

THE SOLARIAN

2018 Annual Report



SOLARITY
CREDIT UNION

Federally Insured by NCUA

What Makes a House a Home?

Is it the four walls in your new nursery where you spent hours picking just the right shade of pink? The breakfast nook where you drink coffee with your significant other before an early morning shift? Or maybe that giant dining room table where your family gathers for holidays?

No matter what makes your house a home, at Solarity, we understand that a home loan is not about the house but about the memories you make in your home – memories that will last a lifetime.

That is why we've made it our mission to not only put more families in homes but make the process of obtaining a home loan simple and efficient. From the very first point of contact to the very last payment, we are working hard at innovating each step of the process to make each home loan smoother than the last.

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CEO Report

Having a place to call home means something unique to each individual. Maybe it means financial stability, a sense of community, or even something as simple as getting to paint your walls any color you like. Whatever homeownership means to you, we want to help you achieve it.

We've recognized that homeownership is changing across the nation. While people are still buying homes, the way they conduct their business is becoming less dependent on physical locations. Through technology, expertise, innovation, and a passion for helping families, we provide a fast and simple home loan experience that is second to none. From the moment members apply with us to the moment they unlock the door to their new home to the time they make their final loan payment, we want them to feel a sense of ease and accomplishment.

Homeownership shouldn't be painful. At Solarity, our vision of homeownership goes beyond loans and rates. We truly want to help families get into homes and build their lives. This is how we are revolutionizing the home loan experience. We are not just providing a home loan; we are providing a service and a partnership.

A handwritten signature in black ink, appearing to read "Mina Worthington".

Mina Worthington
President and CEO

Board Chair Report



Being part of a member-owned financial cooperative means, as a member, you are a shareholder in the organization. The purpose of the Board of Directors is to govern our organization and represent our members. We serve as an external advocate for each shareholder and ensure that Solarity is making sound business decisions to positively impact our membership.

The Board of Directors fulfills its responsibility for organizational performance by advising on major policies and making decisions that support continued growth. Additionally, we uphold integrity and ensure credibility while looking ahead to the future to make sure Solarity's strategic vision aligns with the best interests of our membership.

Under the leadership of the Executive Team and the Board of Directors, Solarity has retained the best possible score for our overall financial condition, raised consumer deposit rates to stay competitive, and implemented several successful projects. This is just a sampling of the ways your Board of Directors has participated in major decisions that improve our home lending and financial services. Throughout the coming years, the Board of Directors will continue to serve as your advocate as we grow our business.

Gary Kissling
Chairman

Board of Directors



Jerry Kobes
Vice Chairman



Terry Morgan
Secretary



Merrilou Harrison



Jim Hurley



Michael Meyer



Doug Nicholson



Regan Myers
Associate Director

Audit Committee Report



The human brain consists of two hemispheres. The right hemisphere is responsible for creativity, imagination, and innovative thought, whereas the left hemisphere is responsible for reasoning, logic, and analytical thought. Although some people are stronger on either the left or the right side, both sides work together to recognize and respond to challenges.

Similarly, innovation and quality control are both key drivers when it comes to business growth. At Solarity, we work hard to think outside the box and offer new solutions to help our members when it comes to controlling their finances and navigating the lending environment. We like to think of our Audit Committee as part of the left hemisphere, working together with the innovative right hemisphere to ensure quality control over all aspects of the business.

The Audit Committee is elected by our membership and is responsible for ensuring that our members are protected. The committee's job is to review audit reports, look at risk performance, and make sure we have quality practices and internal controls in place to protect ourselves against theft and fraud. At the same time, we strive to maintain a high level of innovative thinking to keep improving offerings for our members. Just like the human brain, our organization thrives when both halves work together to make our members' lives easier.

Ken Flaks
Chairman

Audit Committee



Kay Gamache
Vice Chairwoman



Doug Partlow
Secretary



Jim Hurley



Tina Torres
Staff Liaison



One-Stop Home Lending

Purchasing a home is the single biggest transaction most people will make in their lives. The process of selecting the right home can be a time consuming task. You need to determine the best neighborhood, school district, number of bedrooms, and many other factors to make your investment worthwhile. Obtaining a home loan should not add to that stress.

With so many loan options available – more than most people realize – choosing the right loan for your needs can be daunting. At Solarity, our highly trained Loan Officers are experts who can help you with this complex task. You don't have to learn all about each type of loan to decide what's best for you. Their objective is to learn about your unique situation and provide the loan options that best fit your needs.

Many real estate professionals recommend that potential homebuyers visit multiple lenders to get the best deal possible. While this can be beneficial, applying with more than one lender may actually hurt your chances of obtaining a loan. When you apply for a loan, a lender must review your credit report, and multiple credit inquiries may negatively impact your credit score.

By providing a wide variety of loan options, we help families get into homes that fit their lifestyles and budgets without having to shop multiple lenders to find the best deal.

“I was a little unsure about what to expect during the process because everyone I talked to about getting a mortgage said it was difficult and time-consuming, and they told me I'd hate it. I am so glad I went with Solarity because I have not had that experience at all!

Nicole, Solarian since 2018



Growing Talent From Within

As home lending continues to be a source of growth at Solarity, our need for knowledgeable Loan Officers continues to grow as well. We needed additional Loan Officers with expertise in all types of loans, so they could best advise members on the most appropriate options for their individual situations. And where better to obtain additional Loan Officers than from the ranks of our existing staff?

From the day an employee starts at Solarity, we instill our culture of transparency, innovation, accountability, and positivity through an extensive new-hire training program and at every other possible opportunity. That's why we knew our current employees would be the ideal source for Loan Officer candidates. So we created and tested a pilot trainee program to assist four of our top performers in reaching their aspirations of becoming Loan Officers. These new Loan Officers are now experts on every type of loan we offer and have the tools to determine which loan type would work best for each member they advise.

Cultivating new Loan Officers from within not only benefits the selected employees but ultimately helps our members as well by keeping them educated and informed throughout the entire lending process. That way, we can meet our objective of making it as easy as possible for our members to get into new homes.

“As far as home loans go, you guys make it easy. There is strong communication here, and that is why I came back to you. As long as this is maintained, and your customer service stays great, you will be seeing me for continued business.”

George, Solarian since 2014



Building Relationships with Realtors and Agents

While Realtors, agents, and Loan Officers play vastly different roles when it comes to helping people meet their goals of homeownership, they must work together to ensure a smooth home buying experience. The primary objective of all parties involved is to get our members into their homes as quickly as possible and leave them feeling positive about the interactions they had along the way. A great way to do this is to build strong and lasting relationships with real estate professionals.

These relationships are incredibly valuable to our members. We start by taking the time to understand the Realtors and agents with whom we work. When we understand what their clients value, how they run their businesses, and how we can support them, we are able to create an environment where the customer comes first.

The process of finding a new home and obtaining a loan can be a bit tricky in today's time-sensitive and heavily regulated environment. One way to ensure we are meeting the needs of our members is by communicating effectively and staying transparent and accountable. The key to ensuring things go smoothly from start to finish is to anticipate potential problems because this allows us to address any issues head-on and promptly find suitable solutions.

Building new relationships with Realtors and agents and nurturing the ones we already have enables us to work as a team, putting our members at the forefront of the home buying and lending process. The Realtors and agents we work with know that when they send their clients to Solarity, they are in good hands.

“Trusting a preferred lender to provide the same level of service to your clients as you would yourself is a key part in building relationships between Realtor and Loan Officer. I know when I send clients to Solarity that they will be receiving exceptional service.”

Katie Newquist,
Realtor



Acting on Feedback

Solarity's member experience initiative started with a humble idea: "Let's ask our members how they feel about us."

Solarity gains insight from members through surveys, interviews, and user testing regarding what they enjoy about doing business with Solarity. This gives us the opportunity to learn about areas where we can improve to make interactions with us easier and more efficient.

From providing home loans to conducting simple transactions, we value the interactions we have with all of our members. By listening to the feedback we receive and, more importantly, acting on it, we are building loyalty and trust.

A few of the changes we've made by listening to our members are a simpler home loan application that includes digital document signing to save time and stress, an easier-to-use online banking layout, and the ability to accept payments online using a debit card. While these may seem like small changes, they have had a big impact on our members by making their lives easier.

As a member-owned cooperative, we are dedicated to providing the best possible experience to our members every single day. We're doing more than asking for your feedback. We're acting on it.

Our Member Experience Enthusiast, Mandy Olson, responds to every survey we receive. Here is what she has to say about the impact it's had on Solarity:

“The feedback we've received from our surveys has helped us make big changes to the way we do business. Some of the best ideas come directly from our members.”



Simplifying Lending with an Easy Application

Any quick Google search will tell you that getting into a new home can be a bit of a chore. Articles with titles like “10 Steps to Buying a House” flood the internet daily, detailing the intricacies of finding a real estate agent, hunting for a house and getting a loan. While the home buying process can be daunting, applying for a home loan should be the easiest part.

In the past, the process for applying for a home loan at Solarity began with a phone call or a trip to a branch to set up an appointment with a Loan Officer. You would then need to gather documents, go to your appointment, gather more documents based on your initial appointment, send them to your Loan Officer and repeat this process until you were pre-approved for a loan and ready to start your house hunt. You shouldn't be forced to leave work or forfeit family time for a simple pre-approval.

With our new application, you can apply in about 20 minutes, and if you're approved, you'll have a pre-approval letter ready to present to your buyer's agent. You can apply online or on your phone from any location, on your time. If you only have a few minutes, you can save all your work and come back at your convenience. In addition, you now have the ability to easily and securely upload all your documents through our online application.

The innovation process doesn't stop there. As our members use our application, we use the data available at our fingertips to determine where we can further improve the application experience and the lending experience as a whole.

“One of the great things about our new application is the borrower's ability to attach documents digitally with ease, making the process much more efficient!”

Jeffrey Ockwig,
Loan Officer



7 Ways We Keep Your Financial Data Safe

We know that your data, especially your financial data, is extremely personal. We value the trust you've placed in us as your financial institution and understand that you expect us to protect your information with the highest level of care. Here are a few of the measures we have established to help keep your data secure:

- **Unified Threat Management** - We monitor any threats that are or could be happening across the industry to ensure we have measures in place to keep your information safe from hackers.
- **Antivirus and Malware Protection** - We utilize artificially intelligent antivirus software that ensures our computers, systems, and servers are able to keep your personal information and data protected.
- **Fraud Monitoring** - We have processes in place to monitor account activity and look for patterns of suspicious or unusual behavior in order to catch fraud quickly.
- **State-of-the-Art Encryption** - We encrypt all sensitive information, converting the data into code to prevent unauthorized access.
- **Multifactor Authentication** - This safety feature gives you the option to enable an extra layer of security when accessing online banking by requiring more than one method to confirm your identity.
- **Biometrics** - With biometrics you can use your fingerprint to unlock your app, rather than a password that can be compromised.
- **Automatic Sign-out** - To keep your information secure, you are logged out of your online banking account and the mobile app after a period of inactivity.

As technology advances, so does our security measures. We continue to enhance our security practices to ensure we are doing everything in our power to keep your personal information safe.

We are relentless about protecting our members' personal information. Solarity prevented more than \$394,000 in fraud during 2018.



Making Borrowing Easy Through Education

There is no denying it; the lengthy process of purchasing a home can be a bit overwhelming, even for veteran borrowers. It can be a challenge to even know where to start. At Solarity, we have found that education is the best place to start when deciding to purchase, refinance, or even build a home. We work hard to make sure we are providing helpful resources and transparent guidance regarding the lending process, so all our members feel confident and comfortable as they embark on their journeys to homeownership.

The first way we provide clarity to members seeking a home loan is through an extensive training process for each of our Loan Officers. When you come to Solarity for a loan, your Loan Officer will take the time to explain each step, so you know what's expected of you and what you can expect from us. We conduct research with past and current members to identify gaps in education and communication, so we can continue to improve.

Additionally, when it comes to home loan education, we work hard to provide online resources such as educational blogs and emails for our members. We cover topics such as what to expect during the construction process, or things to keep in mind when selecting a real estate agent.

By providing these resources for our members and potential members, we make the home loan process easier to understand.

“My Loan Officer was great at answering questions and following up on pending items. She was great at communicating step-by-step what was happening and making sure that I understood the process and reason for each step.

Salvador, Solarian since 2018



What It Means to Be Accessible

With technology constantly at our fingertips, going online to pay a bill or logging into online banking to check your transactions seems like a simple task. According to data from the 2016 National Health Interview Survey, 25.5 million American adults reported experiencing vision loss*, which can make navigating web pages very difficult.

While website accessibility is not something everyone thinks about, it can benefit everybody. We are continuously making improvements to the accessibility of our website to help improve the experience of each member who visits us online. Here are a few frequently asked questions about accessibility:

What does it mean to be accessible?

Website accessibility is about giving everyone access to the same tools and information, regardless of their abilities.

What should be kept in mind when designing accessible web pages?

When talking about website accessibility, there are many factors to bear in mind when designing a website that is accessible to everyone. Hearing loss, vision loss, impairment of motor functions, and learning or cognitive disabilities can all make it more difficult to navigate a website.

How can you make a website accessible for everyone?

While a lot goes into making websites fully accessible, a few relatively simple changes can go a long way. These include:

- Adding closed captions to videos.
- Making sure there is enough contrast between text and background colors or images.
- Ensuring the site can be completely navigated using only a keyboard.
- Organizing web content so it can be navigated easily.

Providing a website that any user can navigate is imperative to building trust with our membership. As technology advances and more tools become available, we will continue to improve our website's accessibility.

*afb.org

Approximately 1 in 12 men are colorblind, which can make web page navigation nearly impossible in some instances.*

*colourblindawareness.org



Coming Together for a Common Goal

About one in four people worldwide live in conditions that threaten their health, safety, prosperity, and opportunities. That's a scary statistic when you think of how many people you encounter each day.

At Solarity, we value giving back to the communities we live in. Our employees volunteer their time and money to help serve our community partner, Habitat for Humanity. We strive to not only close home loans but to give families a place to lay their heads at night, cook breakfast in the morning, and make memories each day.

Founded in 1976, Habitat for Humanity and more than 2 million volunteers have provided over 1 million families safe and secure places to call home. Habitat for Humanity focuses on building affordable homes, making lending education more accessible to families in need, and helping aspiring homeowners to achieve financial stability.

Habitat for Humanity shares Solarity's vision of using homeownership to provide strength, stability, and independence to families. By partnering with Habitat with Humanity, our mutual ambition of putting more families in homes is achieved through generous donations of funds and time from each of our employees. When our passions align with our business goals, we can achieve great things for the community.

“A house is to a family what soil is to a plant. A plant needs to be rooted. A family is like that. If a family is not rooted, it will not flourish. But once a family is well-rooted, all kinds of wonderful things will begin to happen.”

Millard Dean Fuller,
Founder and Former
President of Habitat
for Humanity
International

Financial Statement

Statement of Income

Income	2017	2018
Interest on Loans	25,324,800	27,400,271
Investment Income	1,046,667	1,525,119
Fee and Other Operating Income	8,886,671	9,166,421
Total Income	35,258,138	38,091,811

Expenses	2017	2018
Compensation	11,367,357	12,872,587
Travel & Conference	378,986	312,080
Office Occupancy	1,461,236	1,480,338
Office Operations	3,962,265	4,341,675
Education & Promotional	1,012,737	756,200
Loan Servicing	1,692,959	1,559,267
Professional & Outside	2,483,998	2,381,970
Provision for Loan Losses	5,398,391	2,170,613
Cost of Borrowed Money	1,117,421	1,391,104
Misc Operating Expenses	948,673	1,042,899
Total Operating Expenses	29,824,023	28,308,733

Non-Operational Income or Expense	10,387	122,124
Dividends	2,460,803	2,484,720
Total Expenses	32,295,213	30,915,577
Net Income	2,962,925	7,176,234

As of December 31, 2018 (unaudited)

Statement of Financial Condition

Assets	2017	2018
Loans	605,048,022	610,321,655
Allowance for Loan Loss	(4,763,441)	(3,411,475)
Loans Held for Sale	30,540,166	15,181,942
Cash and Deposits	25,745,851	43,013,547
Investments	56,453,044	46,094,394
Land-Building (Net of Depreciation)	16,508,506	13,950,259
Furniture & Fixtures (Net of Depreciation)	2,904,653	2,410,195
Other Assets	16,561,435	15,156,268
Accounts Receivables	1,948,808	3,793,163
Total Assets	750,947,044	746,509,948

Liabilities	2017	2018
Accrued Liabilities	5,483,279	2,118,310
Accounts Payable	12,984,730	14,385,498
Borrowings	60,056,225	62,500,000
Total Liabilities	78,524,234	79,003,808

Equity	2017	2018
Membership Shares	176,156,516	191,391,315
Share Checking	101,351,310	110,398,010
Certificates	59,163,934	50,828,867
IRAs	15,100,659	13,151,841
Money Market Accounts	184,497,710	164,217,704
Non-Member Deposits	40,557,043	34,753,115
Total Membership Equity	576,827,172	564,740,852

Equity Acquired in Merges	20,445,000	20,445,000
Regular Reserve	2,771,120	2,771,120
Unrealized Gain or Losses on AFS Securities	33,775	29,569
Retained Earnings	72,345,743	79,519,599
Total Reserve Equity	95,595,638	102,765,288

Total Liability and Equity	750,947,044	746,509,948
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SOLARITY

CREDIT UNION

Adventure is out there, but it's hard to beat home.

Blanket forts, backyard BBQs, candlelit takeout – these are moments to remember, and we have home loan options to house them all. Our experts work hard to help you find the right loan option to fit your needs and will guide you through every step of the process.

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solaritycu.org

Follow Solarity:



Membership Eligibility Required.
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