



Stanford  
FEDERAL CREDIT UNION

# 2020

## ANNUAL REPORT



Federally Insured by NCUA

## PRESIDENT & BOARD CHAIR'S REPORT

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Joan Opp, President/CEO

***The year 2020 will be remembered for its many challenges as the COVID-19 pandemic impacted our credit union, our members, our employees, and our community. Our priorities quickly shifted to ensure the safety of our staff and members, and to proactively assist members experiencing financial distress.***

From the very start of the pandemic, we recognized the importance of our role as an essential service and evolved our operations to prioritize safety while still meeting the financial needs of our members. We immediately offered a “no questions asked” emergency loan up to \$5,000 for members who had been with us for at least six months. Nearly 800 members took advantage of the loans, and the funds were quickly deposited into their accounts—often the same day.

We also reset minimum credit card payments to zero for all 14,000 cardholders for the first three months of the pandemic, allowing members to skip their payments if needed. As members reached out to us with additional financial hardships, we did everything within our power to assist them, including deferring payments on 848 loans and waiving early withdrawal penalties on certificates and other fees.

Although we were not an approved Small Business Administration (SBA) lender, we quickly applied for the ability to offer our business members the Paycheck Protection Program and funded 40 PPP loans before the SBA funds ran out.



Gregory Rosston, Board Chair

As everyone settled into our new normal, we discovered that luckily the Bay Area and the majority of our members were not as severely impacted by job losses as the rest of the nation. This good news meant that our 2020 loan losses were less than anticipated and our emergency loan borrowers began repaying their loans after the 90-day grace period.

Across the nation there was a flight to safety, as consumers moved their savings into federally insured accounts, reduced their spending, and drove our deposit growth to 23%. On the loan side, the refinance boom that started in 2019 accelerated in 2020 with a significant number of our members' mortgages refinancing to a lower rate. Last year's deposit growth and loan originations set new records for SFCU.

Our members frequently expressed their gratitude for our staff's empathy and the financial support we were able to provide, with comments such as this Yelp review from Janice: “What really makes me love this credit union so much more is their part in helping members during this Covid-19 pandemic. My husband and I appreciate you all so much more now than ever. I don't think any other credit union has done as much as SFCU does for their members.” The member appreciation was also reflected in our Net Promoter Scores (NPS), which we use to measure our service. We ended the year at an all-time high of 71%, well above the 35% bank average and even 55% for American Express.

In spite of the pandemic, we were able to launch several initiatives toward our primary goal to provide more value to our members. We introduced virtual appointments to provide socially-distanced individual service. We added the tap-to-pay contactless feature to all of our debit cards (our credit cards already had it). And we introduced a new texting solution to make it easier to communicate with members.

We also upgraded our Stanford Athletics® Fan Rewards Visa® credit card and Stanford Alumni Rewards Visa credit card to a Visa Signature status, which provides cardholders with additional discounts, rewards and benefits. We launched a special HELOC promotion with an introductory rate for new Home Equity Lines of Credit (HELOCs) of prime minus 1.0%. And we made significant progress on the Stanford FCU Plex checking account powered by Google, which launches this year.

Although the pandemic disrupted our 2020 plans, we ended the year with net income of \$25.9 million and 20% total asset growth. We're proud of the strength demonstrated by our staff and members as we navigated through these unprecedented times together. We were able to provide strong value and remain flexible to meet our members' financial needs—all while continuing to be a fiscally responsible, safe and secure financial institution.



Neil Hamilton, Chair

## SUPERVISORY COMMITTEE'S REPORT

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The Supervisory Committee provides oversight of financial reporting and compliance activities and reports to Stanford FCU's Board of Directors. The Committee's primary responsibilities are:

- ◆ Determining that management has maintained effective internal controls to achieve the credit union's financial reporting requirements;
- ◆ Ensuring that accounting records accurately reflect the credit union's operations and results;
- ◆ Reviewing the policies and control procedures established by the Board of Directors;
- ◆ Ensuring that management practices and policies continue to safeguard member assets; and
- ◆ Assessing the policies and control procedures that safeguard against errors, conflicts of interest, and fraud.

Based on the financial statements included in this report and the Committee's oversight work, I can confidently report that Stanford FCU was financially sound and operated in compliance with all state and federal regulations during 2020. This assessment is supported by the regulatory examination performed by the National Credit Union Administration, the independent financial audit performed by the accountancy firm of Clifton Larson Allen, LLP, as well as the internal audits conducted by the accounting firm of Crowe, LLP. The Committee also welcomes and reviews member comments and inquiries regarding Stanford FCU's operations and policies. Members may contact us at [supervisorycommittee@sfcu.org](mailto:supervisorycommittee@sfcu.org).

## TREASURER'S REPORT

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In spite of the pandemic, 2020 was a solid financial year for Stanford FCU, as supported by the audited financial statements. Net income for the year ending December 31, 2020 was \$25.9 million with a Return on Assets of 0.80%. The earnings were the result of unprecedented loan growth supported by controlled operating expenses and low loan losses, thanks to the strength of our members. Our fee income remains well below our peers as we strive for lower fees and we rebated over \$460,000 of fees to our Partner and Ambassador members throughout the year.

The loan portfolio ended 2020 with a balance of just over \$2.1 billion (net of loan loss allowance), a net increase of nearly \$123 million from the prior year. SFCU funded new loans of over \$741 million in residential mortgages and home equity loans, over \$87 million in business loans, and \$91 million in new consumer loans. The level of funding indicates we were there to support the borrowing needs of thousands of members. We appreciate the patience of our membership as the pipeline for refinances was at historical levels.

The credit union ended the year with just over \$3.5 billion in assets, which was a 20% increase from the prior year. Deposit balances grew 23% to \$2.8 billion.



Tana Hutchison, Treasurer

# STATEMENTS OF INCOME

For the years ended December 31, 2020 and 2019

<b>INTEREST INCOME</b>	<b>2020</b>	<b>2019</b>	
Interest on Loans	\$ 80,511,585	\$ 79,571,915	
Interest on Investments and Cash Equivalents	13,121,851	19,070,465	
<b>TOTAL INTEREST INCOME</b>	<b>93,633,436</b>	<b>98,642,380</b>	
<b>INTEREST EXPENSE</b>			
Dividends Paid on Members' Shares	17,833,384	20,260,229	
Interest on Borrowed Funds	8,421,072	8,103,212	
<b>TOTAL INTEREST EXPENSE</b>	<b>26,254,456</b>	<b>28,363,441</b>	
<b>NET INTEREST INCOME</b>	<b>67,378,980</b>	<b>70,278,939</b>	
Provision for Loan Losses Expense	7,860,000	2,900,000	
<b>NET INTEREST INCOME After Provision for Loan Losses</b>	<b>59,518,980</b>	<b>67,378,939</b>	
Other Non-Interest and Fee Income	12,896,519	8,042,185	
<b>TOTAL NET INTEREST AND FEE INCOME</b>	<b>72,415,499</b>	<b>75,421,124</b>	
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Compensation and Benefits	29,150,390	26,718,075	
Office Operations and Occupancy	9,213,739	9,269,938	
Other Operating Expenses	8,206,172	8,180,402	
<b>TOTAL OPERATING EXPENSES</b>	<b>46,570,301</b>	<b>44,168,415</b>	
<b>NET INCOME</b>			
<b>TOTAL NET INCOME</b>	<b>25,845,198</b>	<b>31,252,709</b>	
<b>RETURN ON AVERAGE ASSETS</b>	<b>0.80%</b>	<b>1.12%</b>	
<b>GENERAL CAPITAL REQUIREMENTS</b>			
Amount Required to Be Classified as "Adequately Capitalized"	6.00%	211,836,897	176,557,727
Amount Required to Be Classified as "Well Capitalized"	7.00%	247,143,047	205,984,015
<b>ACTUAL REGULATORY NET WORTH</b>	<b>311,052,202</b>	<b>285,207,004</b>	
	<b>8.81%</b>	<b>9.69%</b>	

# STATEMENTS OF FINANCIAL CONDITION

For the years ended December 31, 2020 and 2019

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Cash and Cash Equivalents	\$ 607,517,090	\$ 322,541,060
Investments	757,227,656	570,589,233
Loans, Net of Loan Loss Allowance	2,113,440,244	1,990,405,826
Accrued Interest Receivable on Loans	7,669,801	18,488,136
Property & Equipment, Net of Depreciation	15,719,756	16,782,753
National Credit Union Share Insurance Fund Deposit	22,354,524	18,488,136
Other Assets	6,685,882	5,333,644
<b>TOTAL ASSETS</b>	<b>3,530,614,953</b>	<b>2,942,628,788</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>MEMBERS' SHARES</b>		
Share Drafts	824,302,051	600,459,513
Regular Shares	599,689,935	441,084,958
IRA Shares	11,996,602	11,362,507
Health Savings Accounts	15,256,630	14,999,323
Share Certificates	760,708,656	690,589,571
IRA Certificates	40,699,351	39,976,031
Money Management Accounts	576,757,302	506,795,904
<b>TOTAL MEMBERS' SHARES</b>	<b>2,829,410,527</b>	<b>2,305,267,807</b>
Accrued Expenses and Other Liabilities	14,289,922	14,707,693
Borrowed Funds	365,000,000	335,000,000
<b>TOTAL LIABILITIES</b>	<b>3,208,700,449</b>	<b>2,654,975,500</b>
<b>MEMBERS' EQUITY</b>		
Retained Earnings, Substantially Restricted	311,052,202	285,207,004
Accumulated Other Comprehensive Income/(Loss)	10,862,302	2,446,284
<b>TOTAL MEMBERS' EQUITY</b>	<b>321,914,504</b>	<b>287,653,288</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,530,614,953</b>	<b>2,942,628,788</b>

## BOARD OF DIRECTORS

Gregory Rosston  
Chair

Dr. Shirley Everett  
Vice Chair

Tana Hutchison  
Treasurer

Dan Kolkowitz  
Secretary

Jonathan Dreyfus

Curtis Feeny

Susan Kingston

Joan Opp

Robert Reidy

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## EXECUTIVE STAFF

Joan Opp  
President/CEO

Paul Jockisch  
SVP/Chief Financial Officer

Brian Thornton  
SVP/Chief Lending Officer

Brian Zeitler  
SVP/Chief Information Officer

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## SUPERVISORY COMMITTEE

Neil Hamilton  
Chair

Desmond Low-Kum  
Secretary

Michael Tran Duff

Jessica Kennedy

David MacKenzie

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## DIRECTOR EMERITUS

Jane Duperrault

Jerry Jobe

Dr. Frank Sarnquist

Timothy Warner



**Stanford**  
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