

  
FEDERAL CREDIT UNION  
2023 ANNUAL REPORT

  
DISCOVER  
BANKING  
WITH HEART





Steven J. Berkowitz,  
Chairman of the Board  
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Rick Wieczorek,  
President & CEO  
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# Chairman's and President's Report

In 2023, the NIH Federal Credit Union remained focused on its strategic plan and delivering on its 'Banking with Heart' promise, combining exceptional financial programs, modern banking solutions, and a best-in-class member experience across all channels. Despite the financial headwinds and challenging operating environment facing the entire banking industry, our formula for success, coupled with our stable core deposits and well-capitalized position, has us well-prepared to take advantage of the improved operating environment when it returns, as it will. Some notable outcomes in 2023 were:

- We rewarded members for their loyalty with numerous certificate rate increases throughout the year. The \$4.1 million in dividends we paid to our term-depositors was the highest in at least a decade and nearly as much as the previous four years combined.
- We achieved a nearly perfect 4.8 Google review rating. Of the member reviews, 93% were 5-stars. We also outpaced the combined 4.2 rating of other local credit unions we tracked. This free and positive 'social proof' is critical as consumers look to the experience of others to make purchase decisions.
- We introduced a new member referral program for members to earn up to \$500 in yearly rewards when their qualified family and friends join the credit union. It is an excellent way for us to thank you for your loyalty and for helping to spread the great word about NIHFCU.
- We continued to improve our website to enhance its convenience and functionality for all members. Upgrades included a range of accessibility tools for those with disabilities, privacy consent options, numerous how-to videos, and easier and more intuitive loan payment options within online banking.

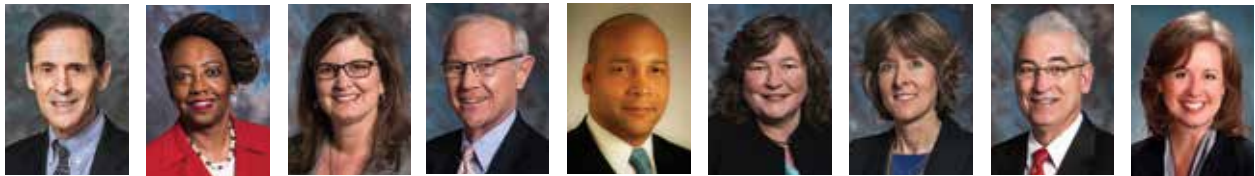
In 2023, members conducted 94% of all transactions through digital channels. Recognizing this popularity, we are working to enrich the digital member experience even more in 2024 to reduce friction, enhance functionality, and improve service. Among them are a fully redesigned website, faster online loan/account applications, new real-time payment options, and improved automated intelligence solutions. Stay tuned for more news to come.

Last, for the second year in a row, the NIHFCU was once again recognized by American Banker as one of the nation's best credit unions to work for. We thank our dedicated staff for making the credit union a fulfilling and enriching environment to work in and a safe, welcoming, and friendly place for our members to bank.

Thank you for being an NIHFCU member. We remain honored to serve your financial needs.

## Board of Directors

Your Board of Directors is a volunteer group elected by the membership and is responsible for the strategic direction of the Credit Union, including developing goals and establishing policy. The Board members are dedicated individuals who are committed to ensuring a high level of service to members and enhancing the financial position of the Credit Union. By providing a full range of financial products and exceptional service, your Board of Directors strives to promote the fundamental ideals of the credit union movement.



**Board of Directors members** from left to right:

Steven J. Berkowitz (Chairman of the Board), Donna Adderly, Vicki Buckley, Donald Christoferson, Dexter Collins, Ann Fitzpatrick, Laura Gent, John Jarman, Signe Yock.

## Asset Liability Management Committee

The members of the Asset Liability Management (ALM) Committee are dedicated to managing the inherent risks in the Credit Union's balance sheet. They accomplish this through the establishment and oversight of a wide variety of financial policies. Guidance from these policies meet all relevant regulatory risk compliance mandates and provide management with a sound foundation for maintaining sustainable earnings and adequate capital levels for the Credit Union.

**Asset Liability Management Committee members:**

Donald Christoferson (Treasurer & Chairman), Ann Fitzpatrick, Laura Gent, Mahesh Pampati, Victoria Ward.

“ I will FOREVER recommend NIHFCU because of the level of dedication of their staff and the experiences they gave me! Thank you! ”

“ I could not be more grateful for such excellent guidance and warm treatment, especially when it is your first time dealing with the U.S. financial system! ”



## Treasurer's Report

The NIH Federal Credit Union had another challenging year as borrowers struggled to pay off their loans. This required us to increase our provision expense for the year by \$2.7 million, thus putting downward pressure on our earnings. At the same time, as with many other credit unions and banks, deposit balances declined throughout the year as members continued to draw down excess savings accumulated during the pandemic. Additionally, our members moved their funds from on-demand deposits such as checking and share accounts to our higher, more attractive yielding certificates of deposits (CD's), causing interest expense to increase \$4 million. Consequently, NIHFCU's total assets as of December 31, 2023 were \$798.8 million, down 4.7% from the prior year; and net income was a loss of \$1.8 million. However, these financial headwinds are already subsiding in early 2024 and we believe that we will return to positive net income this year as we continue to grow our membership.

Despite these economic challenges and higher market interest rates in 2023, NIHFCU continued to meet the credit needs of its members. NIHFCU's first trust mortgage portfolio grew 3.3%, to \$216 million as we helped our members purchase or refinance their homes through nearly \$27 million of fixed and variable rate mortgage production. We also experienced a successful year in commercial lending, originating \$15.5 million in loans to businesses which will provide long-term sustainable revenue to the Credit Union. Our home equity loan portfolio grew over 20% to \$44 million. These loans are designed to help our members meet their various financial and lifestyle goals. Finally, by offering attractive rates and other competitive benefits we increased the size of our credit card portfolio by \$1.4 million, or 9.8%. As always, we will continue to offer a wide array of loan products that meet the diverse needs of our members.

In the second part of the year, NIHFCU successfully implemented a new accounting standard referred to as CECL (Current Expected Credit Losses) which was mandated for all credit unions by our regulator, the National Credit Union Administration. CECL required that NIHFCU increase its reserves for credit losses based on estimated life of loan charge offs. This had the effect of increasing the reserve for credit losses by \$5 million in 2023, to a new total of \$8.7 million. Rest assured, NIHFCU regularly evaluates and maintains an appropriate level of reserves to protect against potential future credit losses.

Operating expenses increased \$394,000, or 1.4%, to \$29.3 million in 2023. This growth reflects our unwavering commitment to staff and our ongoing support of the Credit Union's critically important infrastructure. Our powerful new state-of-the-art core operating system is allowing us to better meet the unique needs of the healthcare and biomedical communities and their families.

As your Treasurer, I assure you that **our Credit Union remains safe, secure, and well capitalized**, consistent with the standards set by our regulator, the National Credit Union Administration. With nearly \$800 million in assets and a net worth of \$58 million as of December 31, 2023 we are well positioned to continue to support the financial health and well-being of our members.

Donald Christoferson, Treasurer

National Institutes of Health Federal Credit Union

# Statements of Income

Years Ended December 31, 2023 and 2022  
(UNAUDITED)

	2023	2022
<b>INTEREST INCOME:</b>		
Loans	\$24,216,382	\$21,021,043
Investments	<u>6,799,589</u>	<u>4,241,253</u>
Total interest income	31,015,971	25,262,296
<b>INTEREST EXPENSE:</b>		
Members' deposits	4,173,633	317,563
Borrowings	<u>177,625</u>	<u>34,431</u>
Net interest income	26,664,714	24,910,303
Provision for credit losses	<u>6,674,074</u>	<u>3,942,335</u>
Net interest income after provision for credit losses	<u>19,990,639</u>	<u>20,967,967</u>
<b>NONINTEREST INCOME:</b>		
Fees and service charges	6,361,496	6,504,048
Net mortgage asset gains	27,750	727,118
Gain on sale of participations	0	649,825
Gain on sale of investment securities	(5,242)	0
Other	<u>1,158,235</u>	<u>353,304</u>
Total noninterest income	<u>7,542,239</u>	<u>8,234,294</u>
<b>NONINTEREST EXPENSE:</b>		
Compensation and employee benefits	14,540,923	13,652,237
Office operating costs	2,243,204	2,339,084
Computer expenses	4,197,263	4,247,107
Marketing expenses	781,290	933,813
Professional and outside services	3,233,429	3,229,526
Miscellaneous expenses	<u>4,343,461</u>	<u>4,543,915</u>
Total noninterest expense	<u>29,339,569</u>	<u>28,945,682</u>
<b>Net income</b>	<u><u>(\$1,806,690)</u></u>	<u><u>\$256,579</u></u>

The above financial statements are unaudited. A complete set of audited financial reports for the twelve months ending June 30, 2023 are available upon request.

National Institutes of Health Federal Credit Union

# Statements of Financial Condition

December 31, 2023 and 2022  
(UNAUDITED)

	2023	2022
<b>ASSETS:</b>		
Cash and cash equivalents	\$52,402,152	\$43,479,363
Investment securities available-for-sale	199,749,698	224,223,609
Investment securities held-to-maturity	615,359	644,361
Other investments	942,839	1,596,325
Loans held for sale	0	0
Allowance for credit losses	(8,662,089)	(3,711,857)
Deferred loan costs	238,335	349,122
Loans receivable	495,782,501	508,612,057
Accrued interest receivable	2,616,380	2,459,741
Foreclosed and repossessed assets	0	0
Premises and equipment, net	11,126,255	14,701,756
NCUSIF deposit	6,989,018	7,247,298
Prepaid expenses and other assets	36,988,844	38,821,067
Total assets	<u>\$798,789,293</u>	<u>\$838,422,841</u>
<b>LIABILITIES:</b>		
Members' deposits	\$743,253,992	\$759,958,386
Accrued expenses and other liabilities	19,374,253	22,818,326
Notes payable	0	20,000,000
Total liabilities	<u>762,628,244</u>	<u>802,776,713</u>
<b>MEMBERS' EQUITY:</b>		
Regular reserve	0	0
Undivided earnings	57,937,058	64,390,394
Accumulated other comprehensive loss	(21,776,009)	(28,744,266)
Total members' equity	<u>36,161,048</u>	<u>35,646,128</u>
<b>Total liabilities and members' equity</b>	<u>\$798,789,293</u>	<u>\$838,422,841</u>

The above financial statements are unaudited. A complete set of audited financial reports for the twelve months ending June 30, 2023 are available upon request.

# Supervisory Committee Report

The Supervisory Committee, in accordance with the Federal Credit Union Act, ensures the NIH Federal Credit Union management has in place:

- Practices and procedures to safeguard members' assets.
- Controls so that financial reporting objectives have been met.

The Committee oversees the Internal Audit function where regular audits are completed. The Committee meets monthly to ensure internal controls are established and effectively maintained, applicable laws and regulations are followed, and member concerns are resolved.

In addition, the Committee employs the certified public accounting firm of Nearman, Maynard, Vallez, CPAs (Nearman) to assist them in performing an annual independent audit of the Credit Union's financial statements. Nearman has issued an opinion on the Credit Union's financial statements for the audit period ending June 30, 2023.

Along with the audits performed by Nearman, the NIHFCU is examined by the National Credit Union Administration (NCUA). The NCUA has exclusive authority governing the operation of federally chartered credit unions. We are pleased to report that the NIHFCU is financially sound.

It is the goal of the Committee to ensure the integrity and financial strength of the NIHFCU while continuing the highest level of service to our membership. The Committee is here for your benefit.

## Supervisory Committee members:

Jamikah St. Lewis (Chairwoman), Joseph Henke, Daniyal Sanusi, Patricia Vannoy.

“ Through the attentive and caring people at NIHFCU, banking became about the customer's needs – not just the interests of the system. Real people helping people. ”

“ NIHFCU customer service is number one to me because they are always available, willing and always make sure your problems are addressed and resolved. I would never leave NIHFCU because they treat me not only like a customer but as a family member. ”

## Executive Committee (EC)

The EC is responsible for establishing the agenda for the monthly Board of Directors' meetings, reviewing strategic priorities and addressing sensitive topics in advance of the meetings. The Committee acts as a resource for NIHFCU's President & CEO on all matters pertaining to the credit union's strategic and operational activities.

### Executive Committee members:

Steven J. Berkowitz (Chairman), Laura Gent (Vice-Chair), Donald Christoferson (Treasurer), Ann Fitzpatrick (Secretary).

## Board Governance/ Strategic Planning Committee (BGSPC)

The BGSPC assists the Board of Directors and NIHFCU management in developing the planning process of the credit union's strategic plan. The Committee also monitors progress towards achieving the goals and objectives outlined in the plan. The Committee also provides oversight to the Code of Ethics and various NIHFCU policies as needed.

### Board Governance/Strategic Planning Committee members:

Dexter Collins (Chairman), Steven J. Berkowitz, Vicky Buckley, Collins Odongo, Signe Yock.

## Member Experience Committee (MEC)

The MEC is responsible for enhancing the credit union's brand value among our members and targeted communities. It is the primary advisory body collaborating with NIHFCU management to identify and develop strategies to develop new products, enrich member experiences, and enhance member loyalty and participation in the credit union.

### Member Experience Committee members:

Diana Rutberg (Chairwoman), Thomas Calder, John Jarman, Brian Rabin, Signe Yock.

## Information Technology Steering Committee (ITSC)

The ITSC assists the Board of Directors in fulfilling its corporate governance and oversight responsibilities for the credit union's investments, operations and strategy in relation to technology and information systems. The committee is responsible for helping to maintain the balance between IT budgetary constraints and business priorities.

### Information Technology Steering Committee members:

Laura Gent (Chairwoman), Donna Adderly, Ann Fitzpatrick, Joseph Henke, Gary Morin, Daniyal Sanusi.





## Website and Online Banking

- [nihfcu.org](http://nihfcu.org)

## Mobile Banking

- [nihfcu.org/MobileBanking](http://nihfcu.org/MobileBanking)

## E-mail

- [nihfcu@nihfcu.org](mailto:nihfcu@nihfcu.org)

## National Call Center

- 301.718.0208
- 800.877.6440

## TDD/TTY

- 301.881.5822



## NIHFCU Recognition

*For the second year in a row, NIHFCU was named by American Banker as one of the nation's Best Credit Unions to Work For in 2023, citing us for our recognition programs, benefits, and overall work environment.*



## Locations:

The NIH Federal Credit Union serves its members through a network of branches and ATMs throughout the Washington, DC metro area. Members can also enjoy convenient nationwide access to their accounts at over 30,000 network ATMs and 5,000 shared branch locations in addition to a wide range of 24/365 remote services.

Visit [nihfcu.org/locations](http://nihfcu.org/locations) to search for any branch or ATM location.

NIH Federal Credit Union  
P.O. Box 6475  
Rockville, Maryland 20849-6475

## Members of the Senior Leadership Team:

Rick Wieczorek—President & CEO

Jesse Boyer—EVP, Chief Operating Officer

Frank Amantia—SVP, Chief Lending Officer

Christiana Anderson—SVP, Chief Human Resources Officer

Timothy Duvall—SVP, Chief Financial Officer

Miglena Doncheva—VP, Lending

Cassandra Hairston—VP, Business Development & Philanthropy

Matt Jones—AVP, Business Lending

Ashok Khadka—AVP, Associate Controller

Steven Levin—VP, Marketing & Brand Strategy

Kyle Matson—VP, Internal Audit

Christopher Newell—VP, Information Technology

Steven Peschin—VP, Finance & Investments

Michael Stottlemyer—VP, Risk Management

Stacie Strickland—VP, Retail Delivery

Michael Torcisi—AVP, Loss Mitigation & Administration

Taneka Walton-Courtney—AVP, Payments Support