DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
Digital Federal Credit Union and Subsidiaries
Marlborough, Massachusetts

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Digital Federal Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Digital Federal Credit Union and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Digital Federal Credit Union and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Digital Federal Credit Union and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Digital Federal Credit Union and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Digital Federal Credit Union and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
March 4, 2022

DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 1,200,266	$ 2,287,247
Deposits in Corporate Federal Credit Union	20,000	10,000
Equity Securities	452,856	356,986
Securities - Available-for-Sale	280,514	246,164
Other Investments	9,418	10,313
Loans Held-for-Sale	104,318	278,291
Loans, Net	7,582,425	6,657,864
Accrued Interest Receivable	23,419	26,268
Premises and Equipment, Net	84,651	79,739
NCUSIF Deposit	82,093	84,434
Other Assets	43,408	48,226
Total Assets	$ 9,883,368	$ 10,085,532
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 8,804,288	$ 9,035,280
Accrued Expenses and Other Liabilities	107,230	112,820
Total Liabilities	8,911,518	9,148,100
MEMBERS' EQUITY		
Regular Reserves	100,227	100,227
Undivided Earnings	873,952	837,134
Accumulated Other Comprehensive (Loss) Income	(2,329)	71
Total Members' Equity	971,850	937,432
Total Liabilities and Members' Equity	$ 9,883,368	$ 10,085,532

See accompanying Notes to Consolidated Financial Statements.

DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
INTEREST INCOME		
Loans	$ 307,021	$ 343,940
Securities, Interest-Bearing Deposits, and Cash Equivalents	4,657	11,250
Total Interest Income	311,678	355,190
INTEREST EXPENSE		
Members' Share and Savings Accounts	45,282	59,378
Borrowed Funds	-	4,744
Total Interest Expense	45,282	64,122
NET INTEREST INCOME	266,396	291,068
PROVISION FOR LOAN LOSSES	5,000	104,600
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	261,396	186,468
NONINTEREST INCOME		
Service Charges and Fees	8,774	4,249
Interchange Income	60,146	48,430
Other Noninterest Income	14,068	12,448
Net Gain on Sale of Loans	9,108	52,016
Net (Loss) Gain on Equity Securities	(4,129)	3,421
Total Noninterest Income	87,967	120,564
NONINTEREST EXPENSE		
Employee Compensation and Benefits	147,045	131,656
Office Occupancy and Operations	72,895	62,707
Other Operating Expenses	92,605	93,256
Total Noninterest Expense	312,545	287,619
NET INCOME	$ 36,818	$ 19,413

See accompanying Notes to Consolidated Financial Statements.

DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
NET INCOME	$ 36,818	$ 19,413
OTHER COMPREHENSIVE (LOSS) INCOME		
Securities - Available-for-Sale		
Unrealized Holding (Loss) Gain Arising During the Period	(2,400)	12
Total Other Comprehensive (Loss) Income	(2,400)	12
TOTAL COMPREHENSIVE INCOME	$ 34,418	$ 19,425

See accompanying Notes to Consolidated Financial Statements.

DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE - DECEMBER 31, 2019	$ 100,227	$ 817,721	$ 59	$ 918,007
Net Income	-	19,413	-	19,413
Other Comprehensive Income	-	-	12	12
BALANCE - DECEMBER 31, 2020	100,227	837,134	71	937,432
Net Income	-	36,818	-	36,818
Other Comprehensive Loss	-	-	(2,400)	(2,400)
BALANCE - DECEMBER 31, 2021	$ 100,227	$ 873,952	$ (2,329)	$ 971,850

See accompanying Notes to Consolidated Financial Statements.

DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 36,818	$ 19,413
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	12,817	12,070
(Accretion) Amortization of Security Premiums/Discounts, Net	1,440	1,320
Provision for Loan Losses	5,000	104,600
Gain on Sales of Loans, Net	(9,108)	(52,016)
Proceeds from Sales of Loans	798,597	1,416,617
Loans Committed for Sale	(615,516)	(1,390,443)
Amortization of Servicing Rights	7,073	7,198
Impairment of Servicing Asset	-	500
Cash Surrender Value of Life Insurance	(366)	(349)
Capitalization of Servicing Rights	(4,296)	(5,151)
Amortization of Net Loan Origination Costs	7,635	12,399
Impairment Losses on Foreclosed Assets	-	30
Loss (Gain) on Equity Securities, Net	4,129	(3,421)
(Gain) Loss on Disposal of Foreclosed Assets, Net	(44)	148
Changes in:		
Accrued Interest Receivable	2,849	4,550
Other Assets	2,096	1,199
Accrued Expenses and Other Liabilities	(5,590)	(6,605)
Net Cash Provided by Operating Activities	243,534	122,059
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease (Increase) in Deposits in Other Financial Institutions	(10,000)	10,000
Purchases of Securities - Available-for-Sale	(283,190)	(287,427)
Proceeds from Maturity of Securities - Available-for-Sale	245,000	140,000
Purchase of Equity Securities	(99,999)	(170,000)
Net Decrease in Other Investments	895	15,489
Net Decrease (Increase) in Loans	(937,196)	439,483
Increase (Decrease) in NCUSIF Deposit	2,341	(14,497)
Proceeds from Sales of Foreclosed Assets	355	978
Expenditures for Premises and Equipment	(17,729)	(11,763)
Net Cash Provided (Used) by Investing Activities	(1,099,523)	122,263
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Members' Share and Savings Accounts	(230,992)	1,139,185
Repayments on Term Borrowings	-	(425,000)
Net Cash (Used) Provided by Financing Activities	(230,992)	714,185

See accompanying Notes to Consolidated Financial Statements.

DIGITAL FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (1,086,981)	$ 958,507
Cash and Cash Equivalents - Beginning of Year	2,287,247	1,328,740
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,200,266	$ 2,287,247
SUPPLEMENTAL DISCLOSURES OF NONCASH AND CASH FLOWS INFORMATION		
Borrowed Funds Interest Paid	$ -	$ 5,458
Members' Share and Savings Accounts Interest Paid	$ 45,282	$ 59,378
Transfers of Loans to Foreclosed Assets	$ -	$ 136

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Digital Federal Credit Union (the Credit Union) is a cooperative association holding a federal charter under the provisions of the Federal Credit Union Act.

Principles of Consolidation

The consolidated financial statements include the accounts of Digital Federal Credit Union and its subsidiaries, Financial Vision LLC, DCU Financial Services LLC, DCU Realty LLC, Dixital LLC, and Exact Finance LLC (the CUSOs), credit union service organizations that provide software development for the Credit Union, property and casualty insurance to Credit Union members, brokerage services to Credit Union members, innovative research and development, and digital banking software. All significant intercompany accounts and transactions have been eliminated in consolidation.

Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. This generally consists of employees or former employees of select employers and organizations who have petitioned for membership or those who live, work, worship, or go to school in participating communities in the New England area. In addition to a regularly qualified member, the spouse of a member, the blood or adoptive relatives of either of them and their spouses may be members.

Uses of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities, estimates related to mortgage servicing rights, the valuation of derivative financial instruments, and the determination of the adequacy of allowance for loan losses.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic may impact various parts of the Credit Union's future operations and financial results, including additional loan loss reserves. Management believes the Credit Union is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 on future allowance for loan losses is difficult to reasonably estimate as these events are still developing.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments with Concentrations of Risk

Most of the Credit Union's business activity is with its members who reside within the Northeast region of the United States of America. The Credit Union is exposed to credit risk from a regional economic standpoint because significant concentrations of its members work or reside within a geographical field of membership.

However, the loan portfolio is well diversified and the Credit Union does not have any significant concentrations of credit risk except certain loan products which management monitors on an ongoing basis.

Cash and Cash Equivalents

For purposes of the consolidated statements of financial condition and consolidated statements of cash flows, Cash and Cash Equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash which were purchased with original maturities of three months or less. Accumulated deposits at correspondent financial institutions, at times, may exceed federally insured limits.

Deposits in Corporate Federal Credit Union

Deposits in corporate federal credit union include certificates of deposit. These are stated at cost. The certificates of deposit all mature within one year.

Equity Securities

Mutual funds are classified as equity securities and are carried at fair value with the change in unrealized holding gains and losses included in Noninterest Income. Realized gains and losses on equity securities are included in Noninterest Income. Gross gains on equity securities amounted to $2,002 and $3,877 for the years ended December 31, 2021 and 2020, respectively. Gross losses on equity securities amounted to $6,131 and $456 for the years ended December 31, 2021 and 2020, respectively.

Securities – Available-for-Sale

Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in Other Comprehensive (Loss) Income. Realized gains and losses on securities available-for-sale are included in Noninterest Income and, when applicable, are reported as a reclassification adjustment in Other Comprehensive (Loss) Income. Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities – Available-for-Sale (Continued)

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union's intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more-likely-than-not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in Noninterest Income.

The Credit Union did not record any other than temporary impairment during the years ended December 31, 2021 and 2020.

Other Investments

Other investments are recorded at cost and evaluated for impairment.

Loans Held-for-Sale

The Credit Union has elected the fair value option on a prospective basis for all types of mortgage loans originated for sale in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825. Loans originated and intended for sale in the secondary market are carried at fair value. Changes in the fair value of loans held-for-sale are recognized in current period income and are included in Net Gain on Sale of Loans on the consolidated statements of income. Gains or losses from the sale of loans held-for-sale are recognized based upon the difference between the selling price and carrying value of the related loans at the time of sale.

Loans held for sale are sold with servicing rights retained. The carrying value of the loan includes the value of the servicing right. All sales are made without recourse.

Derivative Financial Instruments

The Credit Union uses derivative financial instruments as part of its risk management activities. The value of the Credit Union's interest rate lock commitments (IRLCs) is exposed to the risk of adverse changes in interest rates between the time of commitment and the time the Credit Union funds the loan at origination. The Credit Union is also exposed to the risk of adverse changes in value after funding the loan up until the time when the loan is delivered. To offset this exposure, the Credit Union entered into forward sale commitments to deliver mortgage loans to investors at specified prices in the "To Be Announced" market (TBA securities). The TBA securities act as an economic hedge against the risk of changes in the value of both the IRLCs and the funded loans.

(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

All such derivative financial instruments are designated as free-standing derivative instruments and are recognized in Other Assets and Accrued Expenses and Other Liabilities on the Consolidated Statements of Financial Condition at fair value in accordance with ASC 815. Changes in the fair value of these derivatives are reflected on the Credit Union's consolidated statements of income as Gain on Sale of Loans.

The fair value of the IRLC is recorded at the time the rate is locked based on the underlying mortgage loan and the probability that the mortgage loan will fund within the terms of the rate lock commitment. To hedge the change in interest rates resulting from its commitments to fund the loans, the Credit Union enters into forward sale commitments of TBAs. The TBAs are typically entered into at the time the interest rate lock commitment is made. The value of the TBA moves in the opposite direction of the value of the interest rate lock commitments and mortgage loans held for sale. Fair values of these mortgage derivatives are estimated based on changes in interest rates from the date of the interest rate lock commitment. The cash flows from these forward sales agreements are classified as operating activities in the consolidated statements of cash flows.

The notional amounts of the Credit Union's derivative instruments at December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
Interest Rate Lock Commitments	$ 2,741	$ 173,776
TBA Commitments	101,500	323,500

The fair value of interest rate lock commitments and forward loan sale commitments were not considered material at December 31, 2021 and 2020.

Loans, Net

The Credit Union grants consumer, residential real estate, commercial real estate, and other commercial loans to members. A substantial portion of the loan portfolio is represented by auto and residential real estate loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership and the borrower's ability to pay.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net of deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent, except for credit card and student loans. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union’s allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management’s evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss, and the levels of nonperforming loans. Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan’s expected future cash flow, the loan’s estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience (two years). These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt.

The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

On March 22, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Interagency Release) was issued and later revised on April 7, 2020. The Interagency Release seeks to provide relief when structuring loan modifications with borrowers impacted by COVID-19. In order to qualify, the modification must be related to COVID-19, the loan was current at the time the modification program was implemented, and the modification period must be six months or less. Under the Interagency Release, these loan modifications are not considered to be TDRs.

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small balance loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The portfolio segments that are risk rated and their risk characteristics are described as follows:

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than residential real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Commercial Other: Commercial other loans are generally underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass (1-6): Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Watch (7): Loans classified as Watch Assets have a potential weakness that deserves management's close attention. Potential weaknesses might include a weakening financial condition, an unrealistic repayment program, inadequate sources or lack of adequate collateral, credit information, or documentation. While the asset is currently protected, it is potentially weak. No loss of principal or interest is envisioned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Substandard (8): Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful (9): Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectible and anticipated to be charged off.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Servicing Rights

Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into Noninterest Income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based upon the fair value at each reporting date.

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. These variables change from quarter to quarter as the market conditions and projected interest rates change and may have an adverse impact on the value of the servicing right and may result in reduction to Noninterest Income.

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with Noninterest Income on the consolidated statements of income.

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan repossession or foreclosure are held-for-sale and are initially recorded at fair value less estimated costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Foreclosed and repossessed assets were included in Other Assets on the consolidated statements of financial condition at December 31, 2021 and 2020. Revenue and expenses from operations and changes in the valuation allowance are included in Noninterest Expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment, Net

Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is shorter.

NCUSIF Deposit and NCUSIF and CCUSF Premium Assessments

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Members' Share and Savings Accounts

Members' accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period. Interest rates on members' share and savings accounts are set by the Asset and Liability Management Team and ratified by the board of directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required by regulation to maintain a statutory (regular) reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of interest.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Comprehensive income consists of net income and other comprehensive (loss) income. Accumulated other comprehensive (loss) income, also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue From Contracts with Members

The Credit Union recognizes revenue in accordance with *Revenue from Contracts with Customers (Topic 606)*. The Credit Union has elected to use the following optional exemptions that are permitted under Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.
- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.
- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to noninterest income such as deposit related fees and interchange fees. Significant components of noninterest income considered to be within the scope of Topic 606 are discussed below.

Service Charges and Deposit Account Fees

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member's account balance.

Interchange Fees

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As a federal instrumentality, the Credit Union is exempt from federal and state income taxes.

The income from the CUSOs, organized as LLCs, flows through to the Credit Union and, therefore, is not subject to federal and state income taxes.

Retirement Plans

401(k) Plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable IRS limitations of the participant's annual compensation. The Credit Union makes discretionary matching contributions and/or a profit sharing contribution as approved by the Trustees of the Plan. The Credit Union's contributions to the plan approximated $5,263 and $5,052 for the years ended December 31, 2021 and 2020, respectively.

Deferred Compensation Plan – The Credit Union has a nonqualified deferred compensation plan for senior management. Under the terms of the plan, the participants are entitled to a specified amount if they remain employed by the Credit Union until a predetermined time. If these employees become fully disabled as defined in the agreement, accrued benefits are immediately payable. The benefits are subject to forfeiture if employment is terminated for cause as defined in the agreements. The estimated liability under the agreements is being accrued as defined in the plans over the remaining years of service.

Split-Dollar Life Insurance

The Credit Union has made loans for life insurance premium payments to senior management. The loans are collateralized by the assignment of the policy death benefits and cash values, of each respective life insurance policy. The policies are owned by senior management and they have the right to name the beneficiaries for amounts not secured by the assignments. The loans are considered nonrecourse and as such, the Credit Union has recorded the balance as the lower of the outstanding loan balance, plus accrued interest, or the cash surrender value of the life insurance policies. The difference represents the costs to the Credit Union associated with entering into this arrangement.

Advertising Costs

Advertising and promotion costs which totaled approximately $15,930 and $12,225 for the years ended December 31, 2021 and 2020, respectively, are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union elected to measure all loans held-for-sale at fair value. The Credit Union may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial condition and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842) Effective Dates for Certain Entities* to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2020-05, ASU 2016-02 is effective for the Credit Union for the fiscal year beginning after December 15, 2021, and all interim periods within fiscal years beginning after December 15, 2022. This standard was implemented by the Credit Union on January 1, 2022.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current accounting principles generally accepted in the United States of America with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB approved ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815)*, and *Leases (Topic 842).* The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Union is currently evaluating the impact of ASU 2016-13 and ASU 2018-19 on the consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 4, 2022, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain mounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. There was no change to Net Income or Total Members’ Equity as a result of these reclassifications.

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS

Available-for-Sale

The amortized cost and fair value of securities available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
December 31, 2021				
U.S. Treasury Notes	$ 282,843	$ -	$ (2,329)	$ 280,514
Total	$ 282,843	$ -	$ (2,329)	$ 280,514
December 31, 2020				
U.S. Government Obligations and Federal Agency Securities	$ 24,981	$ 9	$ -	$ 24,990
U.S. Treasury Notes	221,112	62	-	221,174
Total	$ 246,093	$ 71	$ -	$ 246,164

There were no sales of securities available-for-sale during the years ended December 31, 2021 and 2020.

The amortized cost and fair value of securities, at December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value (Carrying Value)
U.S. Treasury Notes:		
One to five years	$ 282,843	$ 280,514
Total	$ 282,843	$ 280,514

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Temporarily Impaired Securities

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2021	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury Notes	$ (2,329)	$ 280,514	$ -	$ -
Total	$ (2,329)	$ 280,514	$ -	$ -

There were no available-for-sale securities in an unrealized loss position at December 31, 2020.

At December 31, 2021, the 10 securities with unrealized losses have depreciated 0.82% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. government, and/or secured by mortgage loans. These unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity, no declines are deemed to be other than temporary.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that, changes in the values of the investments will occur in the near term and that such changes could be material.

Other Investments

Other investments are summarized as follows:

	December 31,	
	2021	2020
Perpetual Paid-In Capital Account	$ 1,575	$ 1,575
FHLB Stock	3,757	5,872
Investments in CUSOs	4,086	2,866
Total	$ 9,418	$ 10,313

Perpetual Paid-In Capital Account

The Credit Union maintains a perpetual paid-in capital account with Eastern Corporate Federal Credit Union (EasCorp) that is uninsured and can only be paid back to the Credit Union at the discretion of EasCorp. This uninsured deposit is part of the corporate credit union's regulatory capital and is subject to impairment.

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Other Investments (Continued)

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of Boston (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

Investments in CUSOs

The Credit Union has minor ownership interests in other CUSOs providing services to the credit union market. These investments are carried at cost, less impairment, plus or minus price changes from observable trades.

NOTE 3 LOANS, NET

The composition of loans is as follows:

	December 31, 2021	December 31, 2020
Consumer:		
Auto	$ 3,348,209	$ 2,419,303
Credit Cards	566,408	547,500
Student	149,803	163,942
Solar	208,727	275,969
Other	314,382	268,033
Subtotal	4,587,529	3,674,747
Residential Real Estate:		
First Mortgages	1,555,279	1,413,881
Second Mortgages	519,226	690,294
Subtotal	2,074,505	2,104,175
Commercial:		
Commercial Real Estate	987,297	937,735
Commercial Other	62,984	99,975
Subtotal	1,050,281	1,037,710
Total Loans	7,712,315	6,816,632
Net Deferred Loan Origination Costs	18,404	16,362
Allowance for Loan Losses	(148,294)	(175,130)
Loans, Net	$ 7,582,425	$ 6,657,864

NOTE 3 LOANS, NET (CONTINUED)

The Credit Union has sold commercial loan participations to various other financial institutions, which are secured by commercial property of the Credit Union's members. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the commercial real estate loan segments above totaled $445,668 and $483,303 at December 31, 2021 and 2020, respectively.

The Credit Union has sold participating interests in automobile loans. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the automobile segment above totaled $230,141 and $557,537 at December 31, 2021 and 2020, respectively.

The Credit Union has sold participating interests in solar loans. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the solar segment above totaled $244,152 and $260,667 at December 31, 2021 and 2020, respectively.

The Credit Union offers nontraditional mortgage loans to its members. These loans include hybrid loans that consist of loans that are fixed for an initial period of three, five, seven, or ten years. After this period, the mortgages are converted to variable rates using an indexed rate, which can result in significant payment shock to the borrower.

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

Nontraditional mortgage loans may have significantly different credit risk characteristics than traditional fixed and variable rate mortgages. However, the Credit Union believes it has established prudent underwriting standards as well as adequate risk management functions to monitor the additional risk. Nontraditional mortgage loans, which are included in the residential real estate and commercial loan captions above, totaled approximately $874,066 and $1,035,772 at December 31, 2021 and 2020, respectively.

The allowance for loan losses and recorded investment in loans is as follows:

December 31, 2021	Consumer	Residential Real Estate	Commercial	Total
Allowance for Loan Losses:				
Balance - Beginning of Year	$ 127,818	$ 26,430	$ 20,882	$ 175,130
Provision (Credit) for Loan Losses	19,677	(12,285)	(2,392)	5,000
Loans Charged-Off	(37,701)	(135)	(92)	(37,928)
Recoveries of Loans Previously Charged-Off	5,560	523	9	6,092
Balance - End of Year	$ 115,354	$ 14,533	$ 18,407	$ 148,294
Ending Balance: Individually Evaluated for Impairment	$ 25,944	$ 4,236	$ 2,389	$ 32,569
Ending Balance: Collectively Evaluated for Impairment	89,410	10,297	16,018	115,725
Total Allowance for Loan Losses	$ 115,354	$ 14,533	$ 18,407	$ 148,294
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 107,280	$ 27,188	$ 82,549	$ 217,017
Ending Balance: Collectively Evaluated for Impairment	4,480,249	2,047,317	967,732	7,495,298
Total Loans	$ 4,587,529	$ 2,074,505	$ 1,050,281	$ 7,712,315

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows:

December 31, 2020	Consumer	Residential Real Estate	Commercial	Total
Allowance for Loan Losses:				
Balance - Beginning of Year	$ 113,677	$ 5,992	$ 596	$ 120,265
Provision for Loan Losses	64,027	20,137	20,436	104,600
Loans Charged-Off	(53,915)	(260)	(174)	(54,349)
Recoveries of Loans Previously Charged-Off	4,029	561	24	4,614
Balance - End of Year	$ 127,818	$ 26,430	$ 20,882	$ 175,130
Ending Balance: Individually Evaluated for Impairment	$ 33,808	$ 6,179	$ 2,389	$ 42,376
Ending Balance: Collectively Evaluated for Impairment	94,010	20,251	18,493	132,754
Total Allowance for Loan Losses	$ 127,818	$ 26,430	$ 20,882	$ 175,130
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 141,023	$ 39,050	$ 70,505	$ 250,578
Ending Balance: Collectively Evaluated for Impairment	3,533,724	2,065,125	967,205	6,566,054
Total Loans	$ 3,674,747	$ 2,104,175	$ 1,037,710	$ 6,816,632

The following table shows the commercial loan portfolio segments allocated by management's internal risk ratings:

	Commercial Credit Risk Profile by Risk Rating		
December 31, 2021 Risk Rating:	Commercial Real Estate	Commercial Other	Total
Pass - 1 Through 6	$ 904,254	$ 62,984	$ 967,238
Watch - 7	39,885	-	39,885
Substandard - 8	43,158	-	43,158
Doubtful - 9	-	-	-
Total	$ 987,297	$ 62,984	$ 1,050,281

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following table shows the commercial loan portfolio segments allocated by management's internal risk ratings:

December 31, 2020	Commercial Credit Risk Profile by Risk Rating		
Risk Rating:	Commercial Real Estate	Commercial Other	Total
Pass - 1 Through 6	$ 849,096	$ 99,975	$ 949,071
Watch - 7	67,767	-	67,767
Substandard - 8	20,872	-	20,872
Doubtful - 9	-	-	-
Total	$ 937,735	$ 99,975	$ 1,037,710

The following tables show the classes within the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

	Payment Activity		
December 31, 2021	Performing	Nonperforming	Total
Consumer:			
Auto	$ 3,334,849	$ 13,360	$ 3,348,209
Credit Cards	561,250	5,158	566,408
Student	147,120	2,683	149,803
Solar	204,610	4,117	208,727
Other	311,503	2,879	314,382
Residential Real Estate:			
First Mortgages	1,545,499	9,780	1,555,279
Second Mortgages	517,392	1,834	519,226
Total	$ 6,622,223	$ 39,811	$ 6,662,034
December 31, 2020			
Consumer:			
Auto	$ 2,395,872	$ 23,431	$ 2,419,303
Credit Cards	541,311	6,189	547,500
Student	161,391	2,551	163,942
Solar	272,548	3,421	275,969
Other	265,120	2,913	268,033
Residential Real Estate:			
First Mortgages	1,408,221	5,660	1,413,881
Second Mortgages	687,987	2,307	690,294
Total	$ 5,732,450	$ 46,472	$ 5,778,922

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following tables show an aging analysis of the loan portfolio by time past due:

	Accruing Interest				
December 31, 2021	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Auto	$ 3,314,278	$ 20,571	$ 4,145	$ 9,215	$ 3,348,209
Credit Cards	556,007	5,243	-	5,158	566,408
Student	144,623	2,497	-	2,683	149,803
Solar	198,943	5,667	873	3,244	208,727
Other	307,375	4,128	-	2,879	314,382
First Mortgages	1,536,179	9,320	5,697	4,083	1,555,279
Second Mortgages	514,708	2,684	-	1,834	519,226
Commercial Real Estate	986,750	399	110	38	987,297
Commercial Other	62,146	685	116	37	62,984
Total	$ 7,621,009	$ 51,194	$ 10,941	$ 29,171	$ 7,712,315
December 31, 2020					
Auto	$ 2,375,214	$ 20,658	$ -	$ 23,431	$ 2,419,303
Credit Cards	535,545	5,766	6,189	-	547,500
Student	157,048	4,343	2,551	-	163,942
Solar	266,407	6,141	-	3,421	275,969
Other	261,360	3,760	-	2,913	268,033
First Mortgages	1,396,267	11,954	-	5,660	1,413,881
Second Mortgages	682,395	5,592	-	2,307	690,294
Commercial Real Estate	937,735	-	-	-	937,735
Commercial Other	98,549	1,200	-	226	99,975
Total	$ 6,710,520	$ 59,414	$ 8,740	$ 37,958	$ 6,816,632

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2021 and 2020.

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following tables present information related to impaired loans:

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With No Related Allowance:				
Residential Real Estate	$ 9,968	$ 9,968	$ -	$ 12,092
Commercial	54,318	54,318	-	54,325
With An Allowance Recorded:				
Consumer	$ 107,280	$ 107,280	$ 25,944	$ 124,152
Residential Real Estate	17,221	17,221	4,236	21,028
Commercial	28,231	15,257	2,389	22,203
Total Impaired Loans:				
Consumer	$ 107,280	$ 107,280	$ 25,944	$ 124,152
Residential Real Estate	27,189	27,189	4,236	33,120
Commercial	82,549	69,575	2,389	76,528
December 31, 2020				
With No Related Allowance:				
Residential Real Estate	$ 14,216	$ 14,216	$ -	$ 16,238
Commercial	54,331	54,331	-	28,070
With An Allowance Recorded:				
Consumer	$ 141,023	$ 141,023	$ 33,808	$ 114,171
Residential Real Estate	24,834	24,834	6,179	25,996
Commercial	16,174	16,174	2,389	8,087
Total Impaired Loans:				
Consumer	$ 141,023	$ 141,023	$ 33,808	$ 114,171
Residential Real Estate	39,050	39,050	6,179	42,233
Commercial	70,505	70,505	2,389	36,157

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in nonaccrual.

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

Summaries of loans modified in troubled debt restructurings and those related restructurings for which there was a payment default (90 days) during the years ended December 31, 2021 and 2020 are as follows. Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

	During the Year Ended December 31, 2021			
	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
	Number of Loans	Post-Modification Outstanding Balance	Number of Loans	Post-Modification Outstanding Balance
Student	116	$ 4,178	2	$ 70
First Mortgages	3	1,164	-	-
Second Mortgages	1	155	-	-
Total	120	$ 5,497	2	$ 70

	During the Year Ended December 31, 2020			
	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
	Number of Loans	Post-Modification Outstanding Balance	Number of Loans	Post-Modification Outstanding Balance
Student	115	$ 4,891	-	$ -
First Mortgages	3	466	-	-
Second Mortgages	2	68	-	-
Total	120	$ 5,425	-	$ -

The following table shows the types of modifications made during the years ended December 31, 2021 and 2020:

	During the Year Ended December 31, 2021					
	Interest Rate Adjustment	Extended Maturity and Interest Rate Adjustment	Principal Deferral	Extended Maturity	Other	Total
Student	$ -	$ -	$ 4,178	$ -	$ -	$ 4,178
First Mortgages	-	157	-	-	1,007	1,164
Second Mortgages	-	155	-	-	-	155
Total	$ -	$ 312	$ 4,178	$ -	$ 1,007	$ 5,497

	During the Year Ended December 31, 2020					
	Interest Rate Adjustment	Extended Maturity and Interest Rate Adjustment	Principal Deferral	Extended Maturity	Other	Total
Student	$ -	$ -	$ 4,891	$ -	$ -	$ 4,891
First Mortgages	-	284	-	182	-	466
Second Mortgages	-	49	-	-	19	68
Total	$ -	$ 333	$ 4,891	$ 182	$ 19	$ 5,425

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

Modified Loans in Connection with COVID-19

The Credit Union's loan portfolio also includes certain loans with deferments that have been modified in connection with COVID-19.

A summary of modified loans in connection with COVID-19 not categorized as troubled debt restructurings are as follows:

	December 31,			
	2021		2020	
	Number of Loans	Loan Balance	Number of Loans	Loan Balance
Consumer	197	$ 1,929	2,183	$ 21,870
Real Estate	10	1,560	57	9,383
Total	207	$ 3,489	2,240	$ 31,253

Small Business Administration Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the Act) was signed to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. The Small Business Administration (SBA) received funding and authority through the Act to modify existing loan programs and establish a new loan program to assist small businesses nationwide adversely impacted by the COVID-19 emergency. Section 1102 of the Act temporarily permits SBA to guarantee 100 percent of 7(a) loans under a new program titled the "Paycheck Protection Program (PPP)". Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans under the PPP. As of December 31, 2021 and 2020, the Credit Union had 126 and 870 SBA PPP loans outstanding with total balances of $7,594 and $50,559, respectively, which are included in Commercial Other loans.

(IN THOUSANDS)

NOTE 4 LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of mortgage and other loans serviced for others were $3,100,655 and $3,602,801 at December 31, 2021 and 2020, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were $7,854 and $8,085 at December 31, 2021 and 2020, respectively.

The balance of capitalized servicing rights, net of valuation allowances, is included in Other Assets and totaled $12,824 and $15,600 at December 31, 2021 and 2020, respectively. The fair values of these rights were $19,417 and $15,714 at December 31, 2021 and 2020, respectively. The fair value of servicing rights was determined using discount rates ranging from 8.68% to 11.63% and prepayment speeds ranging from 5% to 46%, depending upon the stratification of the specific right, and a weighted average coupon rate of 3.45%.

The following summarizes the activity pertaining to servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	Years Ended December 31, 2021	2020
Servicing Rights:		
Balance - Beginning of Year	$ 20,040	$ 22,087
Servicing Rights Capitalized	4,296	5,151
Servicing Rights Amortized	(7,073)	(7,198)
Balance - End of Year	$ 17,263	$ 20,040
Valuation Allowances:		
Balance - Beginning of Year	$ 4,439	$ 3,939
Additions	-	500
Balance - End of Year	$ 4,439	$ 4,439

NOTE 5 PREMISES AND EQUIPMENT, NET

The Credit Union’s premises and equipment are summarized as follows:

	December 31, 2021	2020
Land	$ 10,674	$ 10,647
Building	63,834	63,834
Furniture and Equipment	51,133	53,598
Leasehold Improvements	2,492	2,461
Construction in Progress	12,469	3,548
Subtotal	140,602	134,088
Less: Accumulated Depreciation and Amortization	(55,951)	(54,349)
Total	$ 84,651	$ 79,739

(IN THOUSANDS)

NOTE 5 PREMISES AND EQUIPMENT, NET (CONTINUED)

Lease Commitments

The Credit Union is obligated under noncancelable operating leases for office space in Massachusetts and New Hampshire. Some of the leases contain renewal options for periods from three to five years at their fair rental value at the time of renewal. Net rent expense under operating leases, included in Office Occupancy and Operations Expenses, was approximately $4,498 and $4,615 for the years ended December 31, 2021 and 2020, respectively.

The required minimum rental payments under the terms of these noncancelable leases at December 31, 2021 are as follows:

Year Ending December 31,	Amount
2022	$ 3,138
2023	3,011
2024	3,009
2025	2,928
2026	2,824
Thereafter	22,571
Total	$ 37,481

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	December 31, 2021	December 31, 2020
Share Savings	$ 4,101,672	$ 3,228,503
Share Drafts	2,109,073	2,176,238
Money Market	1,912,621	2,823,414
IRA Deposits	72,292	66,431
Share and IRA Certificates	608,630	740,694
Total	$ 8,804,288	$ 9,035,280

The aggregate amounts of certificates of deposit in denominations of $250 or more was approximately $38,641 and $59,193 at December 31, 2021 and 2020, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled $1,222 and $964 at December 31, 2021 and 2020, respectively.

(IN THOUSANDS)

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

The Credit Union uses a daily sweep service to place a portion of members' accounts into other financial institutions. The Credit Union performs all servicing functions on these members' shares. The members' shares swept into other financial institutions amounted to $2,680,444 and $1,016,332 at December 31, 2021 and 2020, respectively. The Credit Union settles deposits swept, net of gain or loss on the daily sweep activity received totaling, $7,717 and $742 during the years ended December 31, 2021 and 2020, respectively. The net gain or loss on sweep activity is included in other noninterest income in the consolidated statements of income.

As of December 31, 2021, scheduled maturities of share and IRA certificates are as follows:

Year Ending December 31,	Amount
2022	$ 368,326
2023	101,643
2024	61,418
2025	46,018
2026	31,143
Thereafter	82
Total	$ 608,630

Member accounts are insured to at least $250 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. Government.

NOTE 7 BORROWED FUNDS

At December 31, 2021 and 2020, the Credit Union had an available line of credit of $50,000 with Eastern Corporate Federal Credit Union. The interest rates applied on any borrowing are determined on that borrowing date. Certificates of deposit and auto loans are pledged as collateral on the line of credit. The line has no expiration date but is subject to review and change by the issuing institution. There were no balances outstanding on this line at December 31, 2021 and 2020.

The Credit Union has entered into an Advances, Pledge, and Security Agreement with the FHLB of Boston whereby specific mortgage loans of the Credit Unions with advance equivalents of approximately $1,332,380 and $1,307,576 at December 31, 2021 and 2020, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line.

The Credit Union has access to an Ideal Way line of credit with the FHLB. The agreement provides for a credit limit of $1,000 with interest charged at a rate determined by the lender on a periodic basis. There were no balances outstanding under this agreement at December 31, 2021 and 2020.

NOTE 7 BORROWED FUNDS (CONTINUED)

The Credit Union has been approved to borrow through the Federal Reserve Bank's Discount Window. The terms of this agreement call for the pledging of certain investments and indirect auto loans as security for any and all obligations taken by the Credit Union under this agreement. At December 31, 2021 and 2020, the Credit Union had a credit limit of $460,996 and $421,614, respectively. The line has no expiration date but is subject to review and change by the issuing institution. There were no balances outstanding under this agreement at December 31, 2021 and 2020.

There were no borrowings outstanding at December 31, 2021 and 2020.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-consolidated statement of financial condition items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 2021, the most recent quarterly regulatory filing date, was 4.27%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2021, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory frame work for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

(IN THOUSANDS)

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

The Credit Union's actual capital amounts and ratios are also presented in the table following.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021						
Net Worth	$ 974,179	9.86%	$ 593,002	6.00%	$ 691,836	7.00%
Risk-Based Net Worth Requirement	$ 422,020	4.27%	N/A	N/A	N/A	N/A
December 31, 2020						
Net Worth	$ 937,361	9.29%	$ 605,132	6.00%	$ 705,987	7.00%
Risk-Based Net Worth Requirement	$ 409,473	4.06%	N/A	N/A	N/A	N/A

Because RBNWR at December 31, 2021 is less than the regulatory net worth ratio, the Credit Union retains its original assigned category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in Loans, Net at December 31, 2021 and 2020, are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately $3,191 and $3,564, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's board of directors, committee members, and senior executive staff held by the Credit Union at December 31, 2021 and 2020, are approximately $4,471 and $4,074, respectively.

(IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

The following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2021	2020
Commitments to Grant Collateralized Loans		
First Mortgages	$ 26,665	$ 41,114
Home Equity	6,867	7,542
Commercial Real Estate	20,602	41,028
Unfunded Secured Commitments Under Lines of Credit		
Home Equity	836,211	843,332
Commercial Real Estate	42,644	62,487
Unfunded Unsecured Commitments Under Lines of Credit		
Credit Card	2,416,074	2,294,755
Commercial	16,647	11,539
Student Loans	52,104	50,603
Other Consumer	19,843	20,014
Total	$ 3,437,657	$ 3,372,414

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

(IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Legal Contingencies

The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the consolidated financial condition of the Credit Union.

NOTE 11 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the balances of the assets and liabilities measured at fair value on a recurring basis:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities:				
Mutual Funds of U.S. Government Securities	$ 452,856	$ -	$ -	$ 452,856
Available-for-Sale Securities:				
U.S. Government Treasury Notes	-	280,514	-	280,514
Loans Held-for-Sale	-	104,318	-	104,318
Total Assets	$ 452,856	$ 384,832	$ -	$ 837,688

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities:				
Mutual Funds of U.S. Government Securities	$ 356,986	$ -	$ -	$ 356,986
Available-for-Sale Securities:				
U.S. Government Obligations and Federal Agency Securities	-	24,990	-	24,990
U.S. Government Treasury Notes	-	221,174	-	221,174
Loans Held-for-Sale	-	278,291	-	278,291
Total Assets	$ 356,986	$ 524,455	$ -	$ 881,441

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

(IN THOUSANDS)

NOTE 11 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained, or cannot be corroborated, a security is generally classified as Level 3.

Loans Held-for-Sale

Loans held-for-sale are marked to market on a monthly basis. The Credit Union obtains quotes or bids on these loans directly from purchasing financial institutions.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2021 and 2020 consisted of the following:

	Fair Value at December 31, 2021			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ 12,533	$ 2,723

	Fair Value at December 31, 2020			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ 14,413	$ 2,922

NOTE 11 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

	December 31, 2021			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 12,533	Evaluation of Collateral	Estimation of Value	Not Meaningful

	December 31, 2020			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 14,413	Evaluation of Collateral	Estimation of Value	Not Meaningful

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement.

The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria. Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged off.

(IN THOUSANDS)

NOTE 12 REVENUE FROM CONTRACTS WITH MEMBERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2021 and 2020:

	2021	2020
In Scope of ASC 606:		
Service Charges on Deposits	$ 6,240	$ 2,569
Interchange Income	60,146	48,430
Other	17,313	15,222
Noninterest Income in Scope of ASC 606	83,699	66,221
Noninterest Income not Within the Scope of ASC 606 (a)	8,397	50,922
Total Noninterest Income	$ 92,096	$ 117,143

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing fees, credit card fees, gain on sale of loans, and various other transactions.

The Credit Union does not typically enter into long-term revenue contracts with members, and, therefore, does not experience significant contract balances. As of December 31, 2021 and 2020, the Credit Union did not have any significant contract balances. As of December 31, 2021 and 2020, the Credit Union did not capitalize any contract acquisition costs.