



20  
22

ANNUAL  
REPORT



TOGETHER,  
WE SERVE  
&  
INSPIRE TO  
TRANSFORM  
LIVES

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Director

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Executive Officer

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Experience Officer

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Chief  
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Officer

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Jeff Margeson  
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Jean Cain  
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Resources Officer

Milly Cramer  
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Ed Hollingsworth  
SVP, Risk, Audit  
and Program  
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Leslie Houseman  
Corporate Chief  
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# Supervisory Committee



Charles Barlow  
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Sandera Oliver  
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Christine Perritt  
Committee Member

Susan Wilson  
Committee Member

Robert Grieve  
Associate Member

# Report from the Chair and President/CEO



2022 represented our 75th year in business, which was exciting on many levels. As many of our routines normalized, delivering a level of comfort that had been missing in recent years, we were able to commemorate our 75th year in style.



We celebrated this milestone on social media, through financial education segments on local television ("Financial Friday"/Good Morning Washington), internal promotions and contests, and our annual year-end Appreciation Dinner. More importantly, the year saw a renewed focus on strategic

growth, enhanced technology, a member-centric culture, our ongoing commitment to the community, and more. While the economic conditions of 2022 were challenging, we are happy to report that Northwest Federal remains very strong and positioned for long-term sustainability. Our strong capital position of 11.93% and substantial liquidity enables us to weather unplanned events, and prepare for investments in products, services, and technologies that continue to improve our members' lives.

## FINANCIAL STRENGTH

Our Net Income for 2022 totaled approximately \$29 million. We funded almost 33,000 loans totaling over \$1.4 billion. Our regulatory capital ratio increased from 10.61% to 11.93% (requires a capital ratio of 7.00% or higher to be deemed well-capitalized by regulators) and our risk-based capital ratio ended the year at 19.18% (requires a ratio of 10.00% or higher to be deemed well-capitalized). We experienced historically low net charge-offs of \$1.9 million, or 0.08% of our loan portfolio, and past-due loans decreased from 0.65% of total loans to 0.28% at the end of 2022, which is well below our peers. On January 1, 2022, we were required to adopt a new Generally Accepted Accounting standard for Lease Accounting, ASU No. 2016-02, which had a minimal impact on earnings and capital.

## STRATEGIC GROWTH

As part of our efforts to expand our branch footprint, in 2022, we began efforts to open a new branch in McLean, Virginia, allowing us to increase our membership, expand access to banking services in this area, and partner with local community charities and events. Our enhanced digital platform is ever-evolving, giving our members seamless interactions and access as we continue to see more volume in online and mobile banking. Going forward into 2023 and beyond, we are implementing a new Customer Relationship Management platform that will result in deeper connections with our members and across the organization between our employees. We continue to invest in technologies, ensuring Northwest keeps pace with member needs and preferences on the advancing technology landscape.

## ENHANCED MEMBER EXPERIENCE AND ADVANCED TECHNOLOGY

Over the last year, we deployed several new capabilities

to better support and serve our members. We introduced Zelle, a person-to-person payment system that delivers money instantly between two individuals. Our multi-factor authentication application via Duo or Google further increases security for member accounts and provides additional verification of the account holder. We added new features and enhancements to Online Banking, including our Card Control+ app that allows members to receive real-time alerts and immediate identification of unauthorized charges on both debit and credit cards. Members can also change their PIN, activate a new card, and turn the card off/on in seconds directly from the app – without calling or stopping by a branch.

We embarked on a pre-approval program for members offering various loans and other products with little more than a single click. Later this year, our new data warehouse will allow us to seamlessly add more promotions and rewards for members – beyond just debit card transactions. Finally, we have enhanced our infrastructure to increase our system availability and resiliency against cyber incidents or natural disasters. In tandem with our substantial capital, this combination continues to make Northwest an extremely safe, sound, and great place to bank.

## CORE INFRASTRUCTURE IMPROVEMENTS

The changes made to the information technology infrastructure allow us to provide expanded services, new technologies, and the ability to quickly bring new products and services to market. In addition, we are implementing a company-wide Customer Relationship Management system for a greater understanding of members' individual needs, as well as the ability to develop and deepen relationships between employees and departments.

Change not only better positions us for growth, it means we discover ways to provide higher and more tailored services to our members. We implemented enhancements to our Online and Mobile Banking platforms, and created a refreshed look and feel for mobile banking with intuitive navigation, refreshed mobile deposit, and an enhanced accounts experience. Our new navigation structure allows members to seamlessly engage with features grouped under common categories for more accessible selection. We've also enriched in-app workflows with intuitive back arrows to return quickly to the previous activity and easily toggle between tasks.

The increasing complexity of banking continues to present growth opportunities for us and we are capitalizing on these opportunities by leveraging robust data for true business intelligence to deliver higher levels of member service, new products and offerings.

Moreover, our front-line Member Service Representatives will be able to provide more immediate and seamless support for transactions affecting all member accounts, and they will, in the future, be better able to offer services that will be uniquely tailored to individual members based on their historical service usages and needs, especially as new technology-based offerings become available.

Advanced technology will continue to translate into improved member experiences. Leveraging artificial intelligence (AI) technology will enhance our products and services – without losing the human experience of face-to-face interactions associated with our personalized member service. We will be focusing on delivering the right solution at the right time by genuinely understanding the individual member need. A new technology coming in 2023 will capture member feedback through multiple touchpoints to confirm that we are consistently improving our service and give us a true read on member satisfaction.

## WORKPLACE EXCELLENCE

Northwest received several accolades celebrating the culture and workplace environment. Significantly increased levels of employee engagement, DEIA efforts, reduced turnover, and recognition as a top employer were awarded to us in 2022, specifically:

Washington Post Top Workplace Award for Large Employers Top Workplaces USA - This is our third consecutive year winning this prestigious award.

2022 Diversity, Equity, & Inclusion Award. This is a nationwide award with only 23 companies making the list and we were the only credit union. Awarded by Energage.

2022 Special Recognition Certificate from Senator Tim Kaine

2022 Recognition of NWFCU in the Congressional Record in the House of Representatives.

Top Workplace Financial Services Industry

Top 25% Supportive Managers

Top 25% Leaders In The Know

IMPACT Award (*Women Veterans Interactive Foundation*)

Commuter Connections Award - Telework Category

## COMMITMENT TO COMMUNITY

Northwest Federal continues to expand its Community Partner Program, which creates lasting relationships with non-profits in our communities. These valuable alliances allow us to support our local communities through sponsorships, in-person and online events, and staff volunteer hours. Each Northwest Federal staff member receives 24 hours of paid volunteer time annually. Employees, members, and volunteers associated with these non-profit partner organizations are eligible for Northwest Federal membership, which helps us grow. As we grow, we can offer our members even more services. **Northwest Federal Credit Union Foundation**, the philanthropic arm of Northwest Federal Credit Union, was excited to be back in the community to deepen its support of children and families in the areas where our members and staff live and work. In 2022, the Foundation added our SVP of Operations, Milly Cramer and Executive Director at the Children's Science Center, Nene Spivey, to the Foundation Board of Directors to expand the Foundation's insights and footprint. Some highlights of the Foundation's impact on its surrounding communities are listed below:

- Mentored 80 Herndon Middle School students in the new AVID24 program and hosted them on a field trip to learn about financial literacy and careers
- Awarded \$135,000 in scholarships to 27 outstanding

students to help defray the cost of college. Since the Foundation's inception in 2006, we have awarded \$1.79 M to scholarship recipients.

- Provided grants to College Access Fairfax and the NOVA Community College Student Success Fund to help ensure students can afford college.
- Completed four major Basic Needs Drives to support children's well-being in our community
  - Provided nearly 50,000 diapers and gave the NOVA Diaper bank a \$10,000 grant that enabled it to store and distribute nearly 300,000 diapers to families in Northern VA
  - Distributed over 2,000 coats, hats, and gloves to 100's of children and parents at Herndon Middle School and Sterling Elementary Schools
  - Provided thousands of school supplies to four elementary schools

Northwest Federal won several awards in 2022 for its community work and support:

Large Business Award for Chamber Excellence from the Greater Reston Chamber of Commerce  
Stars Over Dulles Award - Not-For-Profit Category from the Dulles Area Chamber of Commerce  
Community Leadership Award - Large Business from the Loudoun County Chamber of Commerce

**NW Capital Management**, a wholly owned subsidiary of Northwest Federal Credit Union, contributed to our 2022 financial performance by providing members with financial products and services not offered by the credit union. Since 1995, NW Capital Management has delivered holistic management of investment, insurance and real estate settlement needs of individuals and businesses across the nation. The subsidiary operates as Northwest Financial Advisors, NW Insurance Agency, and Northwest Title & Escrow.

## LOOKING AROUND THE CORNER

As we embark on 2023, we want to assure our members that while the uncertain economic environment will continue to present its challenges, Northwest remains well capitalized to meet uncertainties. We are planners, and to quote a president, the time to repair the roof is when the sun is shining, (JFK). We have been and continue to be deliberate in protecting our assets, purposeful in maintaining more than a prudent reserve, and committed to remaining good stewards of our members' money.

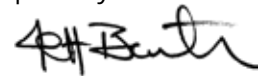
We place an equal emphasis on true collaboration and partnership with the communities we serve, and we will continue to deliver on our promise to be the lifetime financial partner of choice for community members – and their families – so they may turn to us and rely upon us for financial guidance to weather challenges and create wealth.

Being there for our members – rain or shine – is how we help our communities thrive and prosper.

Thank you for your support and loyalty over the years. It is you, our members, which we proudly serve.



**Gerianne "Winky" Burks**  
Chair



**Jeff Bentley**  
President/CEO

# Report from the Treasurer & Financial Management Committee



Northwest Federal Credit Union experienced another successful year in 2022, despite a number of challenges faced by it as well as everyone else in the financial services industry. For the first time in a number of years, inflation increased at harmful rates to the economy. To combat the increase in inflation, the Federal Reserve

raised interest rates by an unprecedented 450 basis points during the year. As a result, mortgage rates increased leading to a decrease in home demand causing prices to fall. In addition, the stock market also declined due to concerns about a potential recession. All of these items occurring at the same time have certainly impacted on the financial wherewithal of our members.

Despite these economic headwinds, your credit union was able to end 2022 with net income of \$29.0 million, over \$4.1 billion in total assets, over \$2.8 billion in total loans, over \$3.6 billion in total deposits and over \$490 million of regulatory capital for a regulatory capital ratio of 11.93%. It should be noted that for a credit union to be deemed well-capitalized, the capital ratio required is 7.00%, so Northwest's capital level is well above the well-capitalized threshold. Being in this strong capital position is very important, since capital is what protects the credit union, its members and its employees in the type of turbulent economic times that we are currently experiencing.

During 2022, your credit union funded nearly \$1.44 billion in new loans. While rising interest rates over the course of the year negatively affected loan production in a number of products offered by Northwest, the credit union was still able to fund \$245 million of First Mortgage Loans and \$872 million in Auto Loans.

Northwest's asset quality remained quite strong over the course of the year with our past due loan ratio declining from 0.646% at the end of 2021 to 0.280% at the end of 2022. In addition, net charge offs for the year were 0.08% compared to 0.20% for 2021. Your credit union has been laser focused pre-COVID on establishing and maintaining a strong credit culture. I would suggest the past due loan ratio and net charge off trends in 2022 reflect the benefits of that focus.

Through the years, Northwest has maintained its core values of Service, Integrity and Excellence while we have been exposed to various National and Worldwide economic and geopolitical events. Our continued focus on employee training and development has helped provide our staff with the resources to create the desired member experience. The credit union's employees continue their commitment to the communities we serve and support with over 4,000 volunteer hours spent working with various community organizations last year.

I am pleased to present this report to our members as evidence of Northwest's strong financial position and commitment to our members to provide convenient, safe and sound financial services. Thank you for choosing to be part of the Northwest Federal Credit Union family.

**Chuck Molina**  
Treasurer, Board of Directors  
Chairman, Financial Management Committee

## NWFCU FOUNDATION SCHOLARSHIP PROGRAM

In 2022 the NWFCU Foundation awarded \$135,000 in scholarships to 27 outstanding students to help defray the cost of college.

Since the Foundation's inception in 2006, we have awarded \$1.79 M to scholarship recipients.

# Report from the Supervisory Committee



Northwest Federal Supervisory Committee (the Committee) is a Board-appointed volunteer organization that works independently from the Board and Management on behalf of the membership as the “eyes, ears and voice” of you, the Member.

The Committee provides an independent view of Northwest Federal’s safety and soundness by:

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

The Committee meets regularly to execute, coordinate, review, and assess the effectiveness of its responsibilities. Below are key activities the Committee performs on behalf of the Members:

- **Oversight of Northwest Federal’s Internal Audit (IA)** – The Committee oversees the Internal Audit Department, which reports functionally to the Committee. Through direct lines of communication, the Committee meets regularly with the Director 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.
- **Audit of the Credit Union’s Financial Statements** – The Committee is responsible for the selection of the independent accounting firm that the Credit Union contracts to conduct an external audit of the Credit Union’s Financial Statement. To promote transparency, Northwest Federal’s consolidated financial statements, along with the Independent Auditor’s Report, are available on the Credit Union website for your review.
- **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.

It was an honor to be elected as your Supervisory Committee Chair by my fellow Committee members last year. I speak for the entire Committee in

acknowledging our appreciation for Margaret Augustine’s leadership who served as the Committee Chair for the last several years and continues to serve on the Committee. In addition, I would like to thank all my colleagues on the Committee who volunteer their time and display a sincere commitment to their responsibilities – Margaret Augustine, Sandera Oliver, Christine Perritt, Susan Wilson, and Bob Grieve.

The ability of the Committee to effectively serve as your representatives includes knowing when concerns arise, and therefore, we welcome hearing from members. 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).

The Committee is made up of Members just like you and is here for your benefit. We are honored to serve you.



**Charles Barlow**  
Chair, Supervisory Committee

*Together, we serve and inspire to transform lives*



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