

# 2021 ANNUAL REPORT



**DIRECT  
FEDERAL**  
BANKING AT THE RATE OF LIFE.

Dear Member,

In 2021 we all experienced another year of navigating the covid pandemic, rising tensions in social justice, and the redefining of business practices and consumer behavior. Direct Federal, like many other local businesses, spent the year adapting to the strains of the pandemic, but kept its focus on maintaining strong financial health and serving our members. Your credit union was profitable with net income of \$3.7 million, raising capital to \$93 million or 13% of total assets, well in excess of the 7% required to be considered well capitalized. While understandable conservatism still permeated consumer borrowing habits, the credit union originated 1,867 vehicle loans through our partnerships with local dealers and our direct loans to members. Additionally, we opened 566 home equity lines of credit, one of our most attractive loans; 371 mortgages; and 340 credit cards. On the other side of the balance sheet, members brought \$18.7 million to the credit union in new share certificates (CDs), and core deposits (checking, savings, and money market accounts) increased by nearly \$30 million. Our no-fee checking, the HUB account, became the core checking product for 359 new members.

Our financial strength paved the way for the credit union to embrace its commitment to the community and the financial needs of our members and neighbors. Last year, we increased our philanthropy and expanded our financial wellness programs throughout Norfolk and Middlesex Counties. Our Diversity and Inclusion Committee launched several new initiatives to increase awareness among our employees and introduce new programs of diversity and inclusion in our community. Finally, we upgraded our technology infrastructure to position the credit union for years of sustainable growth, fueled by new partners and digital solutions that will lead to improved ease of access to account information and transactions.

### **Philanthropy and Financial Wellness**

Last year, Direct Federal donated more than \$173,000 to local organizations and not-for-profits. Donations of \$10,000 or more went to Catie's Closet, Ellie Fund, League School of Greater Boston, Needham Community Council, Three Squares New England, and Waltham Boys and Girls Club. A significant portion of our \$35,000 contribution to the Ellie Fund supported their inclusion initiative, Equitable Pathways to Breast Cancer Care. We also expanded our popular scholarship program. Ayer Shirley Regional High School graduate Olivia Oestreider was the 2021 recipient of our David Johnson Leadership Scholarship, a \$3,000 scholarship for each year of college awarded to a student who demonstrated outstanding leadership skills during high school. Additionally, we awarded twenty \$1,000 pandemic relief scholarships to students throughout Norfolk and Middlesex Counties. Finally, we awarded five \$1,000 scholarships to students who demonstrated leadership in diversity and inclusion. To complement our monetary contributions, we continued to emphasize our Financial Wellness program in the communities we serve. Through our in-school partnership with EVERFI, our financial literacy courses reached nearly 500 students across seven schools. The courses constituted 1,423 hours of learning time. Additionally, on the DirectLife section of our website Direct.com, home to over 40 courses from Budget Planning to Identity Protection, we had 1,747 people complete courses, comprising more than 300 hours of learning on our online portal.

### **Diversity and Inclusion Committee**

The first full year of our Diversity and Inclusion Committee, comprised of Board members and employees of the credit union, led to several notable initiatives that will be an ongoing priority as we proactively embrace the fight toward social justice. In addition to the aforementioned expansion of our scholarship and financial wellness programs to diverse members of our community, the committee took meaningful strides in prioritizing inclusion and awareness in our staff and board, while supporting programs within our communities. We added three new associate board positions, resulting in an immediate infusion of diverse representation in the governance of our credit union. For our staff, we modified our job posting channels to find qualified candidates across a spectrum of diversity while implementing

“Unconscious Bias Training” and roundtable discussions concerning social justice. Our Human Resource department received certification in Diverse and Inclusive Workplace training. Within the community, we launched Direct Federal’s Diversity and Inclusion Author Series, partnering with local bookstores to sponsor days in which diverse authors share their children’s stories with families in our community.

### **Technological Upgrades**

On February 1st, we pushed our new internal processing system live. This modernized system represents an overhaul of our previous processing system which had been in place for 36 years. It provides the credit union increased flexibility to incorporate the best third-party solutions to facilitate more efficient workflows and member experiences. We also introduced a new digital platform for online and mobile banking. On the new platform, we now have a centralized location for Visa statements and mortgage information. We also offer person-to-person (P2P) payments through the popular Zelle® P2P solution. Over 1,000 members now use Zelle® regularly. On the new online and mobile banking platform, we unveiled our free FICO credit scoring feature to members with Direct Federal loans or checking products. The new platform now allows members to bring in deposit accounts from outside financial institutions so they may have access to all banking relationships in and outside the credit union. As a digital-first credit union, we are excited about the enhancements to our online and mobile banking, but we recognize that any change of this magnitude takes a period of adjustment and education. To help ease the transition, we incorporated a live chat / screen sharing service through Glia so we can walk members through our digital platforms in real time when they encounter any issues or have any questions. Additionally, we will coordinate training videos and additional educational resources to help members feel less burdened by the change and more excited by the added features at their disposal.

### **New Commercial Lending Options**

As we enter 2022, we will look to become a viable consideration for Commercial Lending to small businesses and real estate owners throughout Norfolk and Middlesex Counties. We have welcomed Greg Ryan to the team as a Senior Vice President of Commercial Lending. Greg brings nearly 30 years of commercial lending experience to the credit union. Our lending solutions include attractive rates and terms for 1-4 family investment properties, 5-12 unit residential investment properties, owner-occupied commercial real estate, commercial vehicle loans, working capital lines, and business credit cards. We also plan to offer SBA loans in 2022. Our business banking deposit offerings cover the spectrum from checking to CDs. If you have entrusted Direct to save you money on your consumer loans, and you are in the market for any of our commercial loans, we encourage you to reach out to Greg for another opportunity to save more with Direct.

In closing, we want to take this opportunity to honor the memory of our dear friend George Tyner who recently passed away. George was a beloved, former member of our board of directors who left an indelible imprint on the credit union as a champion of community service. His stewardship of the credit union through his volunteer position on our board spanned more than three decades. We all benefited from his sage insights, his quick wit, and his warm smile. We extend our heartfelt condolences to his wife, Claire, and his sons, Tripp and Stephen. We will miss you, George.

We thank you for your confidence in the credit union and look forward to serving your financial needs well into the future.



Donald Kelliher  
Chairman of the Board



Joseph Walsh  
President & CEO

# Balance Sheet

As of December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash And Due From Banks	\$ 46,165,455	\$ 95,473,609
Loans, Net Of Allowance For Loan Losses	599,635,261	632,364,075
Investments Available For Sale	48,865,382	805,695
Investment In Federal Home Loan Bank	2,151,800	2,151,800
Accrued Interest Receivable On Loans And Investments	1,556,983	1,621,376
National Credit Union Share Insurance Fund Deposit	5,503,961	5,764,167
National Credit Union Central Liquidity Fund	1,722,640	1,611,859
Premises And Equipment	2,665,674	2,775,499
Other Assets	9,951,264	12,878,057
Total Assets	<u>\$718,218,420</u>	<u>\$755,446,137</u>
<b>Liabilities And Members' Equity</b>		
Member Deposits	\$585,111,750	\$624,795,955
Borrowings	35,000,000	35,000,000
Accrued Expenses And Other Liabilities	5,020,313	5,581,918
Total Liabilities	<u>625,132,063</u>	<u>665,377,873</u>
Members' Equity	93,698,892	90,033,019
Unrealized Gain On Investments Available For Sale	(612,535)	35,245
Total Members' Equity	<u>93,086,357</u>	<u>90,068,264</u>
Total Liabilities And Members' Equity	<u>\$718,218,420</u>	<u>\$755,446,137</u>



# Statement of Operations

For the years ended December 31, 2021 and 2020

	2021	2020
<b>Interest Income</b>		
Interest Earned On Loans To Members	\$19,757,618	\$23,668,935
Interest Earned On Investments	398,016	435,926
Total Interest Income	<u>20,155,634</u>	<u>24,104,861</u>
Interest Expense		
Interest Paid On Member Deposits	2,872,253	7,005,938
Interest Paid On Borrowings	754,096	1,183,018
Total Interest Expense	<u>3,626,349</u>	<u>8,188,956</u>
Net Interest Income	<u>16,529,285</u>	<u>15,915,905</u>
<b>Other Income</b>		
ATM, Debit And Credit Card Processing Fees	1,246,054	1,126,993
Gain On Sale Of First Mortgage Loans	2,111,081	3,028,624
Share Account Fees	361,822	254,566
Loan Servicing Income	295,099	320,578
Miscellaneous Income	699,208	4,314,386
Total Other Income	<u>4,713,264</u>	<u>9,045,147</u>
<b>Operating Expenses</b>		
Salaries And Employee Benefits	10,714,276	9,909,792
Professional And Administrative	1,064,087	2,008,963
Marketing And Promotion	741,141	705,000
ATM, Debit And Credit Card Processing	1,321,735	1,313,930
Data Processing	1,579,512	1,658,546
Office Occupancy And Maintenance	1,178,184	1,219,655
Depreciation	828,757	860,382
Statement Processing And Delivery	325,535	362,165
Total Operating Expenses	<u>17,753,227</u>	<u>18,038,433</u>
Net Income Before Provision For Loan Losses	3,489,322	6,922,619
Provision for Loan Losses	(176,551)	2,497,825
Net Income After Provision For Loan Losses	<u>\$3,665,873</u>	<u>\$4,424,794</u>

## Board of Directors

Donald J. Kelliher  
*Chairman*

Joseph R. Capalbo, Jr.  
*Vice-Chairman*

Frank Crocetti  
*Secretary*

Meredith H. Dunn  
*Treasurer*

Mary Ann Boari

Nicholas S. DiMasi

Robert Gill

Diana Linn

Peter Schuller

David H. Johnson  
*Chairman Emeritus*

Stephen L. Berry  
*Director Emeritus*

Howard Margulies  
*Director Emeritus*

Kendin Carr  
*Associate Director*

John Charters  
*Associate Director*

Estelle Burton  
*Associate Director*

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## Supervisory Committee

Raymond M. Ricci  
*Chairman*

Wendy Aimola

Joseph R. Capalbo, Jr.

Christopher Dooley

Joseph Fannon

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## Nominating Committee

Robert Gill  
*Chairman*

Frank Crocetti  
Nicholas S. DiMasi



## Management

Joseph Walsh  
*President & CEO*

Michael Ferreer  
*Senior Vice President,  
Chief Member Officer*

Amy Irene Horan  
*Senior Vice President,  
Chief Lending Officer*

Devon M. Lyon  
*Senior Vice President,  
Chief Operating Officer*

Brian D. Medeiros  
*Senior Vice President,  
Chief Information Officer*

Jeffrey C. Rocha  
*Senior Vice President,  
Chief Financial Officer*

Greg Ryan  
*Senior Vice President,  
Commercial Lending*

Andrew Gabriel  
*Vice President,  
Business Applications*

Kristen Johnson  
*Vice President, Brand Experience*

Kathleen P. Sawyer  
*Vice President, Human Resources*

Jim Webber  
*Vice President, Information Technology*

Jennifer A. Cavan  
*Assistant Vice President,  
Human Resources*

Ned Cotter  
*Assistant Vice President,  
Operational Efficiency &  
Data Architect*

Maria Vasilevsky  
*Assistant Vice President,  
Project & Vendor Management*

Francis Harmon  
*Director of Finance & Accounting*

Edward Harrington  
*Director of Loan Originations*

Kassandra Martin  
*Director of Digital Experience*

Bonnie McComiskey  
*Director of Quality Control*

Erin Proulx  
*Director of Training & Development*

Bill Rebello  
*Director of Underwriting*

Letty Storm  
*Director of Deposit Servicing*

Brett Terry  
*Director of Loan Operations*

Amanda Wheeler  
*Director of Collections*

50 Cabot Street, P.O. Box 9123  
Needham, MA 02494-9123  
781.455.6500 ♦ [direct.com](http://direct.com)



Equal Housing Lender

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