

Annual

2019

Report



PointWest
CREDIT UNION

In 2018, Point West team members volunteered over



800 hours¹

In 2018, Point West team members collectively donated nearly



\$9200¹

¹Data obtained from the credit union's internal tracking and reporting platforms.

We love working with our partners!

- BankWork\$
- Bienestar
- CASA of Oregon
- Centro Cultural
- Community Lending Works
- Financial Beginnings
- Hacienda CDC
- Human Access Project
- Innovative Changes
- Lloyd Community Association
- Metropolitan Family Service
- Meyer Memorial Trust
- Mt. Hood Chapter
- Multnomah County
- NW Credit Union Chapter
- Neighborhood Partnerships
- Northwest Credit Union Foundation
- Oregon Food Bank
- The Consulate of Mexico

Your Money at Work: The Economic Impact of Point West and YOU



Money To Members
\$1,800,000



Income Supported
\$3,800,000



Jobs Created/Retained
89



Economic Contribution
\$9,400,000

ECONorthwest delivered an independent review that analyzed the gross economic impacts of credit unions in Oregon. The study measured jobs, economic output, and income supported by not-for-profit, member-driven cooperative credit unions in the regional economy. It also measured the direct benefits that credit unions are uniquely positioned to return to their members.

The key difference between credit unions like Point West and other financial services providers is the not-for-profit, cooperative structure. Credit unions are owned and driven by the members who use their services. Unlike profit-driven financial institutions which pay stockholders, credit unions return their benefits back to their members in the form of better interest rates, lower fees, and other services that their members need.

Based on survey data provided by credit unions and other sources, ECONorthwest calculated the gross economic impacts throughout Oregon. These numbers specifically highlight the impact of Point West Credit Union and its members.

Data compiled by ECONorthwest

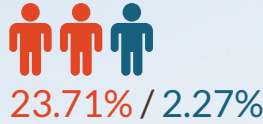
547 members started the survey

About 350 members completed the survey in English

About 44 members completed the survey in Spanish

Which of the following statements best matches how we describe our credit union? **Select one.**

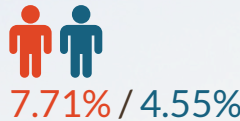
Small Enough To Know Better: This is not the cookie-cutter, same-as-a-million-others place to bank.



People Helping People: We treat all people with respect and dignity and offer honest service, without prejudice, regardless of nationality, race, color, or creed.



Be Your Best You: Helping members pursue wellness of mind, body, and wallet

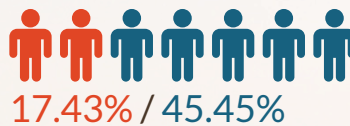


How does Point West contribute to the local community? **Check all that apply.**

Point West provides banking without borders through lending and services to immigrants and all members of the Hispanic community



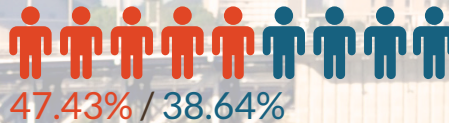
Point West is a certified Community Development Financial Institution (CDFI) that serves low- and moderate-income consumers



Point West contributes to community organizations that lift up the underserved, like the Oregon Food Bank and the Immigrant and Refugee Community Organization (IRCO)



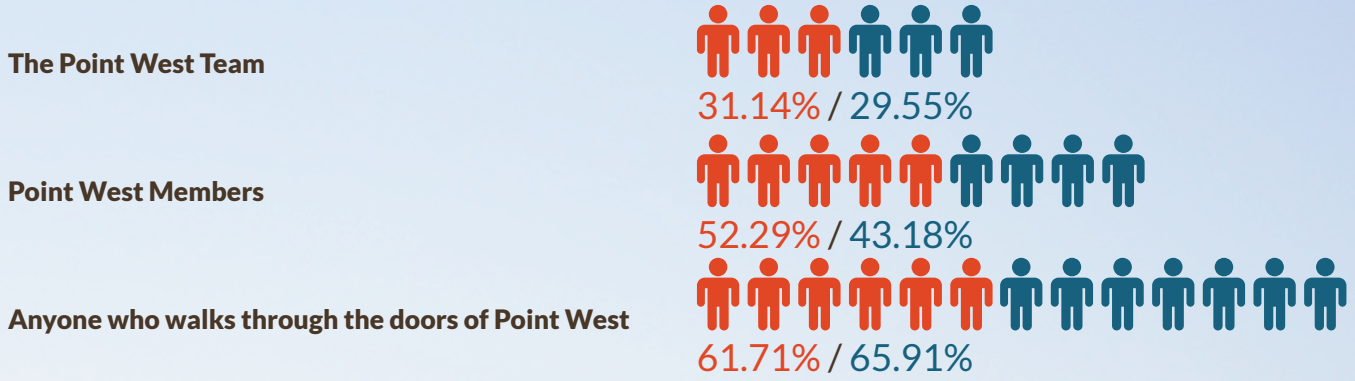
All of the above



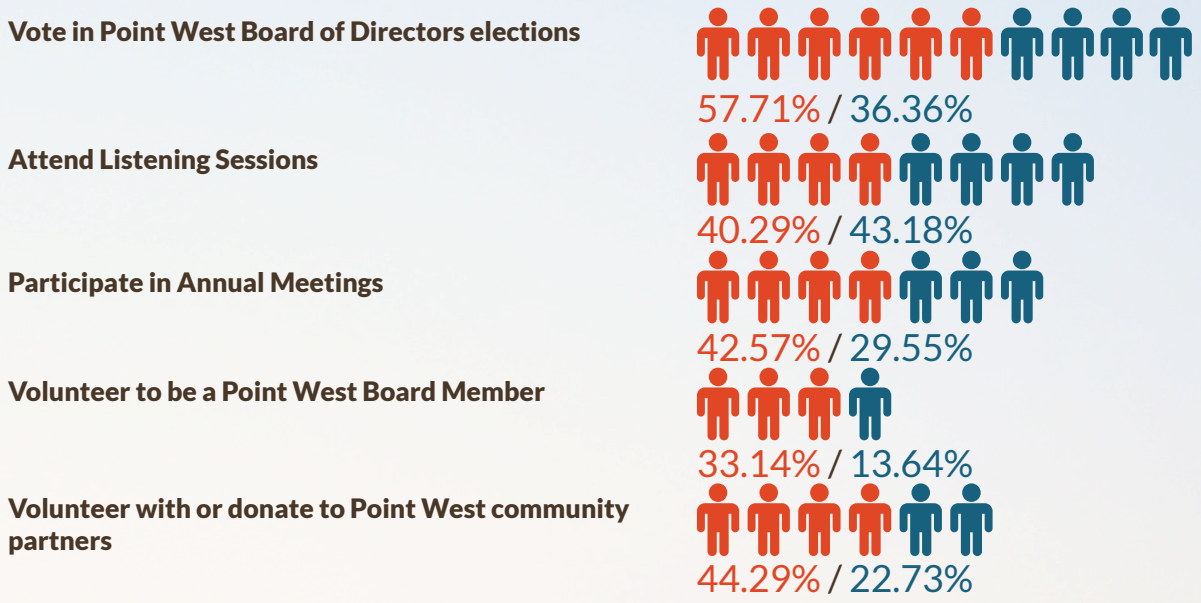
I am not sure how Point West contributes to the local community



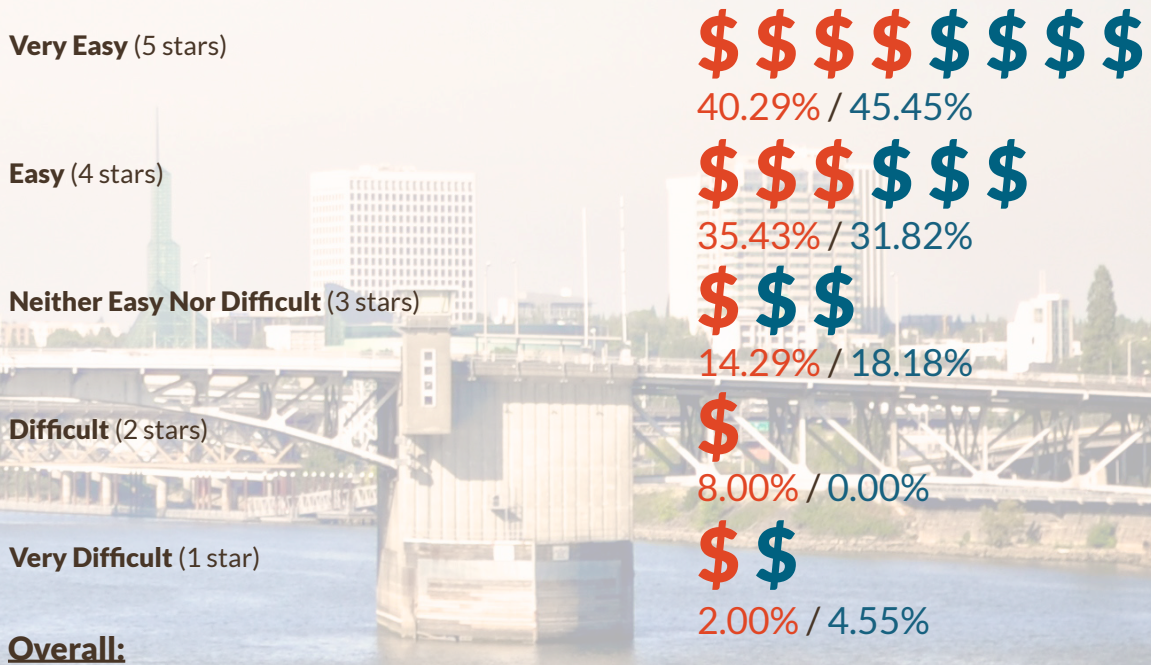
Who are Citizens of Point West? Check all that apply.





Please select any of the following ways you can get involved as a member of Point West.





How easy/difficult do you find your interactions and transactions with Point West staff and tools to be?



English Average: 4.04 
 Spanish Average: 4.14 

English Survey =  

Spanish Survey =  

A Message from Susan Brown, Your Point West Chairperson



This past year has been another milestone in Point West Credit Union's growth and evolution. While not without its challenges, 2018 showed once again that as a not-for-profit cooperative working to improve the financial empowerment of its members, this credit union has few peers. Challenges do remain, yet I, along with my fellow

volunteer board members, continue to believe that Point West is on the path to greater return to its members and greater impact for its community.

First and foremost, to business – coming into 2018, we knew it would be a difficult year with regards to earnings. With two significant capital expenditures in 2017 necessitated by the 2016 sale of our legacy headquarters, a portion of the credit union's reserves were strategically deployed to ensure a strong footprint in our community to best serve our members today and into the future. We now have a thriving retail branch location in the Lloyd District and administrative offices that will allow Point West to continue to grow and prosper in the years ahead. Those expenditures coincided with a softening in our loan portfolio's performance throughout 2018.

The board works closely with management to ensure that revenue and expenses closely balance to maximize return to members and our cooperative. As our credit risk increased over the past twelve months, the board directed management to take proactive steps to address the perceived weaknesses in the portfolio and to streamline operational expenses to bring earnings back in line with expectations. These actions included significant changes to the credit union's underwriting guidelines and loan pricing, as well as targeted reductions to staff, resources and other expenses. As with most complex organizations, there is a lag between actions taken and results produced, resulting in higher loan losses and reduced earnings in the short-term. Nevertheless, your board of directors and management team believe these changes will bring the desired results to bare in the long term, allowing Point West to return to profitability and capital growth in the coming years.

Even with these necessary actions happening behind the scenes,

what hasn't changed is Point West's commitment to providing exceptional service, access and return to its members. 2018 saw the resumption of share dividends for all member accounts and several rates increases throughout the year to our certificate of deposit products. Our Eco and Bonus Checking products remain two of the highest returning deposit products in the local marketplace. Member listening sessions and a far more responsive survey system allowed for faster communication between staff and members to improve service outcomes.

Creating impact for members in an equitable and inclusive framework remained a constant in 2018. With your support, our credit union helped hundreds of new, underserved community members, including immigrants, small businesses, people with disabilities, and those with little or no credit, access mainstream financial services and capital. Additional products continue to be introduced and refined as well, including individual development accounts (IDAs), credit builder loans, and initiatives to help those facing a lack of access to affordable housing. These actions are amazing on their own but taken in conjunction with the ripple effect on their families, workplaces and communities, it's an amazing feat and a true testament to the work and mission here at Point West.

I remain vigilant of the hard work ahead of this organization and excited about the opportunities and impact that happen each and every day at Point West. I want to thank my fellow board members and volunteers for their sharp insights, dedication to safety and soundness, and passion for the mission of this credit union. Together, we'll continue to lay a strong foundation for the future to ensure everyone in our community can access financial empowerment for their themselves and their families.

Sincerely,

A handwritten signature in black ink that reads "Susan M. Brown".

Susan Brown, Chairman of the Board

Supervisory Committee Report

The Point West Credit Union Supervisory Committee meets quarterly with the CEO and on an as-needed basis to lead the internal audit program for the credit union. The Supervisory Committee members also attend the monthly board meetings. The internal audit program provides the Board of Directors information to effectively oversee and update controls, policies, and procedures for the credit union. Each year, the Supervisory Committee also contracts with a third party accounting firm to perform a thorough financial statement audit of the credit union. In 2018, we worked with Moss Adams, LLP to provide those independent audit services.

In summary, the credit union was in substantial compliance based on both internal and external audits completed. Moss Adams, LLP, provided their independent audit report showing

Point West Credit Union's operations and its cash flows for 2018 ended in conformity with generally accepted accounting principles.

I would like to thank the Supervisory Committee members for their time and expertise. On behalf of the committee we would like to thank the Board of Directors for giving us the opportunity to serve our members in this capacity. We would also like to thank Amy Nelson, President/CEO and the entire staff of Point West Credit Union for their efforts to provide safe and sound Financial Empowerment to all the credit union's members.

Kristy Mayer-Mejia, Supervisory Committee Chair

A Message from Amy Nelson, Your President & CEO



As we look back at 2018 and look ahead to the rest of 2019 and beyond, it continues to be my utmost pleasure to lead Point West Credit Union. 2018 proved to be both a challenging and rewarding year, and while much work remains to be done, I am confident in our direction and excited for the future.

The credit union ended 2018 with a well-capitalized net worth ratio of 8.70%. In total, your cooperative returned 26.4% more in dividends to the membership in 2018 over 2017, due in no small part to a return in dividends on member share accounts and increases to our certificate of deposit rates. Additionally, Point West originated over \$24 million in new loans to nearly 1,400 borrowers, providing needed access to affordable vehicles for families, capital for small businesses and more. As an organization dedicated to the financial wellness of its members, ensuring we make loans that improve outcomes for borrowers is important – to that end, 68.1% of all borrowers saw their credit scores increased or maintained in the past year. Many borrowers came to the credit union to borrow money for the first time in 2018, and are now on the path to building sound, reliable credit that will benefit them and their families going forward. These are all significant achievements that are shared by all members of Point West, and to all of you that actively participated in your cooperative this past year, I thank you!

2018 was indeed a difficult year with regards to earnings. Return on average assets (ROAA) was -0.97% at year-end, a result of loan losses tied to a significant uptick in delinquency and charge-off activity within the loan portfolio, specifically the indirect lending – or dealership-initiated lending – portion of the loan pool. A myriad of factors contributed to these losses, including losses from borrowers whose credit profiles performed worse than similarly-originated loans done in the past. Additionally, the credit union became aware of deceptive and/or outright fraudulent lending activity perpetrated by or on behalf of some of our borrowers – by outside parties.

Management, in collaboration with the board of directors, moved quickly to identify the causes of these losses and implement needed changes in our business practices, underwriting guidelines and pricing to contain the losses and hold identified outside entities accountable. The credit union has recovered tens of thousands of dollars from dealerships where the dealer misrepresented the vehicle model and/or package being sold to the borrower. Underwriting guidelines and loan pricing were significantly updated to better reflect the risks seen in the portfolio. And Point West restricted its indirect lending channel, ensuring a better understanding of each borrower and a stronger member relationship.

These changes have already made a difference in terms of credit quality and overall delinquency and charge off activity; however, these changes alone will not bring back profitability to the credit union. Additional, targeted reductions in staffing and operational expenses have been implemented, resulting in an estimated 11% reduction in overall expenses anticipated this year versus 2018. Management and the board of directors remain committed to a fiscally-responsible path to positive numbers in the coming years but make no mistake – we will not sacrifice service levels or return to our members to achieve these important goals.

We continue to invest in training for our team, have focused resources to evolve our credit union products and services based on member feedback and thorough research, and continue to update technology to ensure we meet our members' needs.

In 2018, we enhanced our member outreach by increasing our email communications in both scope and quantity, providing more information about Point West to more of our members. We introduced the LiveSurvey platform, allowing us to engage with you on recent service interactions in a much more succinct and rapid fashion. We continued to hold our regular member listening sessions, allowing our members to directly engage with our credit union leaders and volunteers on a variety of important topics – in fact, we were proud to hold our first Spanish-language listening session this past year! The feedback and insight were greatly appreciated, and we'll definitely continue to offer bilingual listening sessions in 2019 and beyond.

As a community development cooperative, engaging with non-profit partners is a priority for Point West. To that end, we continued to build meaningful, mutually beneficial relationships with a variety of organizations this past year. The credit union introduced several new products, including its "Pathways" program, a credit building solution that results in access to an affordable Visa Credit Card paired with financial education. In collaboration with CASA of Oregon and Innovative Changes, we welcomed back individual development accounts (IDAs), which allow qualified individuals to receive matched savings for a variety of important purposes, including housing, retirement, and post-secondary education. We're now rolling out a small-dollar credit builder loan alongside these IDAs, allowing qualified members to build credit and assets in tandem. Additionally, we've partnered with the Northwest Credit Union Foundation, Meyer Memorial Trust, Consolidated Community Credit Union and Trailhead Credit Union to pilot a security deposit loan program, which will allow qualified families affordable access to funds that cover the costs of a security deposit when moving into or transitioning between rental housing. That's just a small glimpse of the work we're doing – a big thank you to our partners, including Metropolitan Family Service, Hacienda CDC, the Mexican Consulate of Portland, Centro Cultural and many more, for their mission-aligned work and dedication to our shared communities.

As a member-owned credit union, your voice and support remain the most critical components to our success. Please continue to engage with Point West through our team members and via our listening sessions to let us know how we can best help you and your family continue to achieve better and more sustainable financial wellness and economic empowerment.

On behalf of Point West Credit Union and your Member Service team, thank you for your continuing support and participation in this cooperative and creating lasting impact and results for your fellow members and local community.

Cooperatively,

A handwritten signature in black ink that reads "Amy Nelson".

Amy Nelson, President/CEO

Income Statement

	2017	2018	YTD 2019*
INTEREST INCOME			
Interest on Loans Receivable	3,645,885	4,155,266	
Interest on Investments & Interest-Bearing Deposits	228,379	204,876	
Total Interest Expense (Loss)	273,342	356,868	
Recapture of Provision for Loan Losses	1,064,109	1,771,906	
Net Interest Income After Provision	2,536,813	2,231,368	839,352
NON-INTEREST INCOME			
Service Charges & Fees	1,331,707	1,186,606	
Gain on Insurance Premiums Receivable	16,087	20,215	
Other Non-Interest Income	105,336	81,680	
Total Non-Interest Income	1,453,130	1,370,780	338,678
NON-INTEREST EXPENSES			
Compensation & Benefits	1,991,468	2,070,806	
Office Operations	1,160,906	1,124,939	
Professional Services	577,008	478,988	
Office Occupancy	346,902	361,707	
Loan Servicing Expenses	189,472	160,820	
Promotional	169,728	96,146	
Other Non-Interest Expenses	311,243	288,003	
Total Non-Interest Expenses	4,746,727	4,581,409	998,229
NET INCOME (LOSS)	(756,784)	(979,261)	179,801

The accompanying December 31, 2018 condensed financial statements have been derived from financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Audited statements will be available upon request by contacting the credit union at 503.546.5000. **Federally insured by NCUA.**

*Unaudited YTD figures

Balance Sheet

	2017	2018	YTD 2019*
ASSETS			
Cash & Cash Equivalents	3,812,884	4,519,619	
Interest-Bearing Deposits	7,720,072	5,010,459	
Investment Securities Available for Sale, At Fair Value	1,088,860	709,686	
Restricted Equity Securities	347,429	351,129	
Loans Receiveable, Net	83,782,413	82,212,357	
Accrued Interest Receivable	237,834	239,785	
NCUSIF Deposit	928,419	923,997	
Property & Equipment, Net	3,135,543	2,946,489	
Other Assets	1,158,740	1,038,916	
Total Assets	102,212,194	97,952,437	97,097,197
LIABILITIES & MEMBER EQUITY			
<u>Liabilities</u>			
Members' Share & Savings Accounts	91,450,044	88,402,091	
Borrowed Funds	1,000,000	1,000,000	
Accrued Expenses & Other Liabilities	1,294,613	1,067,483	
<u>Members' Equity</u>			
Regular Reserves	5,104,555	5,104,555	
Undivided Earnings	3,337,483	2,358,222	
Accumulated Other Comprehensive Income (Loss)	25,499	20,086	
Total Liabilities & Member Equity	102,212,194	97,952,437	97,097,197
CAPITAL/TOTAL ASSETS (NET WORTH)	9.32%	8.70%	8.97%

Banking Without Borders



Telling Stories, Changing Lives

