



# 2016 Annual Report

THE OHIO EDUCATIONAL CREDIT UNION



*An ongoing strategy to  
take advantage of future  
growth opportunities*

## Member Owned

The Ohio Educational Credit Union (OHecu) is a not-for-profit financial cooperative providing superior financial products, services and convenience to its members. We are a member-owned organization; our members are our only shareholders. OHecu provides similar services to that of banks, but is different from other financial institutions because it operates as a separate entity solely for the benefit of its members (owners). Our Board of Directors is composed of unpaid volunteers elected from and by the membership.

The essential purpose of OHecu is to promote thrift and provide low-cost credit for provident purposes. As our Mission Statement indicates, OHecu is a full-service financial institution. It is our goal to recognize and understand the unique needs of individual members and to fulfill those needs through a variety of diversified products and services. We are committed to assisting and educating our members in establishing and enhancing their financial well-being.

OHecu is chartered by the State of Ohio to provide its member-owners with the financial security, flexibility and convenience so necessary in today's busy and ever-changing world. Also, all member deposits are insured by American Share Insurance up to \$250,000 per account.

### Mission Statement

***Building our members' financial future through a full range of superior financial services, education and exceptional value.***



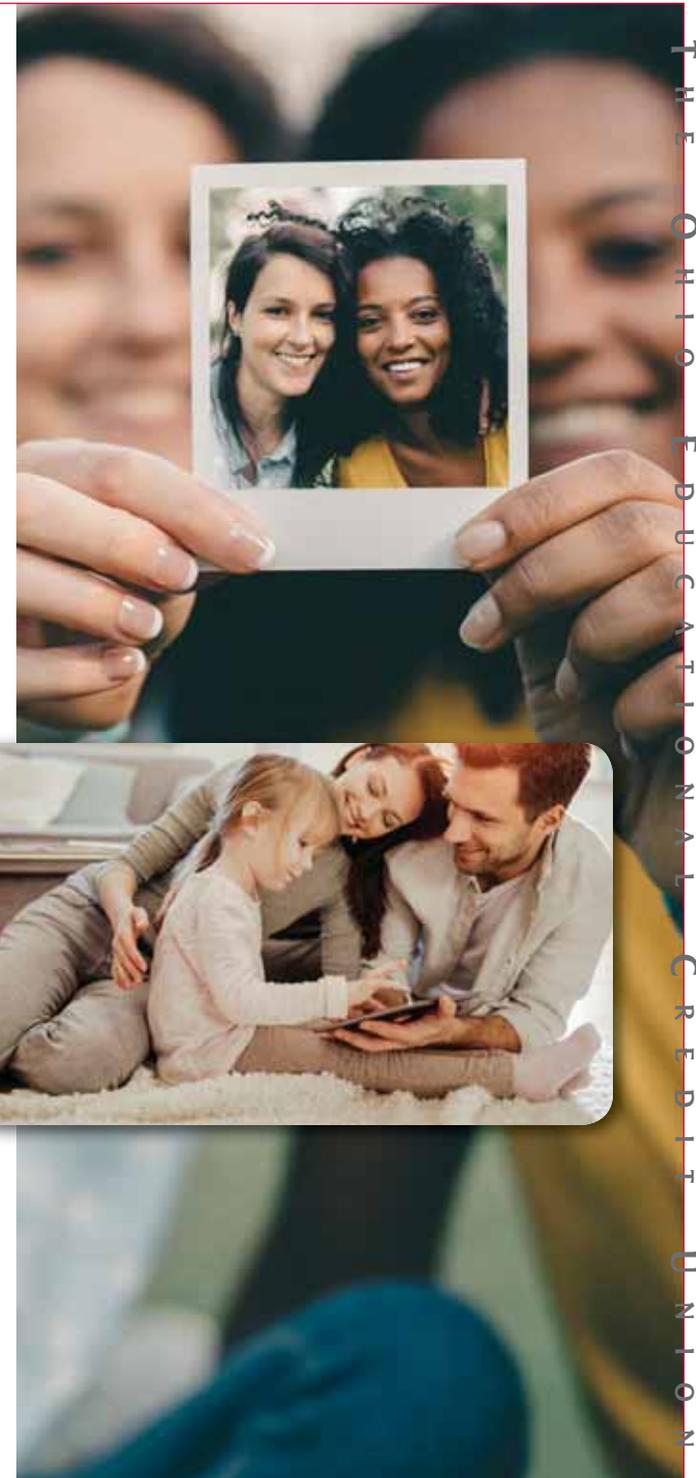
## Whom We Serve

Membership in The Ohio Educational Credit Union is just that—membership. Our members are not customers, clients or guests—they are owners, and owners have many privileges. OHecu now serves individuals from a variety of organizations. The varied OHecu membership includes students, alumni, employees and retirees from primary and secondary schools, universities, teaching hospitals and public and private trade schools throughout Ohio. In addition to educational institutions, OHecu also serves individuals from several businesses, manufacturers, community service organizations, home health care providers, day-care services and arts organizations. Ever mindful of the goal of establishing and enhancing its members' financial well-being, OHecu focuses on, and caters to, the individual needs of its members and their families and assists them in building their financial future.

## A Long History of Financial Security

It has been nearly 84 years since the May 1933 incorporation of The Cleveland Teachers Credit Union, now known as The Ohio Educational Credit Union. Over the many years that followed, OHecu provided quality service to its members based on the fundamental principle underlying the financial cooperative—"People helping People." From its inception, OHecu provided a diverse selection of quality services for employees and family members of the Cleveland Public School System. Changes to the charter have opened OHecu membership to all educational institutions throughout the State of Ohio.

The Board of Directors, committees and employees are comprised of individuals who bring with them the full spectrum of financial and credit union experience, and together they form a progressive and forward-thinking team. It is this strong team that provides a foundation for the delivery of quality service to the membership. OHecu continues to invest in the development of its employees and services, to assist our members in building their financial futures.



## Membership Services

The Ohio Educational Credit Union is ready to assist its members by providing quality financial services for all stages of their lives. With OHecu, the members enjoy single-source convenience and the security of dealing with a reliable, established organization of financial specialists to assist them in building their financial futures.

### **Deposit Products:**

- Regular Savings Accounts
- Share Draft (Checking) Accounts
- Money Market Accounts
- Term Certificates
- Individual Retirement Accounts (IRA)
- Special Savings Accounts
  - Holiday Savings
  - Vacation Savings
  - Summer Reserve Pay

### **Loan Products:**

- New & Used Auto Loans & Leases
- Boat & Recreational Vehicle Loans
- First Mortgage Loans
  - FHA Loans
  - HARP Loans
  - USDA Rural Housing Loans
- Home Equity Lines of Credit
- Private Student Loans
- Credit Cards
- Quick-Cash Personal Loans
  - Line-of-Credit
  - Term Loans



### **Convenience Services:**

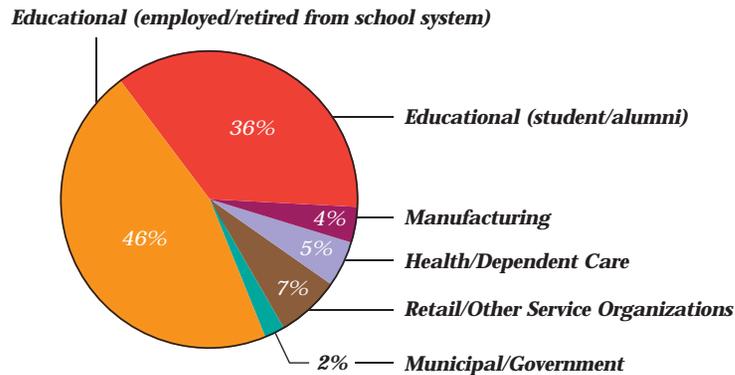
- Mobile & Text Banking
- Internet Home Banking at [www.ohecu.com](http://www.ohecu.com)
- 24/7 Member Service Center
- 24/7 Loan Service Center
- ATM Cards & Debit Cards
  - Alliance One, Money Pass, Credit Union 24CUHERE and Credit Union 24CUHERE Select ATM networks with over 14,000 non-surcharge ATMs
- "Toni" The Touch-Tone Teller
- Credit Union Service Centers® Shared Branching
- Direct Deposits
- Remote Deposit
- Identity Theft Monitoring and Resolution Service
- Auto Loans & Leases Available at Select Dealerships

### **Added Services:**

- Insurance Products
- Student Education Assistance Programs
- Notary Services
- Travelers Checks
- Domestic and International Wire Transfers

## Membership Diversity

The Ohio Educational Credit Union is very proud of its financial strength and stability. Throughout our 84-year history, we have reported consistent growth in capital, membership and services. Our membership represents many diverse professions, with education being the most significant.



The above chart is unaudited.



## Report of The President

The Ohio Educational Credit Union (OHecu) is financially strong and committed to providing value-based services to the membership. The report of the Treasurer and Chief Executive Officer provides specifics on the continued strong financial performance of the Credit Union.

OHecu has been providing financial products and services since 1933 and has a rich history based on the Credit Union's philosophy of "people helping people". OHecu strives to meet the financial service needs of its individual members while staying true to the seven cooperative principles that are the founding basis for the organization. To learn more about the seven cooperative principles visit OHecu's new website at [www.ohecu.com](http://www.ohecu.com). The information is in the Credit Union Difference section under the tab titled About Us.

The cooperative principles are apparent in the makeup of the board and committees, which are composed of unpaid volunteers elected from the membership. The Board of Directors, committees and employees are comprised of individuals who bring with them the full spectrum of credit union and financial service experience, and together they form a forward-thinking team. It is this strong team that provides a foundation for the delivery of quality products and services to the membership.

Looking back on 2016 we saw a year that showed continued growth in member services. Home banking users have increased by 10%. Members utilizing the mobile banking app, which includes remote deposit capability, have increased by 20%. The memberships that have made the choice to add the convenience of electronic statement delivery also grew by 20%. The year saw continued growth in the vehicle leasing program. OHecu introduced this service in 2014 and after thirty-four months of operations, 773 leases have been originated for over \$28 million. During 2016 \$9.9 million in vehicle leases were originated.

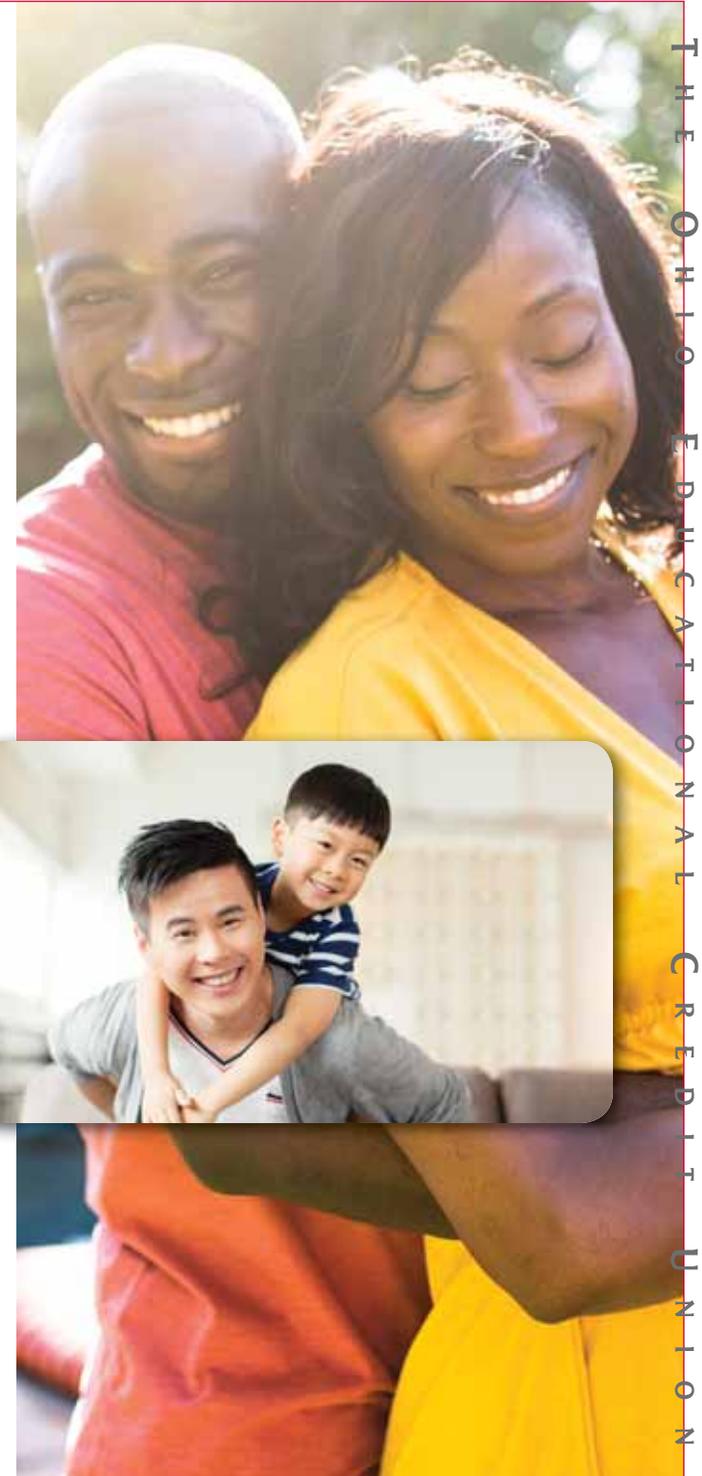
In the fall of 2016 OHecu launched a new website which expanded the product information available to the membership and prospective members. The site is easier to use and works well with the many different types of mobile devices our members use. OHecu also began the development of a service enhancement to provide the ability for your family members and co-workers to join OHecu through internet based membership openings. This initiative is in test mode at the time of this report. We are expecting to have the service available in 2017.

OHecu membership represents many diverse professions as well as an active student base working to build their futures. Thirty-six percent (36%) of the membership consists of current students and alumni of schools in Ohio, 46% are employed or retired from Ohio schools and 18% come from other service organizations, including health/dependent care, manufacturing, retail and government organizations.

The continued support of the membership has enabled OHecu to grow and meet the ever expanding financial service needs of the membership. We are committed to continue providing personal service and the high quality financial products that deliver exceptional value to the membership. On behalf of the Board of Directors, we thank you for the support you provide your Credit Union.

Respectfully submitted,

**Tony H. Smith, Sr.**, *President of the Board of Directors*



## Report of The Treasurer & Chief Executive Officer

During 2016 the Ohio Educational Credit Union (OHecu) continued to successfully meet its members growing financial service needs, in particular, loan services. Net loans to members grew by 8% and represent 81% of all assets as of the end of the year. Total loan dollars issued in 2016, including advances on existing lines of credit, was \$56 million. Loans retained in the portfolio represent \$44 million or 78% of all originations. Loans originated and not maintained in the portfolio are primarily first mortgage loans. In 2016 \$12.5 million in first mortgage loans were originated of which \$1.5 million was added to the portfolio.

The loan portfolio remains well-diversified and well-positioned to manage interest rate risk. Loans outstanding to members consist of: 57% new and used autos, 17% closed-end mortgages, 13% home equity lines-of-credit, 4% credit cards, 3% signature products, 6% other secured and student loans. Approximately 93% of the loan portfolio is collateralized loans. Earning assets represent 94% of all assets at year-end 2016.

Net loan losses in 2016 decreased by 32% from 2015 and the net provision for loan loss expense in 2016 was \$366,921, which was a \$74,114 lower than 2015. The Credit Union continues to maintain adequate reserves to cover potential losses.

Member deposits represented \$117.8 million at year-end 2016 which represents a 2% growth over 2015. The mix of member deposits includes regular savings representing 51% of all deposits and term certificates representing 14% of all deposits. The transaction account services, which include checking and money market accounts, represent 34% of all deposits and the remaining 1% is in IRA savings.

Member deposits that are not immediately used to fund loan demand are prudently invested in a well-diversified investment portfolio. The portfolio represents 11% of total assets and consists of interest-bearing deposits with insured financial institutions (46%), securities available for sale (25%), securities held to maturity (14%) and capital participation certificates (15%). The portfolio is recorded at market value monthly and is showing an investment valuation allowance of \$44,907 representing 0.4% of the total portfolio.

Non-interest income is primarily generated through transaction services fees and represents 46% of all revenue. This revenue source is utilized to make available the many transaction service conveniences that the membership continues to utilize. These services include more than just savings and loan products such as: 24/7 Member Service Center support, mobile & text banking, 14,000 non-surcharge ATMs, 5,100 shared branches, debit cards, remote deposit and much more.

Members' equity remains strong at 7.4%. This level of members' equity (Capital) classifies the Credit Union as "well capitalized" by the regulatory agencies that oversee its financial performance. Members' equity increased \$107,835 during 2016, with an increase of \$104,228 from operations and an increase of \$3,607 from change in market value of available for sale investments.

Respectfully submitted,

*Mario Danese, Treasurer*

*Jerome R. Valco, Chief Executive Officer*

## Directors

**Mr. Tony H. Smith, Sr. — Board President**

Vice President of Operations,  
Ohio Aerospace Institute

**Mr. Jackson M. Boyd — Board Vice President**

Executive Director,  
Eastern Ohio Education Association  
Former mathematics/computer teacher  
Zanesville City Schools

**Mr. Mario Danese — Board Treasurer**

Controller, Mader Machine Company

**Ms. Mychael C. Henderson — Board Secretary**

Director of Payroll,  
Cleveland Metropolitan School District

**Mr. Mark R. Bates**

Associate Vice President for Finance & Controller,  
Oberlin College

**Ms. Carol A. Creel**

Former Director of Special Projects,  
Cleveland Metropolitan School District

**Mr. Robert W. Dolan**

Assistant Director Finance/Deputy Fiscal Officer,  
Cuyahoga County Public Library

**Mr. Richard M. Gore**

Former Director of Distance Learning Services, WVIZ  
Former Director, Division of Career and Technical  
Education, Cleveland Metropolitan School District

**Mrs. Melody C. Patterson**

Payroll Specialist,  
Cleveland Metropolitan School District

**Mr. Patrick J. Polen**

Director of IT,  
Equity Resources, Inc.

## Credit Committee Report

The Credit Committee meets monthly to review credit applications that are outside of normal guidelines, evaluate loan portfolio performance and monitor lending practices to help ensure compliance with lending regulations and the Credit Union's loan policy. Loan applications that have been denied were shared with the Committee on a weekly basis. The Credit Committee also reviewed all special lending products and made appropriate recommendations to the Board of Directors.

In 2016, nearly \$44 million of new loans were generated for the loan portfolio and represents a 4.2% increase over 2015. The portfolio is well-balanced and has a financially diversified mix. The Credit Union has continued to increase its concentration in vehicle loans and leases while maintaining an adequate mix of fixed rate mortgage loans. The portfolio contains 57% in new and used auto loans, 17% in closed-end mortgages, 13% in home equity lines-of-credit, 4% in credit card lending, 3% in signature products and 6% other secured and student loans. Approximately 93% of the loan portfolio is in collateralized loans.

The loan portfolio continues to perform well with 98.8% of outstanding loan balances receiving regularly scheduled payments. Loan write-offs during 2016 were 32% lower than in 2015. Required funding to the loan loss reserve was \$74,114 lower in 2016 than the prior year and is being maintained at a level sufficient to meet any losses associated with non-performing loans. The Credit Union continues its aggressive posture in dealing with long-term delinquencies and removing those obligations from our portfolio.

Respectfully submitted,

Credit Committee

**Mark Bates**, Chairperson

## Credit Committee

**Mr. Mark R. Bates — Chairperson**

Associate Vice President for Finance & Controller,  
Oberlin College

**Mr. Jackson M. Boyd — Board Vice President**

Executive Director,  
Eastern Ohio Education Association  
Former mathematics/computer teacher  
Zanesville City Schools

**Ms. Mychael C. Henderson**

Director of Payroll,  
Cleveland Metropolitan School District

**Mr. Patrick J. Polen**

Director of IT,  
Equity Resources, Inc.

## Independent Auditor's Report on Summary Financial Statements

To the Board of Directors and Supervisory Committee  
of **The Ohio Educational Credit Union**

The accompanying summary financial statements of The Ohio Educational Credit Union, which comprise the summary statements of financial condition as of December 31, 2016 and 2015, and the related summary statements of earnings, are derived from audited financial statements of The Ohio Educational Credit Union as of and for the years ended December 31, 2016 and 2015. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2017.

The summary financial statements do not contain all of the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of The Ohio Educational Credit Union.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the summary financial statements under accrual basis of accounting.

### Auditor's Responsibility

Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived. We did not perform any audit procedures regarding the audited financial statements after the date of our report on those financial statements.

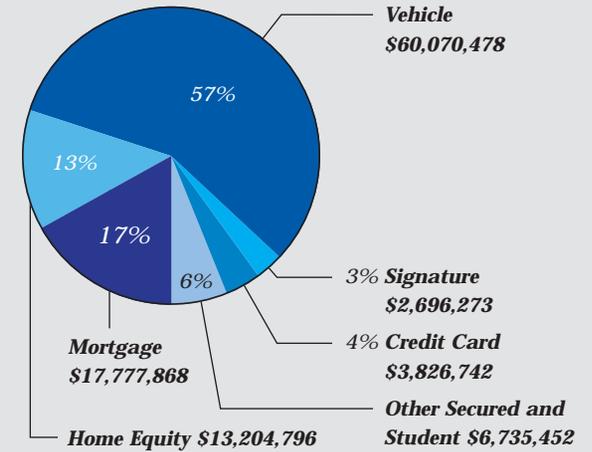
### Opinion

In our opinion, the summary financial statements of The Ohio Educational Credit Union as of and for the years ended December 31, 2016 and 2015, referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived.

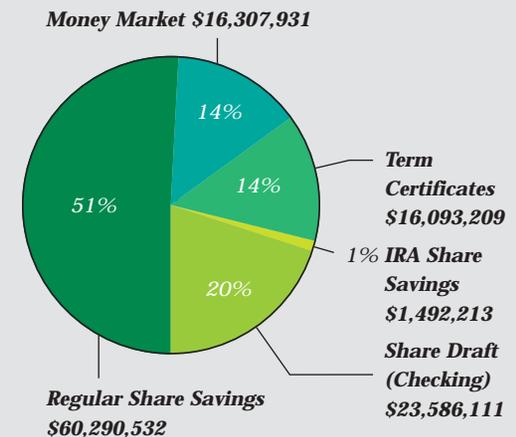
*Doeren Mayhew*

March 31, 2017  
Troy, Michigan

### Loan Portfolio — 2016



### Deposit Portfolio — 2016



The above charts are unaudited.

**Statements of Financial Condition — December 31, 2016 and 2015**

ASSETS	2016	2015
Cash and due from financial institutions	\$ 1,664,099	\$ 1,957,233
Fed funds sold	2,885,307	5,845,111
<b>Total cash and cash equivalents</b>	<b>4,549,406</b>	<b>7,802,344</b>
Interest bearing deposits	6,448,000	4,960,000
Investment securities		
Available-for-sale	3,462,803	5,386,533
Held-to-maturity	1,984,000	3,472,000
Loans to members, net of allowance for loan losses	103,401,616	95,630,723
Accrued interest receivable	453,466	415,352
Property and equipment	2,740,709	2,845,966
Share insurance deposit	1,500,071	1,444,260
Capital share deposits	2,232,960	2,232,960
Other assets	1,187,973	1,144,457
<b>Total assets</b>	<b>\$ 127,961,004</b>	<b>\$ 125,334,595</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities</b>		
Members' shares and savings accounts	\$ 117,769,997	\$ 115,390,057
Accounts payable and other accrued liabilities	764,460	625,826
<b>Total liabilities</b>	<b>118,534,457</b>	<b>116,015,883</b>
Commitments and contingent liabilities	—	—
Members' equity	9,426,547	9,318,712
<b>Total liabilities and members' equity</b>	<b>\$ 127,961,004</b>	<b>\$ 125,334,595</b>

**Statements of Income — Years Ended December 31, 2016 and 2015**

	2016	2015
Interest income		
Loans receivable	\$ 3,583,514	\$ 3,485,765
Investments		
Fed funds sold	24,759	12,737
Non-negotiable certificates of deposit	57,805	48,328
Securities	121,564	182,724
<b>Total interest income</b>	<b>3,787,642</b>	<b>3,729,554</b>
Interest expense		
Interest and dividends on members' shares and savings accounts	94,379	125,790
Net interest income	3,693,263	3,603,764
Provision for loan losses	366,921	441,035
<b>Net interest income after provision for loan losses</b>	<b>3,326,342</b>	<b>3,162,729</b>
Non-interest income		
Fees and charges	2,521,973	2,490,739
Interchange fees	616,675	606,923
Other	176,808	185,737
<b>Total non-interest income</b>	<b>3,315,456</b>	<b>3,283,399</b>
Non-interest expenses		
Compensation and benefits	2,795,541	2,679,272
Office operations	917,803	941,257
Data and product services	1,909,729	1,834,376
Occupancy	604,529	600,069
Member education and promotion	175,753	223,479
Professional fees	95,898	89,040
Other	38,317	56,354
<b>Total non-interest expenses</b>	<b>6,537,570</b>	<b>6,423,847</b>
Net Income	\$ 104,228	\$ 22,281

**Statements of Members' Equity — Years Ended December 31, 2016 and 2015**

	Appropriated Statutory	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Members' equity - January 1, 2015	\$ 3,699,194	\$ 5,645,751	\$ (20,320)	\$ 9,324,625
Comprehensive income (loss)				
Net income	—	22,281	—	22,281
Other comprehensive income (loss)	—	—	(28,194)	(28,194)
<b>Comprehensive income (loss)</b>	—	<b>22,281</b>	<b>(28,194)</b>	<b>(5,913)</b>
Members' equity - December 31, 2015	\$ 3,699,194	\$ 5,668,032	\$ (48,514)	\$ 9,318,712
Comprehensive income (loss)				
Net income	—	104,228	—	104,228
Other comprehensive income (loss)	—	—	3,607	3,607
<b>Comprehensive income (loss)</b>	—	<b>104,228</b>	<b>3,607</b>	<b>107,835</b>
Members' equity - December 31, 2016	\$ 3,699,194	\$ 5,772,260	\$ (44,907)	\$ 9,426,547

## OHecu Office Locations

### Main

2554 East 22nd Street  
Cleveland, OH 44115  
Phone: (216) 621-6296 or (800) 552-6328

#### Office Hours:

Monday — Thursday: 8:30 AM – 4:30 PM  
Friday: 8:30 AM – 6:00 PM  
Saturday & Sunday: Closed

### Lakewood

17526 Madison Avenue  
Lakewood, Ohio 44107  
Phone: (216) 221-3800

#### Office Hours:

Tuesday — Thursday: 9:00 AM – 4:30 PM  
Friday: 9:00 AM – 6:00 PM  
Saturday: 9:00 AM – 1:00 PM  
Sunday & Monday: Closed

### Oberlin

55 East College Street, Suite 2  
Oberlin, OH 44074  
Phone: (440) 775-0037

#### Office Hours:

Tuesday — Thursday: 8:30 AM – 4:30 PM  
Friday: 8:30 AM – 6:00 PM  
Saturday: 8:30 AM – 1:00 PM  
Sunday & Monday: Closed

### Zanesville

1075 Linden Avenue  
Zanesville, OH 43701  
Phone: (740) 453-1009 or (800) 686-0664

#### Office Hours:

Monday — Thursday: 8:30 AM – 4:30 PM  
Friday: 8:30 AM – 6:00 PM  
Saturday: 8:30 AM – 1:00 PM  
Sunday: Closed

### 24/7 Member Service Center

Phone: (877) 322-6328

### 24-Hour Loan Application Center

Phone: (800) 552-6328

### Student Choice Student Loans

Phone: (877) 289-1199

### “Toni” The 24-Hour Touch-Tone Teller

Phone: (216) 696-6600 or (800) 433-8664

### Internet Home Banking

[www.ohecu.com](http://www.ohecu.com)

## OHecu Owned ATM Locations

### OHecu Main Office

*Drive-Up, Full-Service ATM*  
2554 East 22nd Street  
Cleveland, OH 44115

### OHecu Lakewood Office

*Walk-Up, Full-Service ATM*  
17526 Madison Avenue  
Lakewood, OH 44107

### OHecu Oberlin Office

*Walk-Up, Full-Service ATM*  
55 East College Street, Suite 2  
Oberlin, OH 44074

### OHecu Zanesville Office

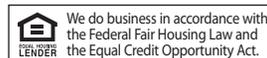
*Drive-Up, Full-Service ATM*  
1075 Linden Avenue  
Zanesville, OH 43701

### OHecu Walk-Up, Cash Dispensing ATM

*(Located in St. Vincent Charity Medical Center)*  
2351 East 22nd Street  
Cleveland, OH 44115

### OHecu Walk-Up, Cash Dispensing ATM

*(Located in Wilder Hall at Oberlin College)*  
173 Lorain Street  
Oberlin, OH 44074



Ohio Residents: The Ohio Laws against discrimination require that all creditors make credit equally available to all credit worthy customers, and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law.

**THIS INSTITUTION IS NOT FEDERALLY INSURED.  
MEMBERS' ACCOUNTS ARE NOT INSURED OR GUARANTEED BY  
ANY GOVERNMENT OR GOVERNMENT-SPONSORED AGENCY**