

FINANCIAL  
*Peace of Mind*



2016  
ANNUAL REPORT

Michigan Educational Credit Union



## *Mission Statement*

To provide members with quality, comprehensive,  
cost effective financial services

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# Board of Directors



**Robert Sandercock**  
*President and  
Chief Executive Officer*



**Alonzo Glaze**  
*Chairperson*



**Steve Rodriguez**  
*Vice Chairperson*



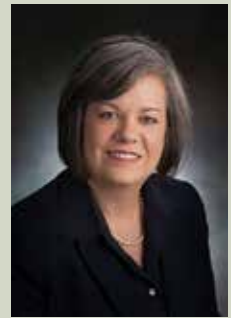
**William Wooster**  
*Treasurer*



**Robin Long**  
*Secretary*



**Amy McQuiston**  
*Director*



**Michelle F. Randall**  
*Director*



**Gregory J. Baracy**  
*Director*



**Scott Szukaitis**  
*Director*



**Deborah Elliston**  
*Director*

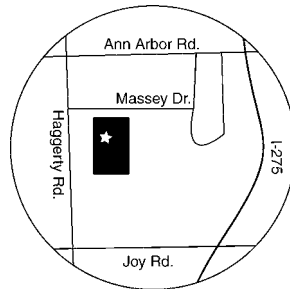
75<sup>th</sup>  
ANNUAL MEETING  
of  
Michigan Educational Credit Union



Wednesday, April 26 • 7:00 p.m. Business Meeting

*Agenda*

- Brief Reports
- Introductions and Recognitions
- Elections
- Old Business
- New Business
- Door Prizes
- Light Refreshments



**Plymouth Main Office**  
Assembly Hall, Second Floor  
9200 Haggerty Road  
Just South of Ann Arbor Road

# Report from the Chairperson of the Board

In December 2016, Michigan Educational Credit Union was proud to earn a new accolade from BauerFinancial, the nation's leading independent bank and credit union rating and research firm. After maintaining a 5-Star Superior rating for 100 continuous quarters, our Credit Union was recognized as a prestigious "Best of Bauer" credit union, excelling in such areas as capital, loan quality, profitability and much more.



Alonzo Glaze

Just think about that for a moment. For 100 continuous quarters, or 25 years, our Credit Union has not only survived, but excelled as one of the strongest credit unions in the country. That would be an impressive feat in and of itself, but MECU managed to maintain this level of excellence during some of the worst economic times in our nation's history. More importantly, this recognition means that we've been able to provide our members with financial peace of mind for the past 25 years.

In addition to the recognition from BauerFinancial, our Credit Union was honored for the third year in a row by DepositAccounts.com as one of the Top 200 Healthiest Credit Unions in America. MECU was selected from a list of 6,003 credit unions as one of those who have shown exceptional fiduciary responsibility in 2016.

Besides serving members' financial needs on a daily basis, Michigan Educational Credit Union plays a vital role in our schools and our community. In 2016, we were proud to sponsor a wide variety of school-based programs, including the Galileo Leadership Consortium and the Camp Inspire STEAM Summer Camp, as well as events supporting the Educational Excellence Foundation, the LPS Education Foundation, the Northville Educational Foundation and the Schoolcraft College Foundation. We believe it's important to give back to our community, and last year we showed our support through programs like Toys for Tots, the WWJ Michigan Money Summit, the Embrace Life 5K Run at St. Mary Mercy Hospital, the Plymouth-Canton Community Literacy Council and a special "Pennies for Power" program to benefit THAW (The Heat And Warmth Fund), which provides utility assistance for Michigan families in need.

In the credit union tradition of "people helping people," we vow to continue our efforts to make this world a better place – for our membership, our schools, and our community.

Alonzo Glaze, *Board Chairperson*

# Report from the President & CEO

Keeping up the momentum of recent years, Michigan Educational Credit Union continued to make great strides in 2016, including 5% growth in assets and a 9% increase in loans.

The secret of our success lies in the quality of our membership. As financial needs arise, our members think of MECU first. We kicked off the year with a 2.99% APR balance transfer offer that was met with a tremendous response. During the campaign, members saved money by transferring \$1.5 million dollars in high-rate credit card debt to their MECU cards.

We provided our members with loan pre-approvals and affordable mortgage options during a highly competitive housing market in 2016. By the end of the year, our mortgage portfolio increased by 14%. With home values rising, the demand for our home equity lending options remained high. Many members took the opportunity to tap into their equity to make home improvements and to finance other major expenses.

As times change, we're pleased to provide our members with much more than a great auto loan rate. Today's consumer needs convenience, and that's a primary focus for us when we consider new initiatives. After updating our website, ATMs and Internet Home Banking service in 2015, we continued to work on new innovations last year, adding mobile payment options and preparing to roll out an online account opening feature. Although this "instant open" program just rolled out in recent weeks, the response has been amazing from both existing members and new members alike.

The American economy continued to grow at a snail's pace last year. On the bright side, consumer spending was up and unemployment was down. Finally, in December 2016 the Federal Reserve raised its key interest rate for just the second time in the last decade, reflecting its growing confidence in the economy. As we anticipate these positive trends, Michigan Educational Credit Union will be ready to serve our members' growing financial needs in the year ahead.

Robert Sandercock, *President & Chief Executive Officer*



Robert Sandercock

# *Audit Committee Report*

The primary responsibility of the Audit Committee is to ensure that the Credit Union is being managed soundly and that members' assets are being adequately safeguarded. The Audit Committee makes sure the Board of Directors and Credit Union management meet required financial reporting objectives and establish sufficient policies, practices, and procedures to protect members' assets.

The committee engaged the Certified Public Accounting firm of Plante & Moran, PLLC to audit the Credit Union's financial statements for the year ended December 31, 2016. Plante Moran completed their 2016 audit of the Credit Union's financial statements and issued an unmodified opinion on January 31, 2016. The condensed financial information appearing in this report has been derived from those audited financial statements.

Based upon the annual financial statement audit, other regulatory and compliance audits, as well as our regular monitoring processes, the committee believes your Credit Union continues to be run in a safe and sound manner.

Steve Rodriguez, *Audit Committee Chairperson*



Steve Rodriguez



# Balance Sheet

Michigan Educational Credit Union and Subsidiary  
Consolidated Statements of Financial Condition  
Years Ended December 31, 2015 and 2016

	December 2015	December 2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 52,704,453	\$ 57,119,789
Investment Securities – Available-for-Sale	244,026,332	239,468,601
Other Investments	905,044	959,663
Loans – Net of Allowance For Loan Losses	401,777,613	438,009,463
Premises and Equipment – Net	10,084,645	9,960,580
Accrued Interest Receivable	1,966,787	2,027,402
FHLB Stock	1,446,500	1,469,000
Corporate Capital	600,000	600,000
NCUSIF Deposit	6,236,679	6,223,702
Other Assets	7,483,597	7,457,459
<b>TOTAL ASSETS</b>	<b>\$ 727,231,650</b>	<b>\$ 763,295,659</b>
<b>LIABILITIES &amp; EQUITY</b>		
Members' Shares and Savings Accounts	\$ 633,717,128	\$ 665,999,817
Accrued and Other Liabilities	3,044,092	3,132,130
Regular Reserve	11,078,405	11,078,405
Other Reserve	71,950,473	76,235,801
Undivided Earnings	5,608,548	5,613,605
Accumulated Other Comprehensive Income	1,833,004	1,235,901
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$ 727,231,650</b>	<b>\$ 763,295,659</b>

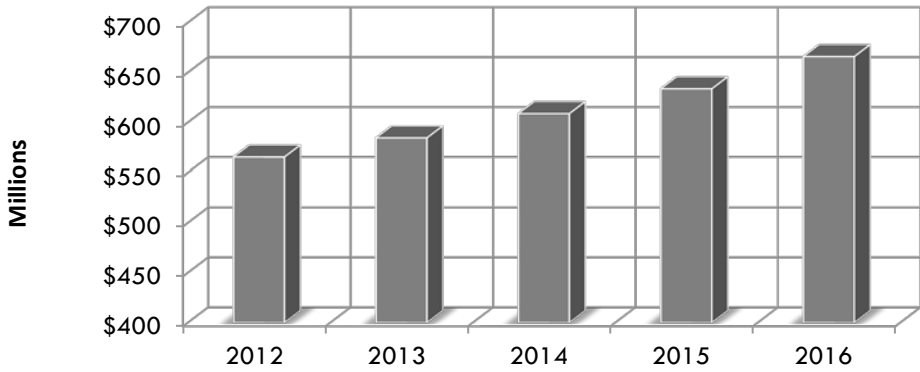
# Income Statement

Michigan Educational Credit Union and Subsidiary  
 Consolidated Statements of Operations  
 Years Ended December 31, 2015 and 2016

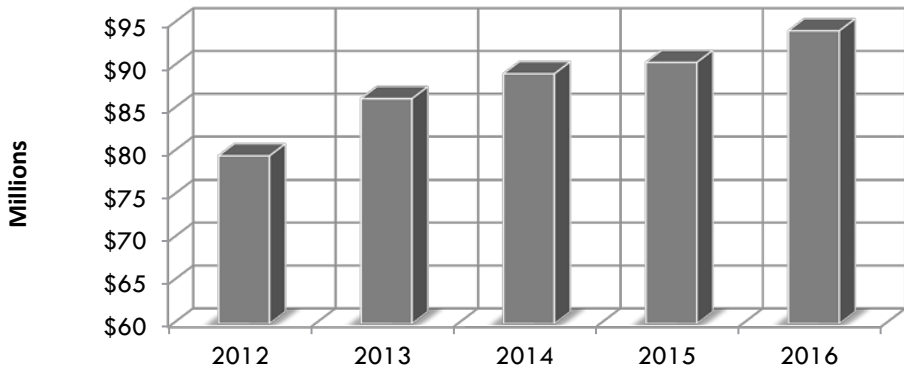
	December 2015	December 2016
<b>INTEREST INCOME</b>		
Loans	\$ 14,662,283	\$ 16,446,372
Investment Securities	4,360,453	4,274,115
<b>TOTAL INTEREST INCOME</b>	<b>\$ 19,022,736</b>	<b>\$ 20,720,487</b>
<b>INTEREST EXPENSE</b>		
Members' Shares and Deposits	\$ 1,914,049	\$ 1,903,664
<b>TOTAL INTEREST EXPENSE</b>	<b>1,914,049</b>	<b>1,903,664</b>
<b>NET INTEREST INCOME</b>	<b>17,108,687</b>	<b>18,816,823</b>
Provision for Loan Losses	736,543	468,706
Net Interest Income After Provision for Loan Losses	\$ 16,372,144	\$ 18,348,117
<b>NON-INTEREST INCOME</b>		
Interchange Fees and Service Charges	2,686,515	2,871,243
Other	1,318,126	1,330,599
<b>TOTAL NON-INTEREST INCOME</b>	<b>\$ 4,004,641</b>	<b>\$ 4,201,842</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and Employee Benefits	\$ 7,975,665	\$ 8,532,170
Occupancy and Equipment	2,376,883	2,224,771
Operations	3,764,024	4,533,886
Loan Servicing	1,602,445	1,776,854
Professional Services	215,000	267,248
Other	801,791	924,645
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>16,735,808</b>	<b>18,259,574</b>
<b>NET INCOME</b>	<b>\$ 3,640,977</b>	<b>\$ 4,290,385</b>

# Historical Growth of Shares & Reserves

## Total Members' Shares and Deposits



## Total Reserves and Undivided Earnings



# Report from the Treasurer

Although America has come a long way since the Great Recession ended in 2009, economic recovery has been a very slow and gradual process. In 2016, the nation's gross domestic product grew by only 1.6% – below the 2.6% posted in 2015 and below the prediction of many economists. Fortunately, closer to home, Michigan Educational Credit Union has been gaining ground at a much faster pace.



William Wooster

When the recession hit, consumers simply quit borrowing. The impact was felt by financial institutions across the country. In fact, it wasn't until 2014 that loan growth resumed at MECU. In 2016, the upward trend continued as our loan portfolio grew by 9%, reaching \$438 million.

The booming housing market was a highlight of the U.S. economy in 2015 and there was no sign of a slowdown in 2016. With a short supply of homes for sale and mortgage rates still historically low, buyers faced a very competitive and fast-paced market. The Federal Housing Finance Agency House Price Index increased by 6.2% during 2016, exceeding the 5.8% increase of 2015. Similarly, we enjoyed a 14% boost to our mortgage portfolio last year after experiencing 10% growth in 2015.

As one of the healthiest credit unions in the nation, Michigan Educational Credit Union managed to see asset growth even in the worst of times. During better days in 2016, our assets increased by 5% to \$763 million. Our total members' shares and deposits also grew by 5%, up from \$634 million to \$666 million in 2016. Steady growth in these areas exemplifies both the strength of this organization and the trust of its membership.

Americans have become impatient with our nation's slow economic recovery. If the soaring stock market and low unemployment rate are any indication, 2017 may be the year for things to start turning around. At Michigan Educational Credit Union, we're already well on our way.

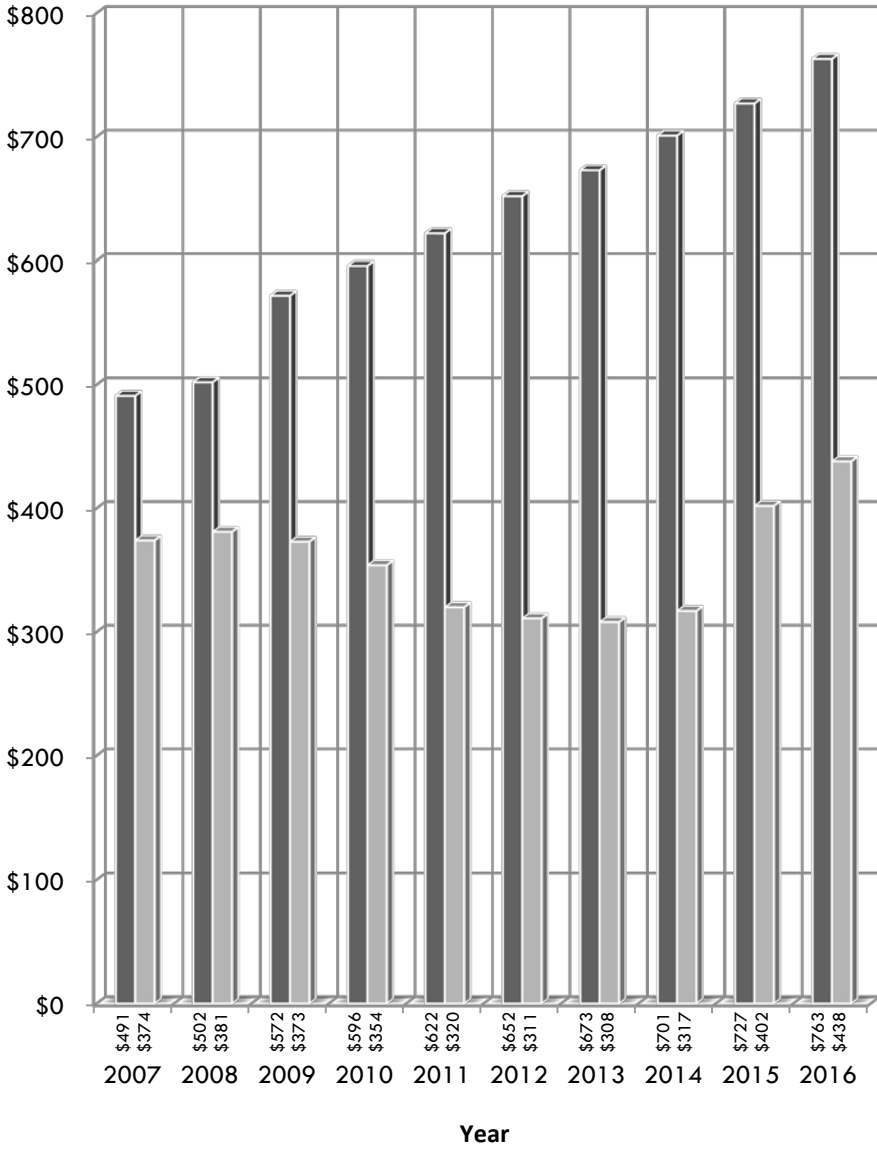
William Wooster, *Treasurer*

# A 10-Year History

Millions

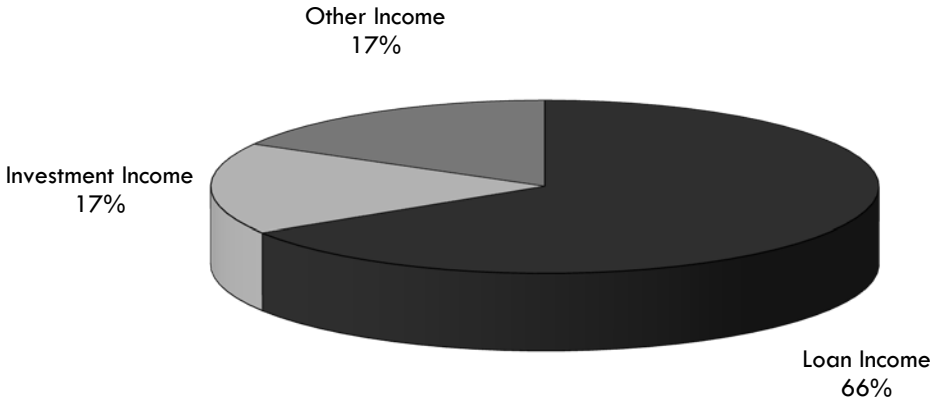
■ Assets

■ Loans

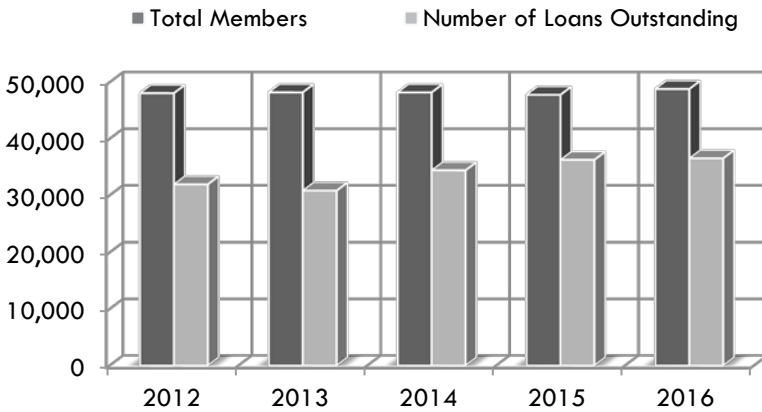


# Financial Highlights

## 2016 Sources of Income



## Number of Members and Loans Outstanding



# Credit Committee Report

In 2016, 47,278 loan transactions were completed at Michigan Educational Credit Union, for a total of \$164,589,591.

We are pleased to offer members the convenience of an online loan application. Last year, MECU received more Internet loan applications than ever before – a total of 1,149 applications for a combined \$15,588,881 in loans.

As the economy improves and consumer confidence grows, we expect to see continued growth in our loan portfolio. With our competitive rates, friendly staff and convenient services, we are eager to serve our members' borrowing needs in 2017.

We would like to thank our members, staff, management and the board of directors for their support and cooperation over the past year.

Henry Willson, *Credit Committee Chairperson*

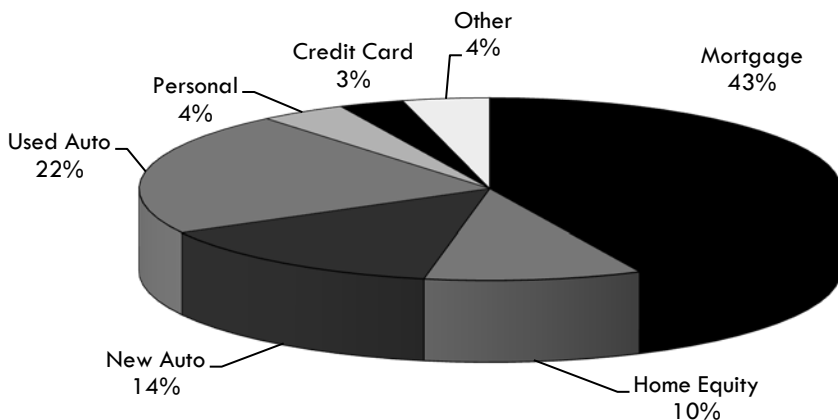
Carol Banyai

Rick Norris



Henry Willson

## Loan Portfolio Composition as of December 2016



# Management & Staff

## Management

Robert Sandercock, *President and CEO*  
Henry Willson, *Executive Vice President*  
Jeff Cusmano, *Vice President*  
Mark Pugliese, *Chief Financial Officer*  
Ellen Paparelli, *Vice President – Accounting*  
David Foster, *Royal Oak Branch Manager*  
Rick Norris, *Livonia Branch Manager*  
Carol Banyai, *Brighton Branch Manager*  
Dorothy Grobbel, *Macomb Branch Manager*  
Lisa Kania, *Ann Arbor Branch Manager*  
Gail Cochran, *Executive Assistant*  
Emily Fricks, *Marketing Supervisor*  
Jim Brunton, *Collections Manager/Loan Officer*  
Joe Rassette, *Information Technology Supervisor*

## Plymouth Staff

Ronda Anton, *Home Equity/Loan Dept.*  
Kelly Bonaparte, *Teller Dept.*  
Sue Brennan, *Credit Card Dept.*  
Mike Collins, *Loan Officer*  
Josh Collom, *Information Technology Dept.*  
Kathy Combs, *Accounting Dept.*  
Cindy Dempsey, *Member Service Dept.*  
Janet Elwood, *Teller Dept.*  
Andrea Feltz, *Teller Supervisor/IRA Specialist*  
Jean Gusty, *Collections/Loan Dept.*  
Kyle Harris, *Information Technology Dept.*  
Joy Harvey, *Teller Dept.*  
Nichole Hatch, *Collections/Loan Officer*  
Yolanda Hill, *Credit Card Manager*  
Dianne Hudson, *Accounting Dept.*  
Lora Jolly, *Member Service Dept.*  
Vanessa Keenan, *Teller Dept.*  
Michelle Lithgow, *Loan Dept.*  
Wendy Marquette, *Business Development*  
Alice Martin, *Accounting Dept.*  
Amanda Nettle, *Member Service Dept.*  
Dean Parmenter, *Loan Officer*  
Jenna Perez, *Teller Dept.*  
Mary Jo Ransom-Zakalowski, *Accounting Dept.*  
Jennifer Socola, *Accounting Dept.*  
Briggett Somers, *Accounting Dept.*  
Lou Sommerman, *Member Service Dept.*  
Virginia Velasco, *Receptionist*  
Tracy Vermillion, *Accounting Dept.*  
Kelly Walrod, *Teller Dept.*

## Livonia Staff

Emily Allen, *Teller Dept.*  
Leslie Allison, *Loan Dept.*  
Liz Boyatt, *Teller Dept.*  
Jennifer Curr, *Member Services/Loan Dept.*  
Sarah Feltz, *Member Services/Loan Dept.*  
Donna Garreffa, *Teller Dept.*  
Jeanie King, *Teller Dept.*  
Mary Murphy, *Teller Dept.*  
Linda Rudowski, *Assistant Branch Manager*  
Sonal Shah, *Member Service Dept.*  
Frann Stempek, *Member Service Dept.*

## Ann Arbor Staff

Tom Bourne, *Loan Officer*  
Shannon Barnes, *Member Services*  
Jennifer Cerda, *Member Services/Loan Dept.*  
Ann Hoeft, *Teller Dept.*  
Carol Huehl, *Teller Dept.*  
Lindsey Jarema, *Member Services/Loan Dept.*  
Connie Simon, *Teller Dept.*  
Christiana Spence, *Teller Dept.*

## Brighton Staff

Gloria Etter, *Teller/Member Service*  
Sharon Kelly, *Assistant Branch Manager*  
Joyce Marcinko, *Teller Dept.*

## Royal Oak Staff

Kelly Borowski, *Assistant Branch Manager*  
Lisa Combe, *Loan Officer*  
Gwynneth Florentine, *Teller Dept.*  
Cheryl Hamameh, *Teller Dept.*  
Sophie Malone, *Teller Dept.*  
Kathleen Mulcahy, *Teller Dept.*  
Claudia Sellers, *Teller Dept.*  
Heidi Sellers, *Member Services/Loan Dept.*

## Macomb Staff

Pam McAtee, *Assistant Branch Manager*  
Lynn Rutkoske, *Teller Dept.*



# Credit Union Member Services

Michigan Educational Credit Union was founded in 1942 to serve the ever-changing financial needs of the growing numbers of its member owners. Today, we serve nearly 50,000 members and our assets exceed \$760 million. We meet the high standards of the Federal Government to qualify for savings insurance up to \$250,000 per account, covered by the National Credit Union Share Insurance Fund.

## Who May Join

Before December 2012, MECU membership was limited to employees of schools in Wayne, Washtenaw, Oakland, Macomb, Livingston and Jackson counties and their families. Since then, we've expanded our field of membership to include individuals who reside, work or worship in those same counties. Our policy of "once-a-member, always-a-member" means that you can maintain your membership and enjoy the many benefits even if you change jobs or move away from the area.

## Products & Services

- Share Savings Accounts
- Draft/Checking Accounts
- Share Certificates
- Individual Retirement Accounts
- First Mortgages
- Home Equity Loans
- Home Improvement Loans
- Visa Classic, MasterCard, Visa Gold & Visa Platinum
- New & Used Auto Loans
- Boat & Recreational Vehicle Loans
- Personal Loans
- Direct Deposit & Payroll Deduction
- Automated Teller Machine Service
- MECU ATM & Debit Cards
- Speedy Line Audio Teller
- Credit Union Family Service Centers®
- Internet Home Banking
- Online Bill Payment
- E-Statements
- Mobile Banking



Michigan Educational  
Credit Union

[www.michedcu.org](http://www.michedcu.org)

This credit union is federally insured by the  
National Credit Union Administration.



# Investment Services

Michigan Educational Credit Union members have access to the financial planning and investment services available through our relationship with MECU Financial. MECU Financial's consultants, conveniently located right at your Credit Union, are a valuable source for guidance about your important financial decisions. These experienced and knowledgeable financial consultants can help you determine investment objectives, select appropriate services and products, and make investment decisions. Individual appointments are available at no cost to you.

- Portfolio Analysis
- Retirement Planning
- Education Fund Planning
- Financial Seminars
- Insurance Services
- Retirement Accounts – IRAs, TSAs, 403(b)
- Equities
- Annuities – Fixed & Variable
- Mutual Funds
- Life Insurance
- Disability Insurance
- Long Term Care Insurance



**William Knudsen**  
Wealth Advisor



**Karen Heddle**  
Wealth Advisor

**Call to set up your free, no obligation appointment today!**

**(734) 416-5025**



**MECU  
Financial**

Securities and advisory services offered through LPL Financial, a registered investment advisor. Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates. Michigan Educational Credit Union and MECU Financial are not registered broker/dealers and are not affiliated with LPL Financial.

**Not NCUA Insured. Not Credit Union Guaranteed. May Lose Value.**



## *Branch Locations*

### **Plymouth Main Office**

9200 Haggerty Road, Plymouth MI 48170 • (734) 455-9200

### **Livonia Office**

14921 Middlebelt Road, Livonia MI 48154 • (734) 261-1050

### **Ann Arbor Office**

4141 Jackson Boulevard, Ann Arbor MI 48103 • (734) 761-7505

### **Brighton Office**

123 Brighton Lake Road, Suite 102, Brighton MI 48116 • (810) 494-6000

### **Royal Oak Office**

1903 Rochester Road, Royal Oak MI 48073 • (248) 399-7473

### **Macomb Office**

47230 Hayes Road, Macomb MI 48044 • (586) 566-5599

### **Office Hours**

9:30 a.m. to 5:30 p.m. Monday thru Friday • Toll-Free (888) 261-3355

[www.michedcu.org](http://www.michedcu.org) • e-mail: [general@michedcu.org](mailto:general@michedcu.org)



Michigan Educational  
Credit Union

[www.michedcu.org](http://www.michedcu.org)

This credit union is federally insured by the  
National Credit Union Administration.

