

Strategic Plan

2021-2024



Primary Goals



M e m b e r s



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

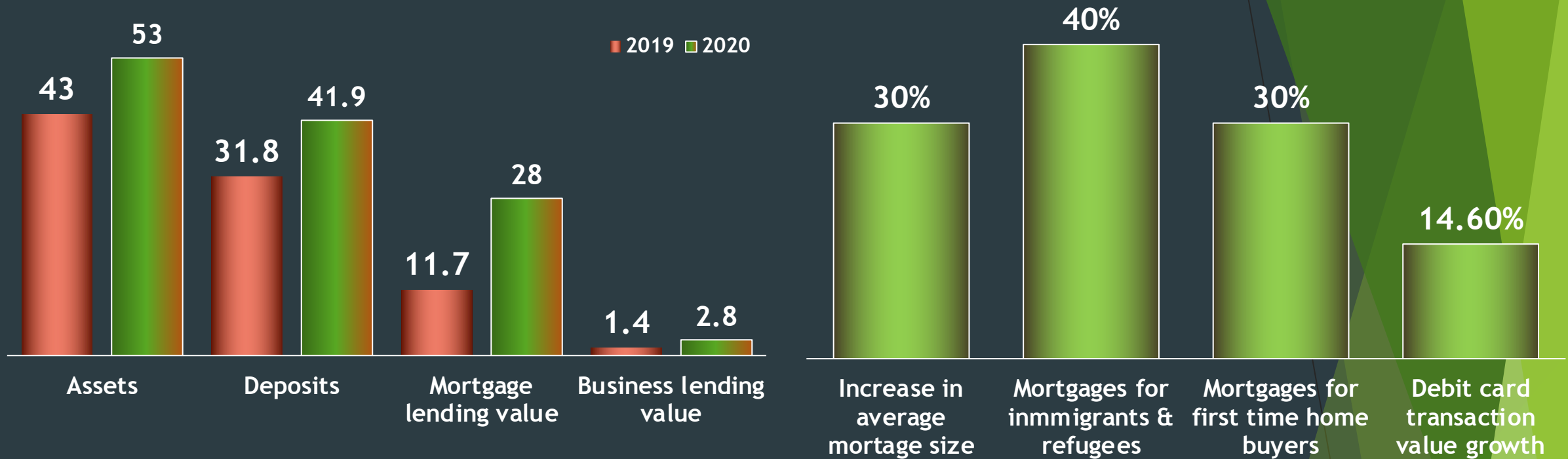
Access to Low Cost Funds for Business Lending

- 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



• 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

Weaknesses

Opportunities

Threats

Business model

- Unique products & programs
- LICU and CDFI certification
- Stable membership
- Managing late payments

- Little use of online banking
- Members not financially literate

- Move members to digital
- Savings account ATM cards
- Member Services/ Lending cross referral
- Increase electronic services

- Bank competition
- Product piracy
- Continued COVID
- Regulatory ramp-up

Reputation

- Known in community
- Recognized nationally

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- Increase brand awareness
- More partnership with community entities

HR & governance

- Strong, diverse
- Understands members
- Reflects the community
- Experienced, committed Board and Committees

- Weak sales culture
- Dependency on individuals rather than departments
- Leadership focused on day-to-day rather than strategy
- Limited staffing budget

Financials

- Strong capital position and net worth
- Strong history of raising capital & grants

- High reliance on grants
- Tight margins

- New federal small business stimulus

- Loan funds used up
- Grants dry up
- Margins shrink

Infrastructure

- Crowded physical branches
- No drive-thru window
- Cumbersome account opening
- No electronic account opening



Goals

How

Finance

- 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

HR

- 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

Goals

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

- 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

Money Sense

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

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

Goals

How

Member services

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

- **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

Communications

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

- **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

How

Grants

- Maintain working relationship with CDFI Fund
 - Find additional grant opportunities
 - More connections with philanthropic community
- Maintain CDFI certification
 - Work with Inclusiv and other CDFIs
 - Approach local and national donors
 - Use marketing campaigns and social media

Operations

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

Financial Goals	2021	2022	2023	2024
OCU Loan Originations	\$11,800,000	\$14,000,000	\$15,600,000	\$16,400,000
Mortgage Servicing Rights	\$12,730,000	\$13,300,000	\$14,000,000	\$18,900,000
New Secondary Capital	\$350,000	\$350,000	\$250,000	0
New Grants	\$400,000	\$450,000	\$200,000	\$200,000
Serviced Loan Origination	\$13,870,000	\$15,000,000	\$15,800,000	\$19,800,000
Interest Income (Loans)	\$2,100,000	\$2,500,000	\$2,700,000	\$3,100,000
Fees from Loans Sold	2.00%	2.00%	2.50%	2.50%
Loan Servicing Income	\$184,839	\$187,823	\$192,374	\$201,364
Member Service Fee Income	\$288,000	\$415,132	\$431,737	\$449,006
Compensation/Benefits Increase	11.52%	6.00%	3.00%	3.00%
Interest Expense - Average rate	0.85%	0.90%	0.90%	0.90%
Net Income	\$60,000	\$165,000	\$287,000	\$632,000
ROA	0.11%	0.28%	0.46%	1.00%
Delinquency	1.50%	1.40%	2.00%	2.00%
Net Interest Margin	3.00%	3.98%	3.86%	4.35%
Total Deposits	\$44,687,977	\$47,792,661	\$51,153,304	\$53,262,455
Total Loans	\$41,560,295	\$45,619,433	\$50,188,824	\$54,597,227
Total Assets	\$56,291,481	\$59,716,904	\$61,984,654	\$62,999,406