

# 2019 ANNUAL REPORT



P.O Box 58346 |  
Houston, TX 77258

1330 Gemini |  
Houston, TX 77058

**JSC** FEDERAL CREDIT UNION



## BOARD OF DIRECTORS

**DEBORAH A. CONDER**  
Chair

**CURTIS C. COLLINS**  
Vice Chair

**JOHN J. THIEL**  
Treasurer

**NATALIE SAIZ**  
Secretary

**BRIAN FREEDMAN**  
Director

**GRADY PERDUE**  
Director

**HARRY GUSS**  
Director

**JENNY DUDLEY**  
Director

**PEGGY ZAHLER**  
Director

## EXECUTIVE COUNCIL

**BRANDON MICHAELS**  
President & CEO

**HILLARY LAW**  
Chief Experience Officer

**JACK IMES**  
Chief Lending Officer

**CHRISTIE JORDAN**  
Chief Financial Officer

**WES TURNER**  
Chief Technology Officer

**JAMES MARSHALL**  
Chief Brand & Innovation Officer

**ALEXIS LEWIS**  
General Counsel

## SUPERVISORY COMMITTEE

**JOSE OLIVAREZ**  
Chair

**JOSEPH PAT MCCORMACK**

**GERALD (BUDDY) LAND**

**RENEE FALLS**

**BILL REID**





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## A LETTER FROM OUR CHAIR

■ I want to personally thank you for your membership and support of JSC Federal Credit Union. We experienced tremendous success in 2019 as our credit union assisted more members than ever before and achieved record highs in membership, net worth (capital), assets, loans, and deposits.

Over the past year, we have taken successful steps to build our workforce, introducing leaders and team members who are dedicated to improving your experience. Our team members are at the core of who we are, and we hold deep gratitude to all of them. Their ongoing commitment and contributions continue to enhance JSC Federal Credit Union.

Additionally, we have created a fresh mix of expertise, tenure, and perspective to the JSC Federal Credit Union Board of Directors. In 2019, two long-serving board members, David Whittle and James Ragan, retired from their positions after decades of dedication to the credit union. Mr. Whittle served as chair for more than three decades. Mr. Ragan was the longest-serving board member of JSC Federal Credit Union and served as treasurer for many years. The board of directors is grateful for their leadership and commitment to our organization. The vacant positions provided an opportunity to select two new board members, Jenny Dudley and Brian Freedman, who have exceptional backgrounds serving the Houston community and are already working hard to help position our organization as thought leaders in our city and the credit union industry. Together, we are helping prepare JSC Federal Credit Union

for a bold and exciting future focused on providing exceptional member experiences.

During 2019, the board and executive team embarked on a new strategic vision, one that positions our organization to realize the height of its full potential. Our new strategic direction is rooted in providing exceptional member service through design-led process improvements, introducing new technology that helps members live life uninterrupted, and creating a high-performance culture with financial sustainability.

We continue to be ambitious in the goals we set for ourselves in areas like member experience; diversity, equity, and inclusion; and becoming data- and technology-driven. JSC Federal Credit Union continues to aspire to be a financial institution that makes a positive difference in our communities and the lives of our members. Our values-based approach to doing business is particularly important in times dominated by economic uncertainty. In these times, our commitment to supporting our members remains our highest priority, and we will continue to seek your feedback and input along the way.

The board's highest accountability is to you, our members – a responsibility we take very seriously. I am proud of our accomplishments in 2019, and I am confident in the organization we are building on your behalf. Thank you for your continued trust in JSC Federal Credit Union.

### **DEBORAH ACOSTA CONDER**

Chair, Board of Directors

# RISE ABOVE



## FINANCIALLY SOUND

■ Appointed by the organization's board of directors, the JSC Federal Credit Union Supervisory Committee acts as an ombudsman for our members. The committee is responsible for ensuring JSC Federal Credit Union's operations are carried out in accordance with the Federal Credit Union Act and regulations of the National Credit Union Administration (NCUA).

The supervisory committee is represented at all board of directors meetings, serving as an informed, impactful voice. The committee also meets regularly with NCUA examiners and external auditors to monitor and evaluate internal controls that help ensure members' assets are safeguarded and that JSC Federal Credit Union is operating effectively and efficiently.

Under the direction of the supervisory committee, BKD CPAs & Advisors, LLP, a certified public accounting advisory firm, serves as JSC Federal Credit Union's external auditor. As one of the nation's leading and oldest CPA firms, BKD assists the organization with its annual audit. JSC Federal Credit Union had an audit of the 2019 financial statements performed. In all substantial respects, the credit union's accounting practices, cash flows, and operations aligned with generally accepted accounting principles in the United States of America.

In addition to the annual audit as described above, the supervisory committee, through JSC Federal Credit Union's risk department, directs the credit union's internal audit function. These periodic audits provide an additional layer of review for JSC Federal Credit Union to assess the effectiveness of the financial control mechanisms. Tests and reviews are performed on the overall system of internal control, adherence to policies and procedures, and accounting principles, as well as compliance with federal regulations. The NCUA also conducts annual examinations. In 2019, the NCUA again provided JSC Federal Credit Union an overall rating indicative of a well-managed credit union serving the needs of its members.

Working together, we can ensure JSC Federal Credit Union and its members remain protected. For assistance with issues that cannot be resolved through normal channels, members are encouraged to contact the supervisory committee at [SupervisoryCommittee@jscfcu.org](mailto:SupervisoryCommittee@jscfcu.org).

Respectfully,

**JOSE OLIVAREZ**

Chair, Supervisory Committee

TOGETHER  
WE  
RISE.



# A LETTER FROM OUR PRESIDENT

■ From all of us at JSC Federal Credit Union, thank you for your membership. As we prepare this year’s annual report, our country is facing an unprecedented pandemic, unlike anything we have ever witnessed. This pandemic has profoundly impacted our economy and all of us in many ways. Our sincerest thoughts are with those impacted by the COVID-19 crisis.


Throughout our nearly 60-year history, JSC Federal Credit Union has weathered numerous storms, both natural and economic. Through it all, we have remained steadfast and dedicated to our members and communities. This unparalleled situation will be no different, and we look forward to being your trusted partner for years to come.


As I reflect on the past year, I am inspired by the work we have accomplished and am incredibly excited and honored to be part of this amazing organization. It comes as no surprise that the world is changing faster than ever before. From mobile technology and artificial intelligence to FinTech companies changing how consumers use traditional services, JSC Federal Credit Union must keep up. This past year has been a year of laying the foundational groundwork to undergo a significant member-focused transformation that both honors our history and prepares us to excel for decades to come. To do this, we must become technology-driven and remain member-led.


Our vision is to have one of the most sought-after member experience models in the country. To achieve this, we are taking

a strategic approach across our people, processes, and technology. For example, we are re-engineering traditional processes so that it’s easier to do business with us. We are also upgrading our technology in significant ways that will provide additional capabilities for our members and team members. And, we are adopting the Agile methodology of project management to better and more quickly make improvements to the member experience based on your feedback.

Like Houston, JSC Federal Credit Union is buzzing with energetic, ambitious, and hard-working people. We are passionate about helping members achieve their goals and believe life should be lived uninterrupted. Even more, we anchor our success in yours. This past year, JSC Federal Credit Union has achieved the following:

 Funded more than **\$261 million in new or ‘new to you’ vehicle loans**, giving fellow members the freedom to explore life safely and without restraint

 Funded more than **\$43 million to help members find their dream home**

 Helped members save money by **refinancing more than \$31 million in loans**, so they can focus on life’s most precious moments

 Helped protect more than **6,700 members** through affiliate partnerships

None of these success stories could have been possible without our team members – the heart of everything we do at JSC Federal Credit Union. To support our vision for the future, we have focused on growing our team by augmenting departments with additional team members and needed experience. Additionally, our executive team has done a remarkable job developing our workforce through training, upskilling, and internal promotion opportunities.

No matter what goes on around us, whether it be a global pandemic, a natural disaster, or a challenging economy, JSC Federal Credit Union will be here for you. Our financial strength and passion for service allow us to focus on providing exceptional member experiences through all of life’s ups and downs. While our current environment does not allow us to meet face-to-face, we have risen to the occasion and responded with our members at the forefront of our decision making and actions. In the last several weeks, we have implemented innovative ways of working with our members through new technologies, optimized processes, expanded services, and timely and valuable products. We are committed to helping members who are experiencing financial hardship as a result of the pandemic. Our COVID-19 relief program includes several financial relief options such as payment deferment, relief loans, and waived fees. Through it all, we remain dedicated to facilitating the credit union purpose: people helping people.

I truly believe that our future is brighter than ever! JSC Federal Credit Union had an exceptionally strong 2019 helping a historically unmatched number of members while setting records across all lines of business. This year, our team is focused on positioning the organization to realize the height of its potential. The next five years will be critical to our future success. Our members will remain at the center of all of our decisions, and you can look forward to new products and technologies that allow you to live life uninterrupted.

Over the next year and certainly the next five, you will see JSC Federal Credit Union transform in remarkable ways. We are planning for growth in the greater Houston area and beyond. While we are excited to extend JSC Federal Credit Union into new communities, we remain committed to the community and people that helped launch our beginnings. Together, we will become an even stronger organization.

As always, thank you for your trust and support as we transform into a better JSC Federal Credit Union.

Never stop dreaming!

**BRANDON MICHAELS**  
President/CEO



## NEW STRATEGIC DIRECTION

■ For more than five decades, our commitment has been steadfast and solely focused on our members. Last year, we rededicated this commitment by embarking on a journey to provide unparalleled member experiences. Why? Because our members have always been and will always be our passion and reason for existing.

The JSC Federal Credit Union legacy is rooted in empowering people to reach for the stars. Nearly 60 years later, we continue to build on the inspirations and innovations of our past and bring to life our members' optimism and dreams of tomorrow. By transforming JSC Federal Credit Union into an organization that leads and designs with our members at the forefront of every thought, idea, decision, and action, we can best help you live life uninterrupted.

It's an exciting time at JSC Federal Credit Union. We are in the midst of a paradigm shift to offer technology-based, member-led banking that starts and ends with exceptional member experiences. This is occurring during unparalleled rates of change within the financial services and technology industries. The only thing certain for financial institutions like JSC Federal Credit Union is continual change.

Technology is driving the evolution of consumer expectations and shaping the future of business. Industries are transforming. People and roles are changing. As a result, previous modes of operation and interaction are quickly becoming outdated. And while we are proud of our legacy, we cannot rely on it to sustain our members' needs in the future. Stakes are high amidst this technological

revolution. The organizations that are best positioned to shape and influence their industries will be those that are agile (respond with speed and stability), technology-driven (connected), and extraordinarily focused on member experience (member-led and data-driven). This is why JSC Federal Credit Union's approach involves introducing each of these aspects across our people, processes, technology, and information.

Responding to this caliber of change requires a long, hard look inward to understand what we do well and where we can improve. While many things make JSC Federal Credit Union a special and trusted financial institution, we are the first to admit we have much room for improvement.

Quick and continuous innovation in digital technology brings to light the challenges presented by legacy systems and methodologies. Systems that have dependably served our members for more than 40 years now face the same challenge we do: adapt or disappear. Equally important are the less visible factors like highly manual, antiquated processes that afflict our member and team member experiences.

Other considerations go to the changing regulatory landscape causing JSC Federal Credit Union to evaluate our approach to traditional products and services. Regulatory dissonance between traditional financial institutions and that of FinTech companies – financial services companies delivering experiences through digital technology – and TechFin companies – technology companies that offer financial services – create added pressure on our necessity for change.



RISE  
WITH  
US.

Additionally, recent organizational transitions and workforce growth has highlighted the need to ensure we continue to welcome the right talent to JSC Federal Credit Union and create from within, leaders of change who can expeditiously embrace innovation and transformation, ensuring we employ it in a way that is relevant today and in the future. While such endeavors require us to work harder than ever before on our members' behalf, we are ready to meet the challenge head-on.

Our path forward is dependent on our ability to respond to our members' needs and the changing world around us with speed and stability. Moving forward, agile ways of working will provide rigor and discipline for JSC Federal Credit Union to execute member-led, human-centered design. Value is the fundamental consequence of agile, allowing us to deliver what is important to our members more often through small, frequent improvements and continuous member and team member feedback.

This new way of working will be extremely instrumental as we incrementally put into operation a modern core banking infrastructure to provide the kind of experiences our members expect today and in the future. JSC Federal Credit Union is proud to be a trailblazer of facilitating agile in the credit union industry, uniquely approaching our core banking conversion through the lens of continuous innovation.

With our new, functionally rich core banking system in place, members will begin to see and feel the benefits:

- **More real-time and data-rich analytics will empower JSC Federal Credit Union to design innovative products and services that members find relevant and valuable with speed and efficiency**
- **Seamless, automated workflows designed for ease-of-use, and simplicity (e.g. loan process)**

- **More real-time access to funds and self-service features giving our members more control of their finances**

- **Relationship-based features and customized offerings (e.g. pick your loan terms)**

Other difference-makers for JSC Federal Credit Union members will be the release of several cutting-edge digital solutions.

- **A new, dynamic digital banking platform and mobile application with intuitive self-service features**

- **A visually immersive and interactive member website with an easy-to-navigate, mobile-first design**

- **Enhanced availability and reliability for our digital systems**

- **Integration capabilities across other JSC Federal Credit Union systems, which offer a smooth end-to-end member experience.**

We are beyond excited and incredibly proud to bring these technological enhancements to our membership.

Also included within our strategic plan is developing a brand that proudly honors our long-standing legacy and positions us to serve current and future generations for another 60 years. While we are purposefully generating and embracing positive change in our effort to serve our members better across Houston and beyond, we are committed to remaining true to the JSC Federal Credit Union our members love and trust: an organization of people empowering people to achieve their dreams.

The future is bright for JSC Federal Credit Union, and we are excited about what's in store. Thank you for your continued trust and commitment to our evolving organization. We'll continue to reach for the stars and pave the way for you to do the same.

# FINANCIALS

**\$2.25B**  
IN TOTAL ASSETS

**\$269.81M**  
IN TOTAL EQUITY

**\$1.97B**  
TOTAL DEPOSITS

ASSETS			
	2017	2018	2019
Total Loans	\$589,318,110	\$711,016,583	\$1,012,024,958
Less Allowance	( \$1,607,103 )	( \$2,465,986 )	( \$3,201,321 )
Net Loans	\$587,711,007	\$708,550,597	\$1,008,823,637
Cash & Cash Equivalents	\$294,850,598	\$174,201,951	\$111,513,350
Net Investments	\$1,201,816,513	\$1,199,588,107	\$1,060,336,970
OTHER ASSETS			
Fixed Assets	\$22,312,005	\$25,648,849	\$35,439,832
NCUA Share Insurance Deposit	\$17,108,503	\$18,358,400	\$18,011,357
Other Assets	\$10,596,062	\$8,918,393	\$13,901,580
<b>TOTAL ASSETS</b>	<b>\$2,134,394,688</b>	<b>\$2,135,266,297</b>	<b>\$2,248,026,726</b>

LIABILITIES, SHARES & EQUITY			
	2017	2018	2019
Total Liabilities	\$1,786,370	\$2,295,848	\$4,762,474
Total Shares & Deposit	\$1,910,233,426	\$1,893,648,213	\$1,973,448,661
Total Equity	\$222,374,893	\$239,322,236	\$269,815,591
<b>TOTAL LIABILITIES, SHARES &amp; EQUITY</b>	<b>\$2,134,394,688</b>	<b>\$2,135,266,297</b>	<b>\$2,248,026,726</b>

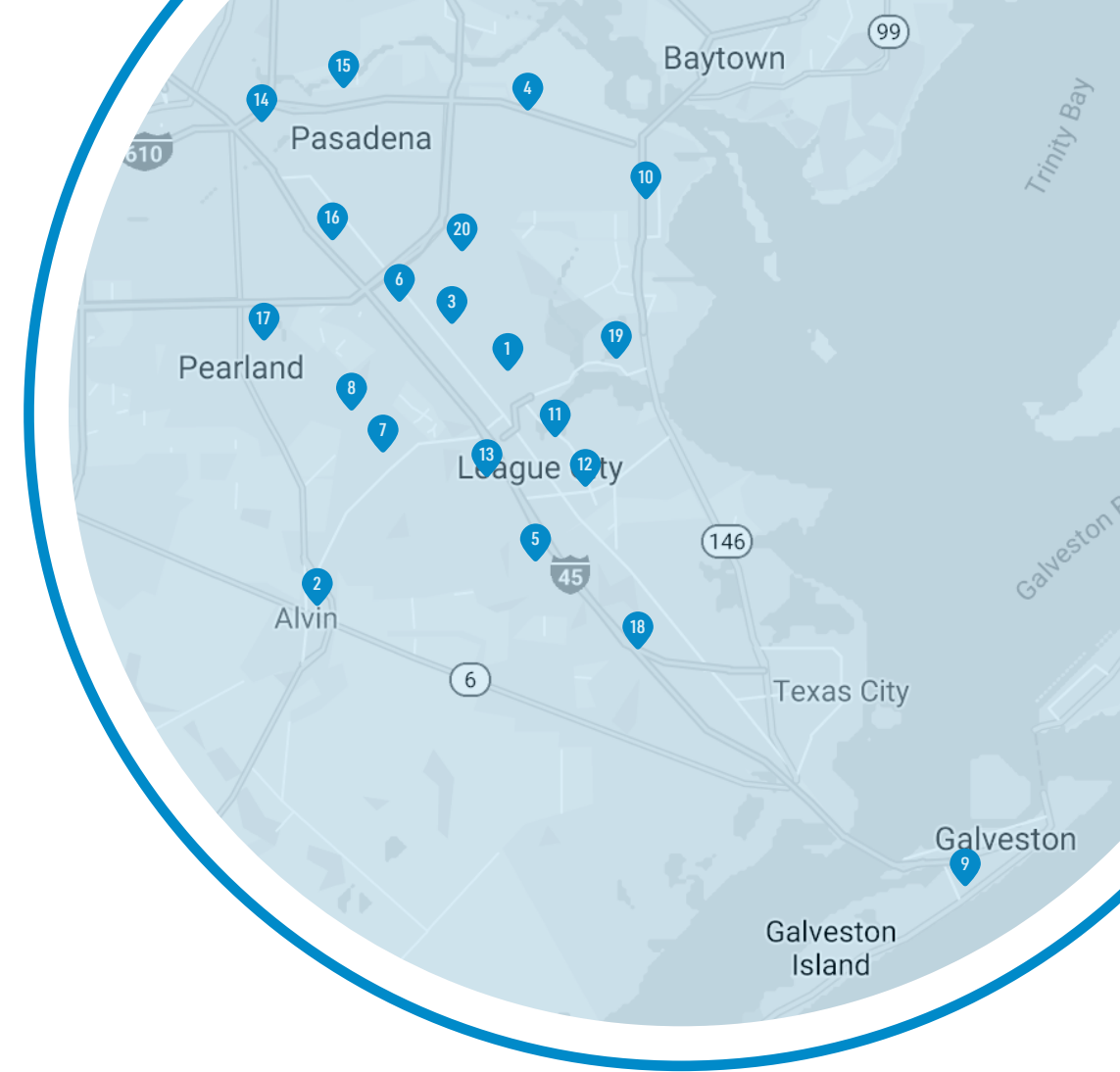
OPERATING INCOME			
	2017	2018	2019
Total Interest on Loans	\$20,572,149	\$23,866,765	\$34,569,767
Income from Investments	\$19,524,187	\$25,515,401	\$26,249,188
Fee and Other Operating Income	\$15,001,748	\$17,355,166	\$15,857,176
<b>TOTAL GROSS INCOME</b>	<b>\$55,098,084</b>	<b>\$66,737,332</b>	<b>\$76,676,131</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$31,202,222</b>	<b>\$35,309,461</b>	<b>\$39,194,418</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>\$23,895,862</b>	<b>\$31,427,869</b>	<b>\$37,275,217</b>
Less: Provision for Loan Losses	\$1,865,320	\$3,393,673	\$3,233,086
Interest Paid to Members	\$8,091,913	\$11,086,851	\$14,701,933
<b>ADJUSTED NET INCOME (LOSS)</b>	<b>\$13,938,629</b>	<b>\$16,947,343</b>	<b>\$19,133,701</b>





# LOCATIONS

1. **Clear Lake - Main Office**  
1330 Gemini  
Houston, Texas 77058
2. **Alvin 877 E Highway 6**  
Alvin, Texas 77511
3. **Clear Lake City Blvd**  
1600A Clear Lake City Blvd  
Houston, Texas 77062
4. **Deer Park - Monument**  
2200 East Thirteenth Street  
Deer Park, Texas 77536
5. **Dickinson - Bay Colony**  
2461 FM 646 W  
Dickinson, Texas 77539
6. **Ellington**  
404 FM 1959  
Houston, Texas 77034
7. **Friendswood**  
1320 S Friendswood Drive  
Friendswood, Texas 77546
8. **Friendswood North**  
307 N Friendswood Drive  
Friendswood, Texas 77546
9. **Galveston**  
6167 Central City Blvd.  
Galveston, Texas 77551
10. **La Porte**  
607 West Fairmont Parkway  
La Porte, Texas 77571
11. **League City**  
501 FM 270  
League City, Texas 77573



12. **League City - Tuscan Lakes**  
1280 East League City Parkway  
League City, Texas 77573
13. **League City - West**  
2660 West Main Street  
League City, Texas 77573
14. **Park Place**  
8424 Park Place Blvd.  
Houston, Texas 77017
15. **Pasadena North**  
303 W.Shaw  
Pasadena, Texas 77506
16. **Pearland - Broadway**  
9101 Broadway  
Pearland, Texas 77584
17. **Pearland Parkway**  
1849 Pearland Parkway, Suite 102  
Pearland, Texas 77581
18. **Texas City - Mainland**  
2300 Gulf Freeway, corner of FM 2004  
Texas City, Texas 77591
19. **Seabrook**  
3620 NASA Parkway  
Seabrook, Texas 77586
20. **Space Center Blvd**  
11530 Space Center Blvd  
Houston, Texas 77059



For more information,  
please visit [www.jscfcu.org](http://www.jscfcu.org)