

# 2017

## ANNUAL REPORT

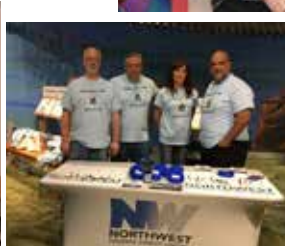
Together, we serve and inspire to transform lives.

**NW**  
**NORTHWEST**  
FEDERAL CREDIT UNION

Federally insured by NCUA

**70**  
YEARS *of* WE







## Board of Directors

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**Tom Conroy**  
Chairman

**Mary Corrado**  
Vice Chairperson

**Gerrienne "Winky" Burks**  
Secretary

**Chuck Molina**  
Treasurer

**Martin Edwards**  
Director

**Dawn Eilenberger**  
Director

**David Eldred**  
Director

**John Nelson**  
Director

**Jeanne Tisinger**  
Director

**Bob Goldberg**  
Associate Director

## Executive Team

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**Jeff Bentley**  
President/Chief  
Executive Officer

**Victoria Gillespie**  
SVP Enterprise  
Outreach

**Joe Hasto, Jr.**  
SVP/Chief Financial  
Officer

**Michael Kapfer**  
SVP/Chief Information  
Officer

**Erin Krause**  
SVP Lending

**Alex Lane**  
SVP Operations

**Jeff Margeson**  
Acting SVP Member  
Experience

**Sonia Ordenes White**  
SVP Human Resources

## Supervisory Committee

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**David McCue**  
Chairman

**Margaret Augustine**  
Committee Member

**Charles Barlow**  
Committee Member

**Sandera Oliver**  
Committee Member

**Christine Perritt**  
Committee Member

**Maureen Wingfield**  
Committee Member

# Report from the Chairman



**Tom Conroy**  
Chairman

I am pleased to report that we had another successful year marked by growth, financial stability, and benefits to members. Our balance sheet remains extremely strong, and we are well positioned for continued growth as well as to provide enhanced services to our members.

We returned \$23.2 million to our members through dividends paid on savings, checking, and a special 70th-Anniversary Celebration Certificate. Overall, our lending programs remain very strong and at year-end we had a healthy \$2.5 billion in member loans. Additionally, our indirect lending portfolio remains extremely strong in both size and financial performance. Furthermore, our membership grew by over 42,000 members during 2017.

Our mortgage-lending program is second to none, and we financed \$356 million home loans this past year making us a top mortgage lender in Washington, DC. In order to serve the numerous members residing in North Carolina and Florida, we opened two mortgage lending production offices in Cary, N.C. and Maitland, FL. By expanding into these locations, we have additional opportunities to provide in-person service to more members. In addition, we are continuing to evaluate additional locations for mortgage lending production offices along with branch locations and ATMs. We saved members over \$325,000 in rebates on the purchase and sale of their homes through the HomeAdvantage® program. In fact, Northwest Federal is recognized as the top lender in the HomeAdvantage® program for having saved members over \$4.9 million since the inception of the program in 2004.

During the past year, we learned that our long-time vendor for online and mobile banking was purchased by another company which required us to replace the systems and services we had been using. As a result, we were forced to transition to a new online and mobile banking platform on an accelerated schedule. As we rushed to complete this transition, we focused on maintaining the integrity of our member data so that no transactions or data was corrupted or lost, and we accomplished this goal successfully. Unfortunately, the product we ultimately delivered was not up to your expectations, or ours, and we have been working ever since to restore the convenience, clarity, and intuitive nature of the interface you see when you log on. This is a work in progress, and we are committed to meeting

your expectations this year with a number of upgrades currently under development. We sincerely apologize for this disappointing transition, and we are committed to making it right.

At Northwest Federal, we strive to be more than your financial institution. We want to be your lifetime partner in achieving your dreams of graduating from college, owning a home, building a family and developing savings for retirement and beyond. Many of our members have been with us for decades and are nearing, or enjoying retirement. Our Heritage Club now includes a quarterly newsletter sent to members age 62 and up to provide information relevant to financial planning and resource management. To better serve this portion of our membership, we held a Heritage Club focus group to gain a deeper understanding of their unique needs and used this information to plan the content of future newsletters. Also, we plan to hold additional focus groups for other factions to tailor our offerings and communications in order to meet the unique needs of each segment of our membership.

This year we celebrated our 70th anniversary with the theme of *70 Years of WE*. This theme captures the fact that Northwest Federal is only able to thrive and continue to be recognized as one of the top 60 credit unions in the nation, with \$3.3 billion in assets, due to the support of its members, employees, and the community it serves. In this context, we were recognized by the Virginia Credit Union League's (VACUL) *Dora Maxwell Social Responsibility Community Service Award* along with the Washington Business Journal's (WBJ) presentation of the *Corporate Philanthropy Award*. We were the only credit union in our class to receive this award.

Thank you for the privilege to serve in leading your Credit Union. It is a responsibility every volunteer takes extremely seriously. With your input, and in partnership with you our members, we look forward to serving your needs for many years.

A handwritten signature in black ink that reads "Thomas W. Conroy". The signature is fluid and cursive, written in a professional style.

Tom Conroy  
Chairman

# Report from the President/CEO



**Jeff Bentley**  
President/CEO

It was an honor to be chosen as your President and Chief Executive Officer of Northwest Federal Credit Union in 2017. It was especially meaningful as it was our 70th anniversary. During this milestone year, our staff reflected and honored our rich history while planning for a future that continues to improve the lives of our members and

community. To solidify our commitment to your future, we developed a “Why” statement, *Together, we serve and inspire to transform lives*, and a credo *Empowered as One Stronger Together* to guide us. These phrases are more than mottos; they are operational principles for all of us here at NWFCU.

The photos in this Annual Report depict the 70 Acts of We performed by our staff this past year. These acts ranged from food drives to laying wreaths at Arlington Cemetery. One of our most significant acts occurred on our anniversary, November 19th, where we donated over \$5,000 to provide Thanksgiving meals for 70 Northern Virginia families in need. In addition, our staff had the honor of packing and delivering many of these meals. Northwest Federal’s commitment to giving back is a part of our core, and we will continue to give back in 2018 through charitable donations, volunteering with local philanthropic organizations and by helping our members experiencing hardships.

Our team of over 500 dedicated employees was recognized with several professional awards. The National Association of Federally-Insured Credit Unions (NAFCU) presented our Vice President of Marketing with their *Professional of the Year Award*. Additionally, our Vice President of Finance earned a top spot in the Credit Union Executive Society’s (CUES) *Next Top Credit Union Executive*. Most importantly, we were certified as a Great Place to Work® which is vital to attracting and retaining top talent to serve our 253,000 members.

As we enhance products and services, we will keep member value in mind. Each decision will be anchored by the voice of our members. One enhancement that I hope you have already enjoyed is our refreshed website, which earned a 2017 WebAward from the Web Marketing Association for outstanding achievement in website development. The site allows you to easily access information from your mobile devices; in addition, we developed *Learn More* and *Member Feedback* interfaces on the home page so that we can share pertinent

information and hear from you—our top priority. This past year we endeavored to enhance your online and mobile banking experience. In this area, we did not meet your expectations in terms of ease of use and functionality and for this, I humbly apologize. I have heard your concerns through focus groups, emails, calls, and in-person feedback provided to my staff. In 2018, one of our top priorities is to improve your experience and communicate changes to you as they occur.

As we continue to focus on our service levels, we are exceptionally proud of an implemented process that allows for mortgage pre-approvals in as little as one day. Additionally, we have added methods to reduce your call wait time—down from an average of seven minutes to one. I realize your time is valuable, and we want to make banking with Northwest Federal fast, convenient, and stress-free so that you can spend your time on what matters most to you.

Thank you for the opportunity to serve you and your families. I am looking forward to building our future together.

Jeff Bentley  
President/CEO





# Report from the Treasurer & Financial Management Committee



**Chuck Molina**  
Treasurer

Northwest Federal Credit Union experienced continued success in 2017 with a focus on loan growth and meeting the lending needs of our Members. In order to further strengthen the organization's relationships with Members and build upon this success, several key Executives were hired.

The credit union's assets grew to \$3.3 billion and the loan portfolio surpassed \$2.5 billion in 2017. Loan balances grew by 20.8% during the year – significantly higher than the national average for credit unions. Additionally, Member deposits increased by 6.8%. Much of this growth was generated by the 30-month, 2.02% APY Celebration Certificate which provided an above-market rate on nearly \$100 million of Member assets.

The investment portfolio balances declined as the credit union put our Members' money to work in the form of loans. Northwest Federal's asset quality remained strong, as evidenced by the net loan loss ratio of 0.58%. Net income of \$20.9 million supported a strong Net Worth ratio of 9.78% and a Return on Assets figure of 0.64%. The dynamic rate environment will present challenges and opportunities for the credit union to provide valuable services to our Members. We continue to monitor changes in the regulatory environment. Our commitment to risk management will help us to better understand risks as well as track and improve processes in an effort to improve service levels to Members.

We continue to explore new opportunities to drive efficiency within the organization and convenience channels to better serve our 253,000 Members. The credit union is addressing internal processes to speed delivery of services. An updated ATM fleet will allow our Members easier access to their funds without a surcharge. Additionally, new deposit products will be offered to provide enhanced yields on deposits for our Members.

Northwest Federal has grown substantially over the past several years, however we have maintained our core values of Service, Integrity, and Excellence. The credit union's success is dependent upon its ability to engage our Members with a better experience throughout each individual's life stage and we will continue to strive to make a difference in our Members' lives and in the communities we serve.

Thank you for your Membership with Northwest Federal Credit Union.

Chuck Molina  
Treasurer



# Report from the Supervisory Committee

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**David McCue**  
Chairman

Many components came together to make 2017 a strong transitional year for Northwest Federal. As volunteer members ourselves, the Supervisory Committee takes our responsibilities seriously and is proud to serve the membership by providing an independent view of Northwest Federal's safety and soundness. The Supervisory Committee works to:

- Monitor the financial health of the Credit Union.
- Monitor the controls, policies and systems put in place by the Credit Union to mitigate financial, operational, and compliance risks.
- Investigate perceived violations of Credit Union rules and policies or unethical behavior.

The Committee employs the independent accounting firm of Doeren Mayhew as a key component in meeting its responsibilities. To promote transparency, Northwest Federal's consolidated financial statements along with Doeren Mayhew's Independent Auditor's Report are available on the Credit Union's website for your review. Posting the document directly to the website allows us to communicate this important information to you in a timely and efficient manner.

In addition, the Committee performs other ongoing duties on behalf of the Members:

- Oversees Internal Audit (IA) – Through direct lines of communication, the Committee oversees and meets regularly with the Vice President of IA to review the risk assessment and internal audit planning process, the results of ongoing and completed audits, progress on activities, Management's responses addressing recommendations, and the adequacy of the resources, executive support, and training the IA function needs to execute its mission.
- Reviews Regulatory Examinations – The National Credit Union Administration (NCUA) conducts regular examinations of the Credit Union. The Committee monitors the results of the NCUA examinations as well as tracks Management's responses to NCUA recommendations.
- Monitors Complaints and Response – Through IA, the Committee reviews and directs, as appropriate, investigations of complaints received through channels such as the NCUA's Consumer Assistance Center and the Employee Ethics Hotline.

- Focuses on Emerging Issues – As an independent voice, the Committee meets regularly with the Board and Management to identify emerging initiatives, issues, and challenges that could impact the Credit Union's internal control environment and warrant ongoing attention and monitoring. The Committee continues its focus on technology risks and regularly tracks the results of independent reviews performed by technology experts. Last year, the Committee added an associate member who has an extensive information security background.

The Committee believes that their regular activities confirm the Credit Union's proper focus on maintaining its sound financial condition and internal control environment. This belief is further confirmed by the NCUA's most recent examination completed during November 2017 and our 2017 financial statement audit.

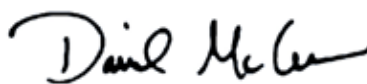
The Committee would like to thank you, the Member, for supporting Northwest Federal. Likewise, I would also like to use this opportunity to thank my colleagues for their dedicated volunteerism and hard work – Margaret Augustine, Charlie Barlow, Sandera Oliver, Christine Perritt, and Maureen Wingfield. I would also like to thank the Board for their openness and responsiveness in interacting with the Committee.

We promote open communication with the membership. If you have a question relating to the financial soundness or management of this organization, please do not hesitate to contact us:

Supervisory Committee  
P.O. Box 1167  
Herndon, VA 20172-1167

Or, to contact a member of the Supervisory Committee, you may also send an email to [supervisory@nwfcu.org](mailto:supervisory@nwfcu.org).

With you the Member, we are stronger together.



David McCue  
Chair, Supervisory Committee









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