file storage to digital
- Find alternate branch space
- Opportunistically open new branch

**How**

- Maintain CDFI certification
- Work with Inclusiv and other CDFIs
- Approach local and national donors
- Use marketing campaigns and social media

- Complete escrow automation cost analysis by 2022
- Begin retaining consumer lending and member services documentation electronically on cloud storage
- Project team for additional space or new HQ facility options in Winooski
- Search for optimal location for new branch
Assumptions:

Annual roll off rate for OCU loans 18.00%
Annual roll off rate for serviced loans 15.00%
Average Investment Income rises 5bp to 1.50%
Average loan yield increases by 50bp to 6.00%
Steady loan servicing income 0.25%
Average fee income per member $65.00
Average interest expense increases by 5 bp to 1.00%
Fees on loans sold rises to 2.50%
Net charge-off rate stable at 0.50%
Loan Loss Reserve decreases by 25bp to 0.75%
Delinquency rate stays under 2.00%
Secondary Capital rate for new borrowing 2.00%
<table>
<thead>
<tr>
<th>Financial Goals</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCU Loan Originations</td>
<td>$11,800,000</td>
<td>$14,000,000</td>
<td>$15,600,000</td>
<td>$16,400,000</td>
</tr>
<tr>
<td>Mortgage Servicing Rights</td>
<td>$12,730,000</td>
<td>$13,300,000</td>
<td>$14,000,000</td>
<td>$18,900,000</td>
</tr>
<tr>
<td>New Secondary Capital</td>
<td>$350,000</td>
<td>$350,000</td>
<td>$250,000</td>
<td>0</td>
</tr>
<tr>
<td>New Grants</td>
<td>$400,000</td>
<td>$450,000</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Serviced Loan Origination</td>
<td>$13,870,000</td>
<td>$15,000,000</td>
<td>$15,800,000</td>
<td>$19,800,000</td>
</tr>
<tr>
<td>Interest Income (Loans)</td>
<td>$2,100,000</td>
<td>$2,500,000</td>
<td>$2,700,000</td>
<td>$3,100,000</td>
</tr>
<tr>
<td>Fees from Loans Sold</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Loan Servicing Income</td>
<td>$184,839</td>
<td>$187,823</td>
<td>$192,374</td>
<td>$201,364</td>
</tr>
<tr>
<td>Member Service Fee Income</td>
<td>$288,000</td>
<td>$415,132</td>
<td>$431,737</td>
<td>$449,006</td>
</tr>
<tr>
<td>Compensation/Benefits Increase</td>
<td>11.52%</td>
<td>6.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Interest Expense - Average rate</td>
<td>0.85%</td>
<td>0.90%</td>
<td>0.90%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$60,000</td>
<td>$165,000</td>
<td>$287,000</td>
<td>$632,000</td>
</tr>
<tr>
<td>ROA</td>
<td>0.11%</td>
<td>0.28%</td>
<td>0.46%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Delinquency</td>
<td>1.50%</td>
<td>1.40%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>3.00%</td>
<td>3.98%</td>
<td>3.86%</td>
<td>4.35%</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>$44,687,977</td>
<td>$47,792,661</td>
<td>$51,153,304</td>
<td>$53,262,455</td>
</tr>
<tr>
<td>Total Loans</td>
<td>$41,560,295</td>
<td>$45,619,433</td>
<td>$50,188,824</td>
<td>$54,597,227</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$56,291,481</td>
<td>$59,716,904</td>
<td>$61,984,654</td>
<td>$62,999,406</td>
</tr>
</tbody>
</table>