

ANNUAL  
**REPORT**

**2018**

“Together, we serve and inspire  
to transform lives.”

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

*Together, we serve and inspire to transform lives*



*Together, we serve and inspire to transform lives*

## Board of Directors



**Tom Conroy**  
Chairman

**Dawn Eilenberger**  
Vice Chairperson

**Winky Burks**  
Secretary

**Chuck Molina**  
Treasurer

**Mary Corrado**  
Director

**David Eldred**  
Director

**Barbara Holmes**  
Director

**John Nelson**  
Director

**Jeanne Tisinger**  
Director

**Bill Coquelin**  
Associate Director

**Mark Rumbarger**  
Associate Director

## Executive Team



**Jeff Bentley**  
President/Chief  
Executive Officer

**Joseph R. Hasto, Jr.**  
SVP/Chief Financial  
Officer

**Michael Kapfer**  
SVP/Chief Information  
Officer

**Erin Krause**  
SVP Lending

**Alex Lane**  
SVP Operations

**Jeff Margeson**  
SVP Member  
Experience

**Sonia Ordenes White**  
SVP Human Resources

## Supervisory Committee



**Margaret Augustine**  
Chair

**Charles Barlow**  
Committee Member

**Sandera Oliver**  
Committee Member

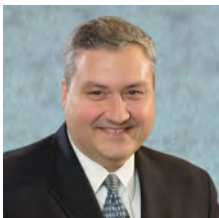
**Christine Perritt**  
Committee Member

**Maureen Wingfield**  
Committee Member

# Report from the Chairman & President/CEO



Northwest Federal Credit Union's commitment to building relationships, communities and a better future for others continued to shine in 2018. We made progress on strategic initiatives that not only brought value to our more than 265,000 Members but also supported our long-term financial stability. This report is both a celebration of our recent successes and a sincere thank-you for partnering with us to serve and inspire our community.



To fulfill our "Why" statement - "Together, we serve and inspire to transform lives" - we must continue to stay financially healthy. With assets exceeding \$3.4 billion, Northwest Federal remains financially safe, sound and secure. Our loan-to-share ratio is 98%, which surpasses our peer average of 75%. Charge-off rates are at 0.64%, and we retain a high capital ratio of 10% in an environment where 7% is considered well capitalized. In 2018 we were able to offer certificates promotions nearly double those of our peers.

Our desire is to offer more than the usual financial services. In 2018, we helped Members save money through free educational seminars, events and programs that covered topics such as investing, home buying and document security. As part of our commitment to the community and to improving our services, we made technology enhancements, expanded facilities, grew our membership and established an advisory board.

## CONTINUED GROWTH

In 2018, Northwest Federal opened its first branch in Maryland. The new location, in the city of Rockville, is our seventh public branch location. We are excited to make our services more accessible to Members working and living in Maryland and to increase our community involvement in the surrounding area.

The Rockville branch is only the beginning of our expansion efforts. As we have done in Virginia, Northwest Federal will be involved with the Maryland Chamber of Commerce, credit union industry partners, and local community events and charities.

## NEW PARTNERSHIPS

Northwest Federal understands that our strength lies in our ability to listen to Members' needs and to ensure you have a voice in our decision making. Only then can we improve our individual consumer and business account offerings.

We are excited to announce that we established our Select Employer Group & Community Partner Advisory Board in July 2018. Membership includes companies whose employees we serve, as well as other community leaders. The board's purpose is to provide our organization with professional expertise and diverse Member perspectives. Business and community leaders have agreed to share their expertise and to help guide our Executive Management Team and Board of Directors strategically. The advisory board is expected to help maximize Northwest Federal's value to our Members through a better understanding of trends, drivers, and priorities shaping our Members' personal and financial needs.

In 2018, we also added 37 new companies to our field of membership. This growth leads to lower costs and additional benefits for our Members.

## COMMUNITY

Northwest Federal believes that Members should share not only in our financial achievements but also in our community recognition. In 2018, we received four business and community awards, which were made possible with your continued support. Our desire to give back to the community and improve the future lives of others remains strong. Our employees expressed their spirit of service by volunteering more than 7,800 hours in 2018. Nonprofit organizations aren't the only ones who benefited. When we build relationships through our civic involvement, we live our "Why" statement: "Together, we serve and inspire to transform lives."

## TECHNOLOGY INNOVATIONS

We believe banking should be safe, flexible and reliable. With Member value in mind, we enhanced our ATMs to provide a better user experience. The updated interface now allows for:

- **ActivEdge Card Readers**

These new card readers are effective in combating attempts by skimmers and shimmers to steal your personal data. Each ATM now has USB detection technology that identifies attempts at unauthorized access to your card and account information.

- **Deposit Automation**

You no longer need to use an envelope to deposit cash or checks. Our ATMs can electronically read these deposits, which reduces processing time. When you deposit a check, the image is now printed on your receipt, which helps minimize the potential for fraudulent activity.

- **Choice in Bill Denominations**

You can now choose your preferred bill denominations at our ATMs. Withdrawals can be customized (such as

## 2018 BUSINESS & COMMUNITY SERVICE AWARDS

### *Dulles Regional Chamber of Commerce Financial Leader Award*

This award recognizes businesses in the Dulles area that are industry and community leaders, delivering exceptional service and value to customers or Members, and offering a unique approach to the financial industry.

"Jeff Bentley and his team at Northwest Federal routinely go above and beyond expectations when serving their Members and the local community."

John Boylan  
President & CEO  
Dulles Regional Chamber of Commerce

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### *Washington Business Journal Best Place to Work*

Awarded to companies in the area who scored the highest on Quantum Workplace's employee engagement survey.

"We believe that excellent member service begins with employees who feel valued and empowered."

Jeff Bentley  
President / CEO

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### *Virginia Credit Union League's Dora Maxwell Social Responsibility Community Service Award*

For Northwest Federal's community service, donations, and employee involvement.

"Our community service program is one of the pillars of Northwest Federal, and we are excited about the impact we are able to make working with our Community Partners."

Jeff Bentley  
President / CEO

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### *Washington Business Journal (WBJ) Corporate Philanthropy Award*

The WBJ recognized Northwest Federal as one of the top 15 midsize organizations in the DC metropolitan area for corporate philanthropy in 2018.

"Winning the WBJ Award is a testament to the NWFCU Foundation's commitment to improving the Northern Virginia community through charitable giving and youth outreach programs."

Jeff Bentley  
President / CEO

\$50s, \$20s, \$10s and \$5s).

#### • **Increased Uptime**

Access to your funds at our ATMs is now more reliable. Our ATM availability time exceeds the industry gold standard of 97%. Northwest Federal's most recent quarter showed average uptime of over 98%.

Members and nonmembers who need to access cash after business hours can now do so more safely and conveniently via a drive-through ATM at the Herndon branch. Our Debit Mastercard® cardholders continue to enjoy free transactions at 33,000+ ATMs nationwide.

#### **REMOTE CALL CENTER**

As part of our focus on improving services, we added more remote call center agents, which has resulted in business continuity for Members during weather delays and closures. Future plans include expanding our Member Service Center hours and opening more call center locations.

#### **THE YEAR AHEAD**

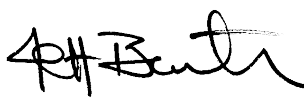
In 2019, we will pursue our strategic initiatives and continue to evaluate the best ways to show appreciation to our membership by providing value in our products and services. Plans already include:

- Development of new branches in Middleburg and Arlington.
- Continued rollout of enhancements to our Online Banking, including additional ATMs and digital wallets.
- Updating and expanding on the success of our Heritage Club with additional loyalty programs.
- Hosting the 2019 Herndon Festival. Northwest Federal was selected by the Mayor and Town Council to host this fun, 3-day event which features live entertainment, games and carnival rides. Members will be granted access one hour early at no charge.

We appreciate your loyalty, and we are committed to showing it by adding more value in the ways that matter most to you and your family. Thank you for letting us be your financial institution of choice this past year, and here's to a prosperous 2019!



**Tom Conroy**  
Chairman



**Jeff Bentley**  
President/CEO

# Report from the Treasurer & Financial Management Committee



Northwest Federal Credit Union continued to fulfill its mission to create quality financial relationships for a lifetime by providing valuable financial products and service that exceeds Members' expectations with a focus on loan growth and serving our Members in times of need.

The credit union's assets grew to over \$3.4 billion and the loan portfolio surpassed \$2.7 billion in 2018. Loan balances grew \$188 million, or 7.34% during 2018. The credit union rolled out several new products, including the Kasasa Checking Accounts, which provided Members with a 2% annual return on their checking balances. Additionally, the credit union offered several high-rate certificate promotions in 2018, highlighted by the 7-month Elite Certificate, which provided an above-market rate on nearly \$70 million of Member deposits. The credit union proved that it is there for our Members when they need us, as evidenced by the 305 skip payments during the aftermath of Hurricane Michael in October 2018. In 2019, the credit union funded nearly 100 Furlough Loans at 0% to our Members in the amount of \$683,000 to help them meet their short-term cash needs.

The investment portfolio balances continued to decline as the credit union put our Members' money to work in the form of loans. The credit union's loan-to-share ratio ended the year at 98%. Northwest Federal's asset quality remained strong, as shown by the net loan loss ratio of 0.64%. The credit union's net income of \$24.7 million for a return on assets figure of 0.73%. This drove a strong net worth ratio of 10.45%, which allows the credit union to support growth, capital investment, and a safety net for the credit union during difficult economic times.

The changing rate environment will continue to present challenges and opportunities for the credit union to provide value-added services to our Members. The credit union continues 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.

Northwest Federal continues to find new opportunities to drive additional convenience channels to better serve our 265,000 Members. The credit union opened a new branch facility in Rockville, Maryland in November 2018 and will open new branches in Middleburg, Virginia and Arlington, Virginia in 2019.

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

## NWFCU FOUNDATION SCHOLARSHIP PROGRAM

In 2018 the NWFCU Foundation awarded \$150,000 in scholarships to deserving students.

The Foundation has awarded over \$1.2 million in scholarships to 284 recipients from 22 states since its inception. This represents 110 colleges in the United States where students have attended due in part to the generosity of NWFCU Foundation donors.

# Report from the Supervisory Committee



It was an honor to be elected as your Supervisory Committee Chair by my fellow Committee Members at the end of 2018. It was especially meaningful to me as a longtime Member and devoted user of the Credit Union's services.

I speak for the entire Committee in acknowledging our deep appreciation for the hard work and superb leadership of Mr. David McCue who served and helped guide the Credit Union as Committee Chair for the past several years. I would also like to thank my colleagues on the Committee for their continued dedicated volunteerism and commitment – Charlie Barlow, Sandera Oliver, Christine Perritt, and Maureen Wingfield. We, collectively, express our appreciation to the Board for its openness, inclusiveness and responsiveness in their steady interactions with the Committee.

The Supervisory Committee proudly serves the membership by providing an independent view of Northwest Federal's financial safety and soundness. The Committee's primary responsibilities are 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; and,
- Investigate perceived violations of Credit Union rules and Northwest Federal policies or unethical behavior.

The Supervisory Committee employs the independent accounting firm of Doeren Mayhew as a key partner 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.

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

- **Oversight of Northwest Federal's 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.
- **Review of External 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.

- **Monitor Internal/External Complaints** – Through IA, the Committee reviews and delegates, as appropriate, investigations of complaints received through channels such as the NCUA's Consumer Assistance Center and the Employee Ethics Hotline.
- **Focus on Emerging Issues** – As an independent voice, the Committee meets regularly with the Board and members of the management team to review emerging initiatives, issues, and challenges that could impact the Credit Union's internal control environment and warrant ongoing attention and monitoring.

The Supervisory Committee believes that its steadfast attention and dedicated involvement in performing its responsibilities confirm the Credit Union's appropriate emphasis on maintaining its sound financial condition and internal control environment. This belief is further confirmed by the most recent NCUA examination and the financial statement audit completed by Doeren Mayhew.

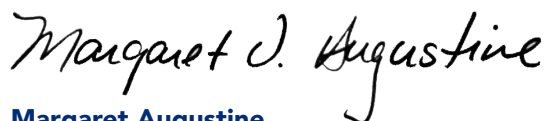
We continue to encourage open communication with the membership. If you have a question relating to the financial soundness or management of this organization, please do not hesitate to contact the Committee:

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).

Finally, the Supervisory Committee would like to thank you, the Members, for supporting Northwest Federal. The Committee welcomes the cooperative spirit of the credit union movement. If you would like to become more involved with your Credit Union and think you have qualifications that could assist the Supervisory Committee, please contact us at the email address above to discuss opportunities to volunteer.

Empowered as one, we are stronger together.



**Margaret Augustine**  
Chair, Supervisory Committee

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[nwfcu.org](https://www.nwfcu.org)

