

National Credit Union Administration

**Strategic Plan
2011 - 2016**

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Message from the NCUA Board

We are pleased to present the National Credit Union Administration's 2011-2016 Strategic Plan.

Seventy-seven years ago, President Franklin Roosevelt signed the Federal Credit Union Act into law. In the depths of the Great Depression, with millions of Americans out of work and a frozen credit market threatening to derail an economic recovery, this bold step paved the way for the creation of a network of local, non-profit cooperative credit unions that today serve businesses and individuals across America with a singular focus on meeting the needs of the consumer.

At no time in the seventy-seven year history of America's credit union structure has this consumer-driven purpose faced a greater set of challenges. Although the vast majority of credit unions avoided the risky financial instruments that contributed to the current economic crisis, no financial institution has been immune to its impact. Yet America's credit unions remain well-capitalized, responsibly managed, and positioned to play a significant role in the nation's economic recovery.

The goals of the NCUA's 2011-2016 Strategic Plan are outlined by its mission statement: to "provide through regulation and supervision a safe and sound credit union system which promotes confidence in the national system of cooperative credit."

Specifically, NCUA's goals are:

1. To ensure a safe, sound and healthy credit union system.
2. To promote credit union access to all eligible persons.
3. To further develop a regulatory environment that is transparent and effective.
4. To issue clearly articulated and easily understood regulations.
5. To cultivate an environment that fosters a diverse, well-trained and motivated staff.

These goals, faithful to the founding principles of the Federal Credit Union Act of 1934, as amended, strike a responsible balance between sound risk management and accessibility. The NCUA believes its strategic plan will help promote a stable recovery from the current recession for the credit union system and will help to ensure it is thriving and self-sustaining for years to come.

Who We Are

On June 26, 1934, President Franklin Delano Roosevelt signed the Federal Credit Union Act, establishing the organization and oversight of America's not-for-profit, cooperative credit unions. With America's economy in turmoil, the new law fulfilled its promise to provide individuals and businesses with a secure way to save and borrow responsibly.

Credit unions are distinguished by a member-ownership structure that guarantees a consumer-driven approach. With a wide range of financial tools, competitive rates and unparalleled customer service, the popularity of credit unions has grown over the years.

In 1970, Congress expanded the scope of the federal credit union administrative structure by establishing the National Credit Union Administration (NCUA) as an independent, federal regulatory agency. NCUA charters, examines, supervises and prescribes rules and regulations for federally insured credit unions, as well as insuring state-chartered credit unions that apply for federal insurance and meet national share insurance requirements.

Through the National Credit Union Share Insurance Fund (NCUSIF), NCUA insures a majority of member deposits held in the nation's credit unions. NCUA also works cooperatively with State Supervisory Authorities to maintain the safety and soundness of state-chartered credit unions.

NCUA is funded by the credit unions it supervises and insures. The three members of NCUA's governing board are nominated by the President and confirmed by the U.S. Senate. They serve staggered six-year terms.

NCUA's central office is located in Alexandria, Virginia, with regional offices in Albany, New York; Alexandria, Virginia; Atlanta, Georgia; Austin, Texas; and Tempe, Arizona. NCUA also operates the Asset Management and Assistance Center (AMAC) in Austin, Texas.

With a steadfast commitment to responsible governance, NCUA ensures that all credit union members can continue to access the services they need to help achieve financial security and pursue their dreams.

The NCUA's Mission

“Provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit.”

The NCUA's mission drives agency operations and serves as the foundation of its existence. Ensuring a safe and sound credit union system, which promotes confidence in a national system of cooperative credit, requires focus, dedication, and commitment. The NCUA defines mission success as:

1. Upholding confidence in the United States financial systems by communicating credit union system status and stability;
2. Ensuring liquidity in the credit union system;
3. Ensuring credit union members have access to their funds and services;
4. Educating consumers about the NCUSIF and the NCUA's role to help them;
5. Facilitating consumer protection, education, access, and safeguards;
6. Promoting financial literacy about thrift and the use of credit for provident purposes; and,
7. Maintaining a regulatory environment that safeguards member interests and stability of the credit union system.

The NCUA's Vision

“NCUA will protect consumer rights and member deposits.”

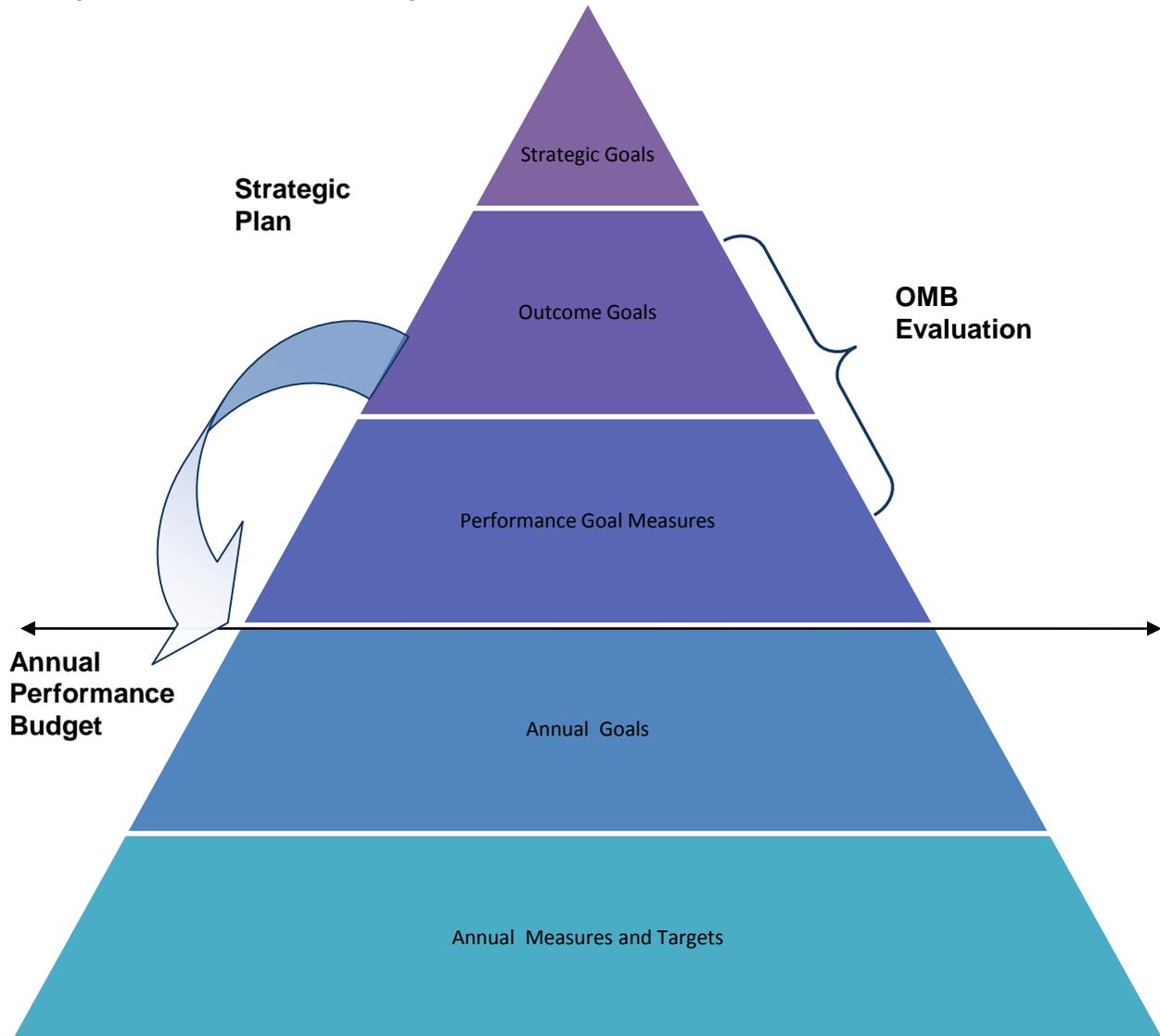
The NCUA's Values

“The agency is dedicated to upholding the integrity, objectivity, and independence of credit union oversight. We maintain a steadfast commitment to accountable public service.”

Strategic Management Process

The NCUA's strategic management process begins with an identification of the internal and external factors which may impact strategic goal achievement. These factors are taken into account each year as the agency sets and periodically adjusts the annual targets of performance. Management identifies and develops the Strategic Plan goals (Goals), intermediate goals (Outcomes), strategies, and performance measures for the agency's three major programs: Supervision/Insurance, Regulation, and the Credit Union Community Development Revolving Loan Fund Programs. Outcomes, as defined in the Strategic Plan, establish the beginning point for the Annual Performance Budget (APB). The NCUA uses its Strategic Plan and APB to communicate strategic direction and provide transparency and accountability for achievement of its goals and objectives.

The Office of Management and Budget (OMB) evaluates the effectiveness of the NCUA's three programs and its strategic planning process. The following chart illustrates the relationship among the elements of the Strategic Plan, APB, and OMB evaluation.



The NCUA'S Long-Term Goals & Environmental Factors Affecting Goal Achievement

Goal 1: Ensure a Safe, Sound, and Healthy Credit Union System¹

The elements used to support the achievement of this goal include examinations, ongoing onsite and offsite supervision, and various risk analysis tools the NCUA utilizes to proactively assess and monitor the risk profiles and financial condition of federally insured credit unions.

Environmental Factors Which May Affect Achievement of Goal 1

- Complexity of credit union products and services;
- Demand for new products and services;
- Regulatory requirements with unintended burdens;
- Reputation risk amongst NCUA stakeholders and the public;
- Economic conditions (e.g., interest rate, housing market, credit risks, recession, volatility in global financial markets);
- Accounting changes that may negatively affect the system's net worth;
- Competitive pressures from other financial service providers; and
- Velocity of risk taking by credit unions (e.g., balance sheet, credit risk, and concentration risk).

Goal 2: Promote Credit Union Access to All Eligible Persons

Federally insured credit unions' diverse fields of membership provide many avenues to serve all members while maintaining a healthy credit union system. NCUA will continue promoting consumer protection, education, safeguards, and credit union access to all individuals eligible for membership, with an emphasis on reaching those members of modest means.

Environmental Factors Which May Affect Achievement of Goal 2

- Lack of public awareness about the benefits of credit union membership;
- A shift in member needs due to changing demographics of membership;
- A declining number of credit unions;
- Competitive pressures from other financial service providers; and
- Legislative changes.

¹ The credit union system includes: federally insured natural person credit unions, which serve only their members, corporate credit unions, which provide services to natural person credit unions, and U.S. Central federal corporate credit union, which serves as the "banker's bank" to the corporate credit unions.

Goal 3: Further Develop A Regulatory Environment that is Transparent and Effective

The NCUA strives to manage effectively the balance between regulatory flexibility and responsible oversight. A top agency priority is to ensure regulations and supervision do not diminish federally insured credit union product and service offerings, while allowing adequate safety and soundness and member safeguards to endure.

Environmental Factors Which May Affect Achievement of Goal 3

- Legislative changes and (non-NCUA) regulations impacting credit unions, (e.g., privacy/data security, anti-terrorism monitoring, compliance);
- Legislative changes that expand the burden of supervisory responsibilities on both the NCUA and the credit union system;
- Regulatory and supervisory oversight may lag new credit union products and services; and
- Pace of change in financial needs, services, and products.

Goal 4: Issue Clearly Articulated and Easily Understood Regulation

The NCUA strives to serve as an effective translator of legislation and administrator of regulatory guidance by ensuring that regulations issued are simple, clear, straightforward, and based on not only good business practices, but common sense as well. Additionally, NCUA will only promulgate needed regulations.

Environmental Factors Which May Affect Achievement of Goal 4

- Legislative changes and (non-NCUA) regulations impacting credit unions, (e.g., privacy/data security, anti-terrorism monitoring, compliance); and
- Complexity of financial services facilitated by technology.

Goal 5: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff

The NCUA staff is vital to the risk management process. It is also incumbent upon the agency to ensure it retains and recruits a highly qualified and diverse workforce that is trained and prepared to identify, address, and monitor risks and critical operational issues affecting federally insured credit unions.

Environmental Factors Which May Affect Achievement of Goal 5

- Access to a qualified labor pool and maintenance of a skilled workforce (e.g., increased competition for talent);
- Ability to retain talent (e.g., quality of life – travel burdens);
- Pace of change in financial marketplace may increase the need to rapidly adapt training and skills to meet emerging needs; and
- Impeding retirement wave and a smaller qualified workforce.

NCUA’s Strategic Initiatives

Goal 1
Ensure a Safe, Sound, and Healthy Credit Union System²

Outcome 1
An Effective Supervision Program for Federally Insured Credit Unions

| How We Plan to Achieve Results | Indicators of Success |
|---|--|
| 1. Increase ability to effectively manage risk through the supervision program. (e.g., improve risk analysis, and develop risk mitigation tools.) | <ul style="list-style-type: none"> • Prompt identification and resolution of critical issues. • Enhanced risk tools result in risk mitigation to the NCUSIF. |
| 2. Manage operational and technological related vulnerabilities resulting from new products and services, especially shifts in balance sheet composition. | <ul style="list-style-type: none"> • Examiner knowledge aligns with system changes (e.g., products/services & risks). • Timely recognition and resolution of risks. • Monitor and address credit unions with high concentration risk. • Timely onsite supervision occurs when balance sheet composition changes. |
| 3. Promote awareness of critical risk issues. | <ul style="list-style-type: none"> • Letters to Credit Unions proactively address the issues and challenges facing the credit union system. |
| 4. Administer and, if appropriate, publish quick administrative actions when warranted on troubled credit unions. | <ul style="list-style-type: none"> • Minimize the time between the identification of troubled credit unions and the issuance of administrative actions when warranted. |

² Includes federally insured natural person and corporate credit unions

Goal 2
Promote Credit Union Access to All Eligible Persons

| Outcome 2.1 A Wide Range of Financial Services are Available to Members and Potential Members from all Walks of Life | |
|--|--|
| How We Plan to Achieve Results | Indicators of Success |
| 1. Support credit unions in their efforts to offer essential products and services, including financial education programs to all eligible members, including those of modest means. | <ul style="list-style-type: none"> • Growth in new or enhanced products and services offered by credit unions. |
| 2. Structure Community Development Revolving Loan Fund Program (CDRLF) to emphasize credit unions' outreach and financial services to their communities. | <ul style="list-style-type: none"> • Annual data indicate that CDRLF loans and grants are used for outreach and enhance financial services. • Increase in number of products or number of low income credit unions offering products (measured using call report (5300) data). |
| 3. Review business plans of community charters to ensure progress toward meeting stated goals. | <ul style="list-style-type: none"> • Increase in community penetration rate. • Increase in loans, assets, and other member services/products. |
| 4. Consult with Congress on legislation that may influence financial services available to credit union members. | <ul style="list-style-type: none"> • Collegial discussions and interactions between Congress and NCUA. |

| Outcome 2.2 Members and Potential Members are Aware that their Accounts are Insured up to \$250,000 | |
|--|--|
| How We Plan to Achieve Results | Indicator of Success |
| 1. Promote awareness of credit unions and uphold public confidence in the National Credit Union Share Insurance Fund (NCUSIF). | <ul style="list-style-type: none"> • The number of public inquiries through the Share Insurance Calculator. |

**Goal 3
Further Develop a Regulatory Environment that is Transparent and Effective**

**Outcome 3
Credit Unions are an Accessible Financial Institution Choice for Consumers of all Backgrounds and Income Levels**

| How We Plan to Achieve Results | Indicators of Success |
|---|--|
| 1. Reduce unnecessary obstacles to credit union competitiveness through common sense regulations and increased communication with stakeholders. | <ul style="list-style-type: none"> • Membership growth increases. • Regulations and supervisory guidance do not impede efficient and effective credit union operations. • Credit union feedback indicates a growing understanding of the regulatory intent. |
| 2. Increase collaborative efforts with other regulators to discuss strategies and goal for implementing new/changes to regulations. | <ul style="list-style-type: none"> • Active collaboration results in successful regulation implementation. |
| 3. Maintain a regulatory environment that safeguards member interests and stability in the credit union system. | <ul style="list-style-type: none"> • Protect member interests. • Minimize NCUSIF losses. |

**Goal 4
Issue Clearly Articulated and Easily Understood Regulation**

**Outcome 4
Regulations are User Friendly, Effective and Enhance the Safety of the Credit Union System without Adding Undue Burden**

| How We Plan to Achieve Results | Indicators of Success |
|--|--|
| 1. Communicate new regulatory and supervisory intent and/or regulation revisions with stakeholders to ensure transparency of implementation. | <ul style="list-style-type: none"> • Decrease in comments that indicate ambiguity in regulatory language during annual one-third of regulations review cycle. • Decrease in formal written comments concerning the application of supervisory guidance |
| 2. Ensure all regulations are written in plain English. | <ul style="list-style-type: none"> • Decrease in comments that indicate that regulatory language is not easily understood during annual one-third of regulations review cycle. |

Goal 5

Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff

Outcome 5

Credit Unions will Offer Services to Members and Potential Members Throughout their Field of Membership

| How We Plan to Achieve Results | Indicators of Success |
|---|---|
| <p>1. Develop and maintain the knowledge, skills, and abilities of the agency’s workforce to consistently identify and meet emerging needs.</p> | <ul style="list-style-type: none"> • Emerging needs are identified and incorporated into resource allocation budgets and recruitment strategy. • Competency gaps are continually reevaluated and filled timely. • Training programs are continuously updated to meet current and emerging issues. |
| <p>2. Recruit and retain a highly qualified workforce that reflects the relevant civilian labor force.</p> | <ul style="list-style-type: none"> • Entry and mid-level employees have access to career development opportunities. • Personnel policies and systems recognize the value of diversity and promote inclusiveness and equity. • Access internal and external resources to recruit the most qualified individuals. |
| <p>3. Maintain a strong plan of succession to ensure continuity of leadership at all levels of the organization.</p> | <ul style="list-style-type: none"> • Available detail and project assignments promote opportunities for aspiring managers. • Cross-training opportunities and professional development programs permit career development by broadening experience and knowledge. • Leadership commitment to diversity and equity is demonstrated in a pipeline of high-potential mid-career staff. • Knowledge sharing is promoted throughout the agency. • A well-trained, experienced, and knowledgeable leadership that ensure consistent regulation and supervision across the country. |

NCUA's Strategic Measures

| Outcome 1 Performance Goal Measures | |
|--|---|
| Outcome 1 An Effective Supervision Program for Federally Insured Credit Unions | |
| Measures | 2016 Targets³ |
| 1. Percentage of federally-insured credit unions (FICUs) with CAMEL rating of 1 or 2 compared to all FICUs. | <ul style="list-style-type: none"> • 78 percent |
| 2. Rehabilitated problem FICUs as a percentage of the problem FICUs one year ago (CAMELs 3, 4 or 5)—a year-over-year comparison. | <ul style="list-style-type: none"> • 35 percent |
| 3. Percentage of FICUs > \$100 million in assets with CAMEL rating of 1 or 2 compared to FICUs >\$100 million in assets. | <ul style="list-style-type: none"> • 92 percent |
| 4. Percentage of Corporate Credit Unions that meet the NCUA net worth requirements ratios. | <ul style="list-style-type: none"> • 100 percent |

| Outcome 2.1 Performance Goal Measure | |
|---|--|
| Outcome 2.1 A Wide Range of Financial Services are Available to Members and Potential Members From all Walks of Life | |
| Measures | 2016 Targets |
| 1. Growth in potential membership. | <ul style="list-style-type: none"> • +9 percent annually. |
| 2. CDRLF funds are provided for outreach and enhancing financial services to members and potential members. | <ul style="list-style-type: none"> • More than 75 percent of CDRLF funding for the purpose of outreach and/or enhancing financial services. |

| Outcome 2.2 Performance Goal Measure | |
|--|---|
| Outcome 2.2 Members and Potential Members are Aware that Their Accounts are Insured up to \$250,000 | |
| Measure | 2016 Target |
| 1. Consumer Hotline member questions on whether deposits are safe. | <ul style="list-style-type: none"> • Establish baseline in 2011. |

³ Targets based on YTD projections and historical data

| Outcome 3 Performance Goal Measure | |
|--|--|
| Outcome 3 Credit Unions are an Accessible Financial Institution Choice for Consumers of all Backgrounds and Income Levels | |
| Measures | 2016 Targets |
| 1. Growth in potential members in underserved areas and community charters. | <ul style="list-style-type: none"> Establish benchmark in 2011. |
| 2. Hold periodic town meetings with NCUAB and credit union system to discuss upcoming regulatory changes. | <ul style="list-style-type: none"> Establish benchmark in 2011. |
| 3. Hold system wide webinars on hot topics and emerging issues. | <ul style="list-style-type: none"> Establish benchmark in 2011. |

| Outcome 4 Performance Goal Measure | |
|---|--|
| Outcome 4 Regulations are User Friendly, Effective and Enhance the Safety of the Credit Union System without Adding Undue Burden | |
| Measures | 2016 Targets |
| Minimize the complexity of Rules and Regulations issued. | <ul style="list-style-type: none"> Establish benchmark one year after issuance of change. |

| Outcome 5 Performance Goal Measure | |
|---|---|
| Outcome 5 Credit Unions will Offer Services to Members and Potential Members Throughout their Field of Membership | |
| Measures | 2016 Targets |
| 1. Ensure credit unions are satisfying the terms of their marketing and business plans. | <ul style="list-style-type: none"> Establish benchmark one year after effective date of measure. |
| 2. Ensure commensurate administrative actions are taken if credit unions fail to satisfy the terms of their marketing and business plans, if appropriate. | <ul style="list-style-type: none"> Establish benchmark one year after effective date of measure. |

Means and Resources to Achieve Goals

Means and resources are those elements used to execute the steps of the NCUA's strategic plan. The NCUA utilizes the means and resources listed below in the performance of its mission.

State Supervisory Authorities (SSAs)

The NCUA works cooperatively with SSAs in achieving goals relating to federally insured state-chartered credit unions and relies on their expertise.

Human Capital

Human capital provides the personnel resources necessary to provide oversight and supervision of credit unions in a safe and sound environment.

Operating Capital

Operating capital is composed of funds received from federally chartered credit union operating fees and insurance-related supervision costs from all federally insured credit unions.

Information Technology Management

The NCUA requires the effective use of information technology (IT) to accomplish its mission and strategic goals. The Office of the Chief Information Officer (OCIO) is committed to providing agency staff and external customers with the most efficient, effective and useful information technology products and services available in support of NCUA's mission. The agency's information technology environment will change and be enhanced as necessary to provide timely, reliable and secure services to support NCUA's mission in the rapidly changing financial services system.

Organizational Structure

The optimal organizational structure will remain flexible and change with the credit union system and technology.

Responsive Examination and Supervision Programs

Responsive examination and supervision programs will mitigate the identified risks through the alignment of resources and expertise.

Program Evaluations

The NCUA uses program evaluations as an integral part of its effort to continuously improve and enhance mission performance. Both external and internal entities evaluate NCUA's performance using a variety of evaluation tools. The principal external and internal evaluations are listed below:

External

General Accountability Office (GAO) Evaluations are performed as necessary. The GAO conducts program and program support related evaluations of the NCUA programs.

Office of Management and Budget (OMB) Program Evaluations are conducted in concert with the OMB review of the NCUA Annual Performance Budget.

Financial Audits are conducted annually by an outside audit firm contracted by the Office of the Inspector General (OIG). The firm audits the NCUA Operations Fund, National Credit Union Share Insurance Fund, Central Liquidity Facility and the Community Development Revolving Loan Fund.

Federal Information Security Management Act (FISMA) evaluation is the annual review and evaluation of the NCUA's information technology systems for FISMA compliance. This includes evaluating IT controls for financial management systems.

Internal

Office of Inspector General (OIG) Evaluations are conducted annually and are independent evaluations by an outside auditor of the NCUA program and program support operations. Each year, agency areas are evaluated in accordance with OIG procedures, following an evaluation schedule developed for the execution year. The recommendations are evaluated and implemented as appropriate.

Federal Employee Viewpoint Survey is conducted annually by the NCUA Office of Human Resources (OHR). It uses the Office of Personnel Management's Federal Employee Viewpoint Survey. The survey recommendations are evaluated for implementation and integrated into the NCUA Human Capital Management Plan, as appropriate.

Training Program Evaluations are conducted by the NCUA Division of Training and Development (DTD). The DTD periodically solicits and obtains feedback from the NCUA and SSA staff on the quality of various training programs.

NCUA's Examination Survey provides credit unions an avenue to provide feedback and recommendations about the examination process. The opinions, comments, and suggestions expressed in the survey provide insight about the examination program's effectiveness. Additionally, the survey information identifies areas of interest for credit unions.

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