



# NCUA Annual Performance Plan 2013



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## Executive Summary

The 2013 National Credit Union Administration (NCUA) Annual Performance Plan (Plan) continues the effort to enhance NCUA's overall efficiency and effectiveness. The Plan outlines the priorities and performance goals for the coming year to ensure NCUA continues to meet the mission to promote confidence in the national system of cooperative credit. It is based on NCUA's Strategic Plan and complies with the Government Performance and Results Modernization Act of 2010 and the Office of Management and Budget's (OMB) Circular A-11. The Plan represents the collective efforts of a cross-agency team with input from all regional and central offices.

Key changes in the Plan were made to promote greater transparency and understanding for stakeholders which include NCUA staff, consumers, credit unions, other agencies, and Congress. Changes include the expansion of the Plan to cover a two-year horizon. A description of the organizational structure was added along with a discussion of the scope of responsibility. The strategic goals and objectives remain unchanged from last year. However, the performance indicators were adjusted to align directly with the strategic objectives.

The Plan includes four strategic goals supported by strategic objectives and performance goals. The 2013 strategic goals are to:

- Ensure a safe, sound, and healthy credit union system;
- Promote credit union access to all eligible persons;
- Develop further a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations; and
- Cultivate an environment that fosters a diverse, well-trained and motivated staff.

NCUA will monitor the progress in meeting established objectives and performance goals, as identified by the performance indicators and targets in this Plan. NCUA will use the performance management process to continue to improve and meet the strategic goals and mission. Continual monitoring will be accomplished through required regular reporting by each goal leader.

The current economic environment and consumer sentiment highlights the value credit unions provide to the public as accessible financial institutions that are not driven by profit, but by the well-being of their members. The NCUA Board and staff will continue to promote the success of the credit union industry by providing the framework for a safe, sound system that is responsibly managed and able to provide desired services to current and future members.

The NCUA Agency Priority Goals (APGs) were updated to reflect the analysis of the financial services environment going forward. The corporate credit union system resolution efforts were a primary focus for the last several years. The NCUA Board is pleased to report the corporate system is now in a steady state and, therefore, removed from the APG list. Given the continued increased concentration of insured share accounts in the largest credit unions, NCUA added an APG that addresses the needed changes in NCUA's examination and supervision program. The two APGs for 2013/2014 are to:

- Monitor and control risk in consumer credit unions, as measured by net worth growth in the consumer credit union system, the long term assets ratio, and a reduction in the National Credit Union Share Insurance Fund (NCUSIF) losses as a percentage of total insured shares; and

- Dedicate appropriate resources to staff and train the new Office of National Examination and Supervision (ONES) to assume responsibility for the largest consumer credit unions in 2014.

This Plan addresses NCUA's key challenges and leverages agency strengths. The current economic environment continues to present challenges to the credit union industry. NCUA continues to play a role in maintaining stability and public confidence in the United States financial system. Continued growth in the concentration of insured shares and assets in the small segment of credit unions requires adjustment to the examination and supervision program. NCUA is experiencing an increase in high level senior management retirements necessitating a greater focus on staff and leadership development. NCUA's greatest strength continues to be the dedicated, knowledgeable, and professional staff at NCUA. Specific information on leveraging the strengths to address the challenges is detailed in the remainder of this Plan.

## Mission and Vision

Throughout 2013/2014, NCUA will implement initiatives to continue meeting its mission to *"provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit,"* and its vision to ensure that *"NCUA will protect consumer rights and member deposits."*

## Organizational Structure

Created by Congress, NCUA is an independent federal agency with the unique role of insuring deposits at all federal and most state-chartered credit unions, protecting the members who own credit unions, and regulating federally-chartered credit unions. A three member politically appointed Board oversees NCUA's operations by setting policy, approving budgets, and adopting rules.

As of September 30, 2012, over 93.8 million members have \$869.7 billion in deposits at 6,888 federally insured credit unions. These credit unions have \$1.012 trillion in assets.

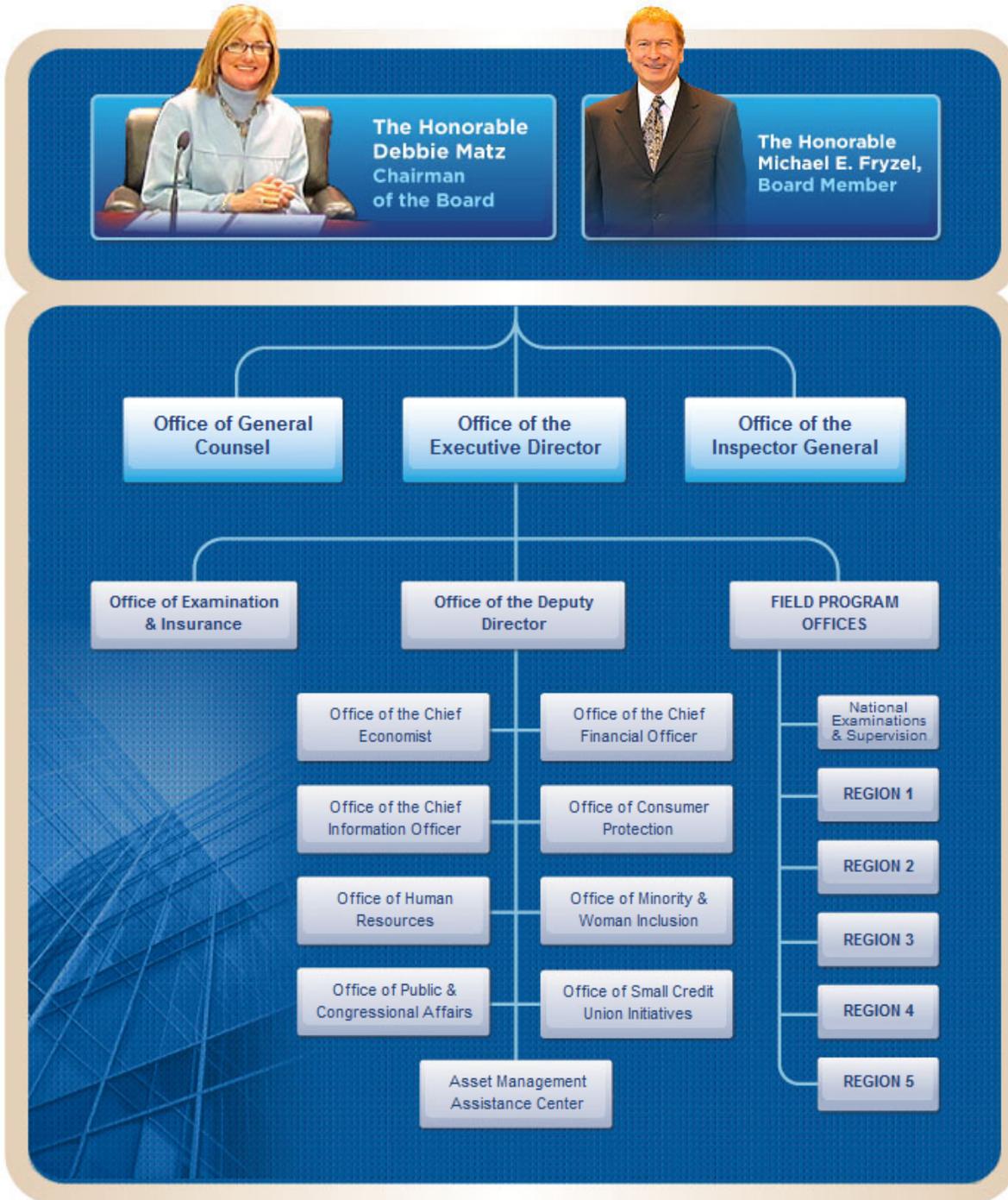
Through a robust and effective examination and supervision program, NCUA protects the safety and soundness of the credit union system by mitigating risks to the National Credit Union Share Insurance Fund (NCUSIF). Backed by the full faith and credit of the U.S. Government, the NCUSIF provides consumers with \$250,000 of insurance per account. NCUA provides insurance to all federal credit unions and the overwhelming majority of state-chartered credit unions.

In 2013, NCUA will rely upon nearly 1,250 employees to perform all the tasks in NCUA's insurance, consumer protection, and regulatory roles. NCUA operates a central office, an Asset Management and Assistance Center to liquidate credit unions and recover assets, and five regional offices. Reporting to these regional offices, NCUA has 64 supervisory groups each with eight to ten examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

The examination, supervision and insurance programs are the central focus for NCUA. These functions are the primary responsibility of the field and regional offices. The field staff works in a virtual environment and represent nearly two-thirds of the workforce.

Since nearly two-thirds of the workforce does not report to an office on a daily basis, NCUA is a highly decentralized organization. This structure requires creative methods to deliver the necessary administrative and office support to all staff. The support functions of the central offices are critical in providing the infrastructure for the success of the field program in the virtual environment.

NCUA's organizational chart is below. An interactive organizational chart is available at: [http://www.ncua.gov/about/Leadership/Pages/page\\_org.aspx](http://www.ncua.gov/about/Leadership/Pages/page_org.aspx).



## Major Agency Programs

### Consumer Credit Union Supervision

The supervision program includes the annual examination and consistent supervision oversight of all federal consumer credit unions. Additionally, select state-chartered, federally insured credit unions are examined annually by NCUA. The program contributes to the safety and soundness of the credit union system by identifying and resolving industry risks at the earliest time. Interest rate risk, credit risk, concentration risk, and strategic risk continue to be the main focus of the supervision program for the coming year. Regulations and informative guidance are issued periodically to assist the industry in managing associated risk areas. ONES will focus appropriate agency efforts on the oversight of the largest consumer credit unions.

### Corporate Credit Union Supervision

The supervision program for corporate credit unions provides close monitoring of all federal and state-chartered institutions. Each corporate credit union undergoes an annual examination as well as a monthly onsite or offsite supervision contact, depending on size and complexity. Corporate credit unions are also required to file detailed financial data via call reports on a monthly basis. The focus of agency efforts in supervising corporate credit unions is to ensure their ongoing safety and soundness as well as their continued ability to provide uninterrupted services to the consumer credit unions they serve.

### Insurance

NCUA manages the NCUSIF, which provides insurance for member deposits held at federally insured consumer and corporate credit unions. The NCUSIF is capitalized by credit unions. NCUA protects the integrity and financial stability of the NCUSIF by managing risks and minimizing losses.

### Consumer Protection

NCUA protects credit union members through effective enforcement of consumer protection regulations and requirements. NCUA's commitment to protecting consumers is demonstrated by the Office of Consumer Protection (OCP) enhancing consumer protection, education, and access to credit union services.

### Small Credit Union Initiatives

NCUA fosters credit union development, particularly the expansion of services provided by small credit unions to eligible consumers. This is fulfilled through consulting, training, partnerships and assistance. A major source of assistance is the Community Development Revolving Loan Fund (CDRLF), which provides loans and grants to credit unions serving low-income members to assist credit unions in providing basic relevant financial services and stimulating economic activities in their local communities.

## Asset Management

Through its Asset Management and Assistance Center (AMAC), NCUA conducts credit union liquidations and manages the assets of failed credit unions to minimize costs to the NCUSIF. AMAC conducts the payment of share insurance to members as part of the liquidation process. AMAC also participates in credit union supervision by performing reviews of large complex loan portfolios and actual or potential bond claims. It participates in the operational phases of conservatorships and records reconstruction.

## Cross Agency Priority Goals

NCUA is involved in numerous cross agency initiatives by collaborating with the other financial regulatory agencies through participation in several councils. Some significant councils include the Financial Stability Oversight Council (FSOC), the Federal Financial Institutions Examination Council (FFIEC), and the OMB Performance Improvement Council. While NCUA does not have specific cross agency priority goals, these Councils and many associated task forces and working groups contribute to the success of NCUA's mission.

## Summary of Strategic Goals and Objectives

The chart below summarizes the 2013/2014 NCUA strategic goals and objectives. The Plan objectives support and complement the strategic goals. Each strategic objective has performance goals with measurable indicators and targets. Performance indicators use available data to provide a way to determine if NCUA’s goals and objectives are met in the proposed time frame. Targets serve to establish a level of performance NCUA strives to achieve. NCUA reviews performance indicators and targets to assess the effectiveness of programs and strategies. This assessment allows the agency to make adjustments to improve performance throughout each year and the strategic plan timeframe.

<u>Strategic Goals</u>	<u>Strategic Objectives</u>
Ensure a safe, sound and healthy credit union system	An effective supervision program for federally insured credit unions
	A safe corporate credit union system that continues to provide services to consumer credit unions
	Agency resources are effectively distributed among consumer and corporate credit unions
	Credit union liquidations cause minimal disruption to member access to funds
Promote credit union access to all eligible persons	A wide range of financial services are available to members and potential members from all walks of life
	Members and potential members are aware of credit union membership benefits and that their accounts are insured up to \$250,000
Develop further a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations	Credit unions are an accessible financial institution choice for consumers of all backgrounds and income levels
	Regulations are user friendly, effective and enhance the safety of the credit union system without adding undue burden
Cultivate an environment that fosters a diverse, well-trained and motivated staff	NCUA becomes an employer of choice

## Strategic Goals and Objectives

<u>Strategic Goal 1</u>	<u>Strategic Objectives</u>
<b>Ensure a safe, sound, and healthy credit union system</b>	An effective supervision program for federally insured credit unions
	A safe corporate credit union system that continues to provide services to consumer credit unions
	Agency resources are effectively distributed among consumer and corporate credit unions
	Credit union liquidations cause minimal disruption to member access to funds
<b>Contributing Programs:</b> Consumer Credit Union Supervision, Corporate Credit Union Supervision, Asset Management	

The Federal Credit Union Act assigns statutory responsibility of the NCUSIF and oversight of the credit union system to NCUA. NCUA focuses on balancing safety and soundness and credit unions' abilities to meet member needs by ensuring all programs work in concert to achieve this objective.

Through its supervision programs, NCUA conducts both consumer and corporate credit union examinations, enforces regulations, and disseminates guidance to assist credit unions in understanding regulations and emerging risks. Examinations, onsite and offsite supervision, and credit union call report data provide information that helps identify high-risk credit unions and resolve risks to the credit union system through increased supervisory guidance and administrative actions. NCUA's asset management program, administered by NCUA's AMAC, ensures members are paid promptly after any necessary liquidation and reduces losses to the NCUSIF through effective liquidation of failed credit union assets. AMAC staff also provides expertise by conducting examinations of large complex loan portfolios and participating in operational phases of conservatorships.

In 2012, NCUA successfully completed its efforts to stabilize, resolve, and reform the corporate credit union system. These efforts began in 2009 during the height of the economic crisis. The last of the bridge corporate credit unions created to provide services during the resolution process closed. NCUA's efforts created a safer and stronger corporate credit union system and resulted in no interruption of critical services to credit unions and their members.

To maintain safety and soundness for consumer credit unions, NCUA continues to implement its annual examination program. Since 2010, the agency increased its examiner workforce by 12.45 percent to accommodate the program. Examiners consistently use administrative actions as necessary to mitigate risks before they escalate costly problems for the system. The NCUA Board and staff increased communications with credit unions and provided guidance to assist in understanding regulations, potential risks, and recommended mitigation strategies. As a result, credit unions' financial stability improved as demonstrated by increased returns on assets and loans to assets, while loan delinquencies and charge-offs decreased. The net worth of the credit union system as a whole improved to over 10 percent.

Additionally, in 2012, the NCUA Board approved the creation of ONES to oversee consumer credit unions with assets in excess of \$10 billion. Due to their asset size, these institutions could significantly impact all credit unions, the consumers they serve, and the NCUSIF. ONES will also oversee corporate credit unions. Due to the number of consumer credit unions served by each corporate credit union, any problems at a corporate credit union could also significantly impact credit unions, consumers, and the NCUSIF.

The NCUA Board continues to focus on its Regulatory Modernization Strategy, which seeks to balance regulatory relief and safety and soundness considerations. In the area of safety and soundness, the following regulations are in the proposal and comment stages through 2012 and early 2013:

- Emergency Liquidity, which would specify the scope and requirements for backup liquidity.
- Small Credit Union Definition, which would increase the minimum credit union asset size NCUA must evaluate for regulatory burden when proposing new regulations.
- Derivatives, which would specify the conditions under which qualified credit unions could engage in derivatives.

These ongoing efforts will help NCUA maintain a safe, sound, and healthy credit union system.

## Annual Performance Goal 1.1 – Agency Priority Goal

### Monitor and control risk in consumer credit unions

**Goal Leader:** Office of Examination and Insurance Director

**Primary Contributing Offices:** Office of Examination and Insurance, NCUA Regions, Office of the Chief Information Officer, Office of the Chief Economist, Office of Human Resources, Office of National Examination and Supervision, Office of General Counsel

<u>Performance Indicators</u>	<u>2013/2014 Target</u>
<i>Net worth growth in consumer credit union system</i>	<i>Obtain an aggregate increase in net worth dollars of at least 5 percent</i>
<i>Long-term assets ratio</i>	<i>Maintain an aggregate net long-term assets ratio of less than 35 percent</i>
<i>Net Losses for Current Year Failures/Average Insured Shares</i>	<i>Less than .03% per year</i>

Monitoring and controlling risk in consumer credit unions continues to be a high priority goal for NCUA. A stable and healthy credit union system is the foundation enabling credit unions to continue to provide services to their members and introduce new services or products to meet member needs.

In 2013/2014, NCUA will continue monitoring and controlling risk through the following means, strategies, and initiatives:

#### *Operational Processes and Strategies:*

- Effectively and efficiently manage the annual examination program by ensuring:
  - Timely completion of examinations;
  - Effective follow-up with CAMEL 3, 4 and 5 credit unions;
  - Prompt and effective supervisory and resolution actions, if warranted;
- Ensure consistency of supervision and examination for all credit unions;
- Ensure prompt and efficient resolution actions when appropriate;
- Implement internal tools to support the National Supervision Policy Manual (NSPM) requirements;
- Design and implement a quality control program for NSPM requirements;
- Evaluate ways by which the agency's current internal data collection processes can be enhanced and modified for efficiencies;
- Initiate development of the Information Quality system, an integrated, online (web-based) system with knowledge management features to capture, display, and deliver credit union supervision and enforcement information by creating a single point of access, thereby streamlining the process and enhancing efficiencies;
- Provide ongoing staff training in identified emerging risk areas to enhance examination effectiveness; and,
- Work closely with the State Supervisory Authorities to ensure necessary action to mitigate risk within the state credit union program.

*Human Capital:*

NCUA continues to hire and train new examiners to ensure effective credit union supervision and examination. Ways to increase the technical expertise of staff continues with external talent acquired to supplement internal staff.

*Information Technology:*

NCUA will continue using its online learning system to facilitate training and to increase staff efficiency.

OCIO resources will be needed for the IQ project to ensure business requirements are successfully met and the IQ, as envisioned, will work seamlessly with the existing (and any future planned) enterprise systems. OCIO resources will also be needed to support NSPM tools.

## Annual Performance Goal 1.2

**Continue to monitor the corporate credit union system**

**Goal Leader:** Office of National Examination and Supervision Director

**Primary Contributing Offices:** Office of Examination and Insurance

<u>Performance Indicators</u>	<u>2013/2014 Target</u>
<i>Corporate credit unions will maintain the following capital ratios or greater:</i>	
<i>Percentage of corporates meeting the 4 percent leverage ratio (formerly the interim leverage ratio)</i>	<i>100 percent</i>
<i>Percentage of corporates meeting the 4 percent Tier 1 risk-based ratio</i>	<i>100 percent</i>
<i>Percentage of corporates meeting the 8 percent total risk-based</i>	<i>100 percent</i>
<i>Percentage of corporates meeting the 2 percent NEV ratio</i>	<i>100 percent</i>
<i>Percentage of corporates meeting the .45 percent retained earnings ratio</i>	<i>100 percent</i>

Throughout 2012, corporate credit unions maintained sufficient liquidity to meet member needs and maintained adequate capital to meet Prompt Corrective Action (PCA) requirements. The bridge corporate credit unions have been resolved with no interruption of services to member credit unions or the 90 million members they serve.

NCUA will continue to use the following means, strategies, and initiatives to improve and maintain the stability of the corporate credit union system:

### *Operational Processes and Strategies:*

- Enhance the surveillance function to view industry wide risks using internal and external resources;
- Continue training on corporate issues through webinars and guidance letters; and,
- Continue using administrative action and supervision efforts to address repeat material concerns.

### *Human Capital:*

NCUA will continue efforts to maintain ONES fully staffed and trained to meet the ongoing financial market challenges. ONES will continue to evaluate staffing needs in relation to the changing corporate credit union business model. These efforts will be cost neutral as there will be a reallocation of existing agency resources.

### *Information Technology:*

ONES will adopt an examination reporting framework comparable to the Automated Integrated Regulatory Examination System (AIRES) examination system. It will also implement enhanced reporting through the NCUA 5310 Call Report process.

**Annual Performance Goal 1.3 – Agency Priority Goal**

**Devote appropriate resources to the largest consumer credit unions**

**Goal Leader:** Office of National Examination and Supervision Director

**Primary Contributing Offices:** Office of Examination and Insurance

**Performance Indicators**

**2013/2014 Target**

*ONES staffing level*

*100 percent of approved FTEs*

*ONES staff training*

*100 percent of mandatory training complete*

The credit union industry continues to see a growing concentration of assets and insured shares in fewer large credit unions. NCUA seeks to improve the risk identification, management, and mitigation for the largest consumer credit unions. Due to their size, there is the potential for significant impact to other credit unions, consumers, and the NCUSIF. In July 2012, the NCUA Board approved the creation of ONES, which will become operational on January 1, 2013. After a one-year transition period, ONES will assume responsibility for all consumer credit unions with assets greater than \$10 billion as of January 1, 2014.

ONES will oversee all corporate credit unions, regardless of asset size. Each corporate credit union provides critical services to consumer credit unions. Some corporate credit unions provide services to over 1,000 consumer credit unions which in turn may provide services to millions of consumers. Corporate credit union issues could potentially impact credit unions, consumers, and the NCUSIF.

NCUA will use the following means, strategies, and initiatives to achieve this goal:

*Operational Processes and Strategies:*

- Enhance the surveillance function to view industry-wide risks;
- Continue training on corporate and consumer credit union issues;
- Recruit staff to further enhance ONES background and expertise; and,
- Develop a quality control process addressing ONES functions.

*Human Capital:*

NCUA will fully staff and train ONES to meet the ongoing financial market and operational challenges in corporate credit unions and large consumer credit unions. To neutralize costs, these efforts will be completed via reallocation of existing agency resources. Third party resources will be utilized to supplement NCUA staff as needed.

*Information Technology:*

ONES will utilize existing technology resources to reach comparability between consumer and corporate credit union examination systems and enhance data collection through the call report process.

**Annual Performance Goal 1.4**

**Promptly pay member's insured shares upon involuntary liquidation of a credit union**

**Goal Leader:** Asset Management and Assistance Center Director

**Primary Contributing Offices:** All Regions

<b><u>Performance Indicator</u></b>	<b><u>2013/2014 Target</u></b>
<i>Average number of business days from liquidation date to payout of confirmed member shares</i>	<i>5 business days</i>

NCUA seeks to minimize disruptions to member access to their insured shares when a credit union is placed in liquidation. NCUA will use the following means, strategies, and initiatives to achieve this:

*Operational processes and strategies:*

- Regions will assist AMAC with liquidations when requested; problem case officers and examiners will assist in ensuring accurate member information is available in AIREs;
- When possible, examiners will mirror systems in emergency liquidations prior to AMAC on-site presence to preserve credit union data;
- Review conversion downloads into the AMAC accounting system ensuring accuracy; and,
- Develop additional back-up capability for the AMAC systems.

*Human Capital:*

NCUA will confirm staff is adequate to promptly process a share payout, using temporary staff when necessary.

*Information Technology:*

NCUA will document procedures and controls for AIREs file transfers into the AMAC accounting system. SharePoint will be used to transfer files from the field to the office.

<u>Strategic Goal 2</u>	<u>Strategic Objectives</u>
<p><b>Promote credit union access to all eligible persons</b></p>	<p>A wide range of financial services are available to members and potential members from all walks of life</p>
	<p>Members and potential members are aware of credit union membership benefits and that their accounts are insured up to \$250,000</p>
<p><b>Contributing Programs:</b> Consumer Protection, Insurance, Small Credit Union Initiatives, Supervision</p>	

NCUA strives to promote access to credit union services, especially to consumers of modest means. Strategic Goal 2 is supported by several NCUA programs. Both the small credit union initiatives and consumer access programs actively promote access by educating consumers about the benefits of credit union memberships and providing consumer financial education. The Office of Small Credit Union Initiatives (OSCU) manages the CDRLF which provides funds to small, low-income and newly chartered credit unions so they may improve and increase the types of services offered to their members and communities.

OCP manages the chartering of new credit unions as well as field of membership expansions, which allow existing credit unions to provide services to an increased market.

The supervision and insurance programs work together to regulate and provide guidelines for credit union services and chartering, ensuring member funds are safe and accessible at all times. The insurance program, through the NCUSIF, provides consumers with \$250,000 of insurance per account. OCP coordinates with the Office of Public and Congressional Affairs (PACA) to promote the value of NCUSIF coverage to America’s consumers.

The NCUA Board and program staff continue to create an environment allowing credit unions to better serve their members while maintaining safety and soundness of the system. The small credit union initiatives program continues to reach out with assistance to small and low-income credit unions. In 2011, the CDRLF Access Rule was enhanced to streamline the regulation, resulting in lesser regulatory burden and an easier application process. These changes increased the number of participating credit unions. In addition, the below market interest rates assisted in creating loan demand.

NCUA joined an interagency partnership to advance the financial literacy and education of the public. The partnership is comprised of the Federal Deposit Insurance Corporation (FDIC), Department of Education and NCUA, and will be particularly beneficial for small credit unions, their members, and communities as education efforts continue. The NCUA Board remains actively involved in community initiatives, town hall meetings, promoting financial literacy, and overall communicating the benefits of credit union membership and the NCUSIF.

## Annual Performance Goal 2.1

**Address consumer complaints effectively and efficiently**

**Goal Leader:** Office of Consumer Protection Director

**Primary Contributing Offices:** All Regions and Office of the Chief Information Officer

<u>Performance Indicator</u>	<u>2013/2014 Target</u>
<i>Average response time to consumer complaints</i>	<i>60 business days or less</i>

OCP is fully operational and responding to consumer questions and complaints. The office established a call center hotline as well as an interactive website to provide service to credit union consumers. NCUA will use the following means, strategies, and initiatives to address consumer complaints effectively and efficiently:

### *Operational Processes and Strategies:*

- Collaborate with OCIO to regularly update and expand the content of NCUA's consumer website, MyCreditUnion.gov;
- Collaborate with OCIO to ensure MyCreditUnion.gov content is available in Spanish;
- Ensure complaint process information is clear and current on all NCUA websites and publications;
- Obtain assistance from regional staff to follow-up with credit union supervisory committees with outstanding information requests;
- Modify the electronic integrated workflow system to maximize efficiencies and management reporting;
- Regularly review and update methods for taking complaints to ensure appropriate customer service to consumers with disabilities; and,
- Provide copies of all complaints noting a violation of consumer protection law or consumer compliance regulation so regions can address credit union issues during the examination process.

### *Human Capital:*

NCUA will continue to provide training to staff as the call center system is upgraded and modified to maintain effective and efficient consumer support.

### *Information Technology:*

Resources will be needed to continue to update MyCreditUnion.gov and to maintain functionality of the Consumer Hotline and related software.

## Annual Performance Goal 2.2

**Assist low-income credit unions in growing and increasing accessibility of credit union services**

**Goal Leader:** Office of Small Credit Union Initiatives Director

**Primary Contributing Offices:** All Regions, Office of Examination and Insurance, Office of Consumer Protection, Office of the General Counsel, Office of the Chief Information Officer

<u>Performance Indicator</u>	<u>2013/2014 Target</u>
<i>Percent of CDRLF grants to first time applicants</i>	<i>35 percent</i>
<i>Make credit unions aware of their low income eligibility</i>	<i>Annually notify all credit unions of their eligibility for low income status</i>
<i>Grant new CDRLF loans to low income credit unions</i>	<i>\$2 million annually</i>

Increasing access to credit union services for low-income and unbanked consumers is one of NCUA's 2013 objectives. OSCUI undertakes consulting, training, grants and loans, and outreach initiatives to assist small, newly chartered and low-income credit unions. NCUA receives appropriated funds for grants and loans. All funds and any additional funds gained from loan interest are capitalized through new initiatives that provide the greatest impact in growing the credit union and obtaining positive financial impact for its membership. In 2012, the credit union grant initiatives included financial education in school branches, volunteer income tax assistance sites (VITA), student and job creation internships, and development of new products and services. NCUA continues to expand and diversify credit unions receiving technical assistance grants.

NCUA will use the following means, strategies, and initiatives to increase accessibility of credit union services:

### *Operational Processes and Strategies:*

- Streamline the CDRLF:
  - Continue to update the funding initiatives to focus on community impact; and,
  - Offer grants during a time-limited open period to allow competitive review of applications and to reduce processing burden.
  
- Deliver Economic Development Specialists' consulting services more efficiently:
  - Develop self-help web-based services;
  - In addition to in-person, deliver training through webinars and videos;
  - Use remote service delivery for consulting rather than exclusively relying upon site visits; and,
  - Collaborate with other service providers to more effectively fill the needs of small credit unions.
  
- Emphasize serving the underserved:

- Help credit unions determine eligibility for and securing low-income designation;
- Develop a marketing approach on the benefits of the low-income designation;
- Increase partnership and outreach efforts to provide more opportunities for credit unions to learn about and participate in programs to enhance their service delivery or improve operations;
- Employ various methods of communications, such as web-based information sessions or focus groups, to enhance outreach; and,
- Develop partnership with the OCP to market underserved area applications to multiple common bond credit unions.

*Human Capital:*

OSCUI will provide guidance to regional field staff on resources available to small, newly chartered, and low-income credit unions so that they may also educate credit unions. It will also continue to provide training for its own staff on related CDRLF guidance.

*Information Technology:*

OSCUI will continue to use information technology resources to make the processing of grants and loans more efficient, and to expand and enhance its website which provides information on these resources for small and low-income credit unions.

OSCUI is moving the EDS Resource Toolkit to the open NCUA web page using a natural language search tool. This will allow credit unions access to the tools available.

### Annual Performance Goal 2.3

**Increase awareness of share insurance and credit unions in younger demographics**

**Goal Leader:** Office of Public and Congressional Affairs Director

**Primary Contributing Offices:** Office of Examination and Insurance, All Regions, Office of Small Credit Union Initiatives, Office of Consumer Protection, Office of the Chief Financial Officer, Office of the Chief Information Officer, Office of the Chief Economist

<u>Performance Indicator</u>	<u>2013/2014 Target</u>
<i>Number and age of NCUA's Twitter and Facebook followers</i>	<i>Increase NCUA's Facebook and Twitter followers ages 25-44 by 10 percent</i>
<i>Enhance NCUA's consumer video library and diversify type of content shared</i>	<i>Increase year-over-year views on NCUA's YouTube channel by 25 percent</i>
<i>Enhance the impact of Pocket Cents among consumers</i>	<i>Increase the number of visitors to Pocket Cents financial literacy education website by 20 percent</i>
<i>Educate credit unions on mobile banking</i>	<i>Issue at least two information pieces regarding mobile banking</i>

In April 2012, NCUA launched the first phase of the Pocket Cents within MyCreditUnion.gov as part of the agency's ongoing financial literacy efforts. Since the launch of Pocket Cents, the website has attracted thousands of visitors. In 2013, NCUA will now work to create Pocket Cents as a complementary, stand-alone website focused on the agency's financial literacy efforts.

NCUA continues to work to increase awareness of credit unions, the agency, and the protections provided by the NCUSIF through a variety of methods in addition to Pocket Cents. In 2012, NCUA launched several social media campaigns aimed at increasing credit union awareness and membership among younger audiences during key financial literacy events, including *National Consumer Protection Week*, *Financial Literacy Month*, and *Military Saves and America Saves Week*.

In July 2012, NCUA also launched a new consumer-oriented social media campaign—Financial Freedom Fridays—to highlight resources and tips available on the agency's consumer websites. According to Google analytics, the campaign initially tripled the amount of web traffic to [www.mycreditunion.gov](http://www.mycreditunion.gov) on Fridays. The success of the four-month campaign has led to a joint effort between PACA and OCP to brand and house all future Financial Freedom Friday's social tips on [www.mycreditunion.gov](http://www.mycreditunion.gov) in 2013.

Additionally, NCUA expanded its social media platforms to include LinkedIn, the world's largest professional network, and will work with OHR to improve the agency's LinkedIn pages to use as a recruitment source. NCUA will continue to expand its social media channels on Twitter and Facebook, as well.

Moreover, NCUA will increase knowledge of NCUSIF and credit union benefits in younger demographics through the following means and strategies in 2013/2014:

### *Operational Processes and Strategies:*

- Adopt and implement an agency-wide social media strategy;
- Conduct consumer-oriented social media campaigns to enhance NCUA and NCUSIF public profiles;
- Create a targeted social media channel focusing on consumer issues, including borrowers in the peak borrowing age bracket of 25–44 years old;
- Publish three articles in the *NCUA Report* on demographic data and identify ways for credit unions to reach younger members;
- Continue to increase the content of NCUA’s YouTube channel:
  - Post quarterly YouTube videos on consumer topics, including those aimed at consumers in the peak borrower’s age bracket of 25–44. Topics might include managing your credit card bills, buying a home, purchasing a car, and saving strategies;
- Enhance the “*Credit Unions in Schools*” resource page on Pocket Cents to increase awareness and number of credit union branches at schools;
- Develop and distribute a Letter to Credit Unions that outlines joint agency guidance on social media;
- Develop and distribute a white paper on social media best practices and successful methods for reaching out to potential younger members to all credit unions, as well as examiners who can help educate credit unions; and,
- Expand Pocket Cents target audience to increase awareness of credit unions and promote financial education and access for Americans at every stage of life.

### *Human Capital:*

No additional staffing or skills are necessary.

### *Information Technology:*

NCUA anticipates no need for new information technology. NCUA will maintain a contract with VOCUS for gathering social media metrics.

<u>Strategic Goal 3</u>	<u>Strategic Objective</u>
<p><b>Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily-understood regulations</b></p>	<p>Credit unions are an accessible financial institution choice for consumers of all backgrounds and income levels</p>
	<p>Regulations are user friendly, effective and enhance the safety of the credit union system without adding undue burden</p>
<p><b>Contributing Programs:</b> Consumer and Corporate Credit Union Supervision Programs and Asset Management</p>	

The NCUA Board seeks to create a regulatory environment that balances safety and soundness with enabling credit unions to be an accessible choice for consumers and continue to introduce products to better serve their members. NCUA’s consumer and corporate credit union supervision programs and its asset management program work together to achieve this goal. The Board develops credit union regulations and the supervision programs provide appropriate guidance and clarification on regulations and emerging issues in the credit union and financial services industry.

NCUA continues to improve the effectiveness and transparency of its regulations by increasing communications with credit unions and examiners, as well as the means used to communicate, to ensure greater transparency and fair application of these regulations. The NCUA Board continues its regulatory modernization strategy, which strives to reduce the regulatory burden on credit unions while balancing safety and soundness of the system. In 2013/2014, the NCUA Board will continue to pursue ways to streamline regulations and reduce regulatory burdens, while still maintaining appropriate safety and soundness.

NCUA continues to consult with the Consumer Financial Protection Bureau on regulatory amendments required under the Dodd-Frank Act and other legislation. NCUA is also working with the Federal Financial Institutions Examination Council to develop examination procedures and guidance on consumer protection laws to help reduce compliance risks and enhance safety and soundness.

### **Annual Performance Goal 3.1**

**Devote resources to achieve regulatory compliance and educate credit union officials**

**Goal Leader:** Office of Consumer Protection Director

**Primary Contributing Offices:** Office of Examination and Insurance, Office of General Counsel, All Regions, Office of Consumer Protection, Office of Small Credit Union Initiatives

<b><u>Performance Indicators</u></b>	<b><u>2013/2014 Target</u></b>
<i>Increase the number of Fair Lending Examinations</i>	<i>Complete 18 fair lending examinations annually</i>

Credit unions must comply with various regulations, including those that help to ensure consumers have fair access to financial services. During fair lending examinations, staff will evaluate compliance with the Fair Housing Act, the Equal Credit Opportunity Act (Regulation B) and the Home Mortgage Disclosure Act (Regulation C). It is important that credit unions understand the new regulatory environment and that the regulations not impede accessibility to credit union services.

NCUA staff will use the following means and strategies to evaluate regulatory compliance:

#### *Operational Processes and Strategies:*

- Educate staff on the annual regulation review process whereby one-third of NCUA's regulations are reviewed each year, and provide updates on new or changing regulations:
  - Increase communications with NCUA staff to enhance knowledge and understanding;
  - Develop webinars on a timely basis to inform staff of new regulations; and,
  - Implement compliance core classes and prepare quarterly national summaries to include information on new regulations or significant regulation changes.
- Increase communication to educate credit unions regarding regulatory requirements;
- Use a plain writing objective when writing regulations so they are easily understood; and,
- Address and provide remedies for consumer regulation violations.

NCUA will provide guidance to credit unions regarding updates to fair lending statutes and regulations to facilitate understanding and compliance. Guidance will be in the form of Letters to Credit Unions and Regulatory Alerts.

#### *Human Capital:*

NCUA will continue to increase training to staff so they are fully knowledgeable on regulations and their effective implementation.

#### *Information Technology:*

NCUA will continue to use a data collection system to capture violations and count them to determine how many violations exist, along with a reporting mechanism from the regional to the central office.

**Annual Performance Goal 3.2**

**Improve communications with credit unions**

**Goal Leader:** Deputy Executive Director

**Primary Contributing Offices:** Office of Examination and Insurance, Office of Public and Congressional Affairs, Office of Small Credit Union Initiatives, Office of Consumer Protection, Office of Minority and Women Inclusion

<b>Performance Indicator</b>	<b>2013/2014 Target</b>
<i>Conduct targeted specialty and general industry webinars</i>	<i>Host at least 5 industry webinars annually</i>

NCUA will strive to improve communications with credit unions to increase their understanding of regulations and NCUA initiatives and will use the following means and strategies:

*Operational Processes and Strategies:*

- Continue Chairman webinars with the credit union industry and monthly webcast of open Board meetings, advertise both types of events to maximize attendance;
- Benchmark the impact of the *NCUA Report* among its readers using analytic tools to determine growth in key performance metrics like website traffic and readership;
- Issue Letters to Credit Unions to improve understanding of Board actions, NCUA programs and processes, industry best practices, emerging risks; and,
- Ensure information pertinent to credit unions is easy to find on the [ncua.gov](http://ncua.gov) website.

*Human Capital:*

No additional human capital will be required.

*Information Technology:*

NCUA will use available technologies such as webinars and You Tube videos to increase credit union access to NCUA Board actions, economic data, and regulatory information.

### Annual Performance Goal 3.3

#### **Continue transparency of NCUA Guarantee Notes (NGN) Program**

**Goal Leader:** Chief Financial Officer

**Primary Contributing Offices:** Office of Examination and Insurance, Office of the Chief Financial Officer, Asset Management and Assistance Center

<u>Performance Indicator</u>	<u>2013/2014 Target</u>
<i>Publish NGN transparency information on <a href="http://www.ncua.gov">www.ncua.gov</a></i>	<i>Publish and update semi-annually</i>
<i>Add NGN specific disclosures to Temporary Corporate Credit Union Stabilization Fund (TCCUSF) Report</i>	<i>Present NGN transparency information semi-annually</i>

The Board formed the NGN Securities Management and Oversight Committee (committee) to provide greater oversight and transparency of the NGN program. The committee addresses the need for long-term, streamlined management of the NGN initiative's operational activities. NCUA engaged an advisory firm to conduct quarterly modeling of losses and cash flows on the securitized assets to ensure better understanding and transparency of the NGN initiative's performance.

#### *Operational Processes and Strategies:*

The Committee holds the following responsibilities:

- Meet on a quarterly basis, or more often if needed;
- Provide stewardship in the areas of fiduciary responsibility, asset management, resolution authority and financial reporting; and,
- Coordinate the efforts of all offices contributing to the NGN program to ensure compliance with legal, reporting, and other responsibilities while, at the same time, maintaining transparency to key stakeholders, including communication of any significant NGN program changes.

#### *Human Capital:*

The committee is comprised of the Director of Examination and Insurance, Chief Financial Officer, and President of AMAC. NCUA staff from all three offices will contribute to management of the NGN Program.

#### *Information Technology:*

The committee will utilize SharePoint to communicate and organize committee functions. NCUA staff will utilize external vendors to complete appropriate monitoring and analysis of the NGN Program.

### **Annual Performance Goal 3.4**

**Review and Modernize NCUA regulations every three years**

**Goal Leader:** General Counsel

**Primary Contributing Offices:** Office of General Counsel, Office of Examination and Insurance, Office of Small Credit Union Initiatives, Office of Consumer Protection, Office of Minority and Women Inclusion

<b><u>Performance Indicator</u></b>	<b><u>2013/2014 Target</u></b>
<i>Review and modernize NCUA regulations</i>	<i>Review one-third of NCUA regulations annually</i>

NCUA will review one-third of its regulations on an annual basis, putting them out for public comment, and updating or streamlining rules where necessary.

*Operational Processes and Strategies:*

- By early January 2013, identify the one-third of NCUA's regulations up for review in 2013. Post the list on NCUA's website and invite public comment on the listed regulations.
  - Public comment should be received by early August 2013.
- Staff in the Office of General Counsel will review submitted comments and provide report to the NCUA Board.
- The NCUA Board will consider changes recommended by commenters and NCUA staff in late 2013 and 2014.

*Human Capital:*

No additional human capital will be required.

*Information Technology:*

No additional information technology will be required.

<u>Strategic Goal 4</u>	<u>Strategic Objective</u>
<b>Cultivate an environment that fosters a diverse, well-trained and motivated staff</b>	NCUA becomes an employer of choice
This is not a program specific goal, but one that allows the agency to meet all its other programs and goals.	

NCUA leadership recognizes the agency will not meet its goals and mission without its most important resource: its people. Management of human capital is at the strategic goal level to highlight its importance and management's commitment to creating an environment that fosters a diverse, well-trained and motivated staff. Since 2010, the agency has continued to hire additional staff as needed to implement agency programs.

Over the last three years, NCUA has consistently risen in the rankings of employee satisfaction as researched and published by the Office of Personnel Management via the Employee Viewpoint Survey. In 2012, NCUA reached its highest overall ranking and also improved in nearly all major measurement areas.

**Annual Performance Goal 4.1**

**Recruit, hire and retain a larger, more diverse pool of potential candidates/employees**

**Goal Leader:** Office of Human Resources Director

**Primary Contributing Offices:** All Directors and Selecting Officials, Equal Opportunity Programs, Office of Minority and Woman Inclusion

<b><u>Performance Indicators</u></b>	<b><u>2013/2014 Target</u></b>
<i>Increase diversity in the following categories:</i> <ul style="list-style-type: none"> <li>• CU-11 and below staff</li> <li>• CU-12 through CU-16 staff</li> <li>• Senior Staff Positions</li> </ul>	<i>Increase by 5 percent in each category</i>
<i>Increase veterans and disabled representation in NCUA overall staff positions</i>	<i>Increase by 2 percent in each representational area</i>

One of NCUA’s human capital goals for 2013/2014 is to increase diversity throughout the agency at all levels. NCUA will increase diversity including the number of veterans and disabled employees. The agency will continue efforts to be more inclusive with opportunities for minorities at the CU-12 and above grade levels and continue to concentrate efforts on reaching parity with Hispanic representation at all levels. This will be achieved through the following means and strategies for improved hiring and retention:

*Operational Processes and Strategies:*

- Collaborate with and expand vacancy announcement distribution to minority serving institutions and associations promoting inclusion and diversity hiring;
- Enhance partnerships with military organizations to include wounded warriors;
- Increase partnerships with disability organizations;
- Continue to open merit promotion vacancy announcements at least to all government employees as well as open to the public when needed; and,
- Provide recruitment training to all supervisors.

*Human Capital:*

The NCUA will continue to maintain special emphasis programs and focus groups within the agency to meet on a regular basis to implement actions to increase diversity and inclusion within NCUA.

*Information Technology:*

OHR will use webinars, conferences and teleconferences for effective and efficient training throughout the agency. NCUA will use information technology resources to increase office automation and efficiencies.

**Annual Performance Goal 4.2**

**Enhance communication within the agency vertically and horizontally**

**Goal Leader:** Deputy Executive Director

**Primary Contributing Offices:** All Office and Region Leadership

<b><u>Performance Indicator</u></b>	<b><u>2013/2014 Target</u></b>
<i>OPM Employee Viewpoint survey question 64, "How satisfied are you with the information you receive from management on what's going on in your organization?"</i>	<i>Improve to 68 percent positive response</i>

NCUA leadership knows the importance of keeping all staff informed about what is happening in the credit union industry as well as within NCUA. Leadership improved communications with all levels of agency staff and will continue to do so in 2013/2014. NCUA leadership will use the following means and strategies to enhance communications:

*Operational Processes and Strategies:*

- Continue to empower employees through the partnership council relationship with the National Treasury Employees Union (NTEU);
- Continue to enhance timely communication regarding key staff issues;
- Encourage managers to provide continuous feedback on employee performance and expectations, and solicit employee feedback;
- Use webinars, teleconferences, and timely emails to improve communications with staff;
- Use the internal communications working group to enhance communications with staff;
- Continue to send regulatory and policy action briefings to staff prior to release outside the agency; and,
- Continue the Inside NCUA Weekly newsletter to keep staff apprised of changes.

*Human Capital:*

NCUA will continue to provide resources for the internal communications working group.

*Information Technology:*

NCUA leadership will utilize available technologies such as webinars to effectively disseminate information to staff in a timely manner and encourage interaction and feedback.

**Annual Performance Goal 4.3**

**Improve agency succession planning for staff, mid-level managers and senior managers**

**Goal Leader:** Office of Human Resources Director

**Primary Contributing Offices:** Senior Leadership

<b><u>Performance Indicator</u></b>	<b><u>2013/2014 Target</u></b>
<i>Introduce a new NCUA executive leadership development program</i>	<i>Develop the program in 2013</i>
<i>Increase number of employees in leadership development programs</i>	<i>Increase by 10 percent</i>

Human capital is the agency's most important resource. NCUA must be prepared to pursue other opportunities as staff retires or leave their positions. A succession plan will enable the agency to determine what skills, abilities, and knowledge is needed now and in the future to fill critical staff positions. NCUA will use the following means and strategies to develop its succession plans:

*Operational Processes and Strategies:*

- Assess current leadership development programs;
- Identify individuals desiring mid-management and executive positions;
- Explore strategies to ensure continuity of leadership by cultivating talent within NCUA;
- Support and participate in NCUA's development programs;
- Analyze and implement innovative approaches to recruitment, retention and relocation; and,
- Identify and cultivate talent through training, mentoring, detail assignments and other leadership developmental opportunities.

*Human Capital:*

OHR will seek to enhance leadership development programs and provide additional tools and resources to strengthen career planning.

**Annual Performance Goal 4.4**

**Develop and implement a comprehensive, integrated and strategic focus for diversity**

**Goal Leader:** Office of Minority and Women Inclusion Director

**Primary Contributing Offices:** All NCUA Offices and Regions

<b><u>Performance Indicator</u></b>	<b><u>2013/2014 Target</u></b>
<i>Use the civilian labor force (CLF) demographic data to benchmark and measure diversity at all staff levels</i>	<i>Equal or exceed the CLF figures where low participation exists</i>
<i>Enhance usage of women and minority owned businesses when contracting for goods and services</i>	<i>Increase contract awards by 2 percent</i>

NCUA strives to include the principles of diversity as a core business performance goal. This goal entails developing and promoting a diverse workforce where the talents of all individuals are fully used as required under equal employment opportunity laws. NCUA will cultivate an environment that promotes diversity and inclusion in all workplace programs and activities to enable all individuals to participate at their full potential.

*Operational Processes and Strategies:*

- Establish timeframes for implementing strategies in NCUA’s Diversity and Inclusion (D&I) Strategic Plan and track progress in achieving goals outlined in the plan;
- Continue the Diversity Working Group (consisting of OHR, Equal Opportunity Programs and OMWI) to accomplish the following:
  - Collaborate and determine the best approach for implementing diversity objectives and improvements;
  - Develop strategies to improve the inclusion of low participation groups in all major occupations and at all grade levels;
  - Track efforts, best practices, and challenges toward recruiting, hiring, developing, advancing, promoting and retaining staff in all underrepresented groups;
  - Report on the successes, barriers, and challenges in meeting diversity goals; and,
  - Conduct an analysis to identify, address and eliminate barriers to equal employment opportunity where low participation triggers exist.
- Identify and develop strategies to improve the inclusion of women and minority owned businesses in NCUA’s business activities; and,

*Human Capital:*

OMWI, OHR and EOP will provide managers and staff training on diversity and inclusion through speakers, classroom training, webinars, special emphasis programs, etc.

*Information Technology:*

OCIO will assist with developing data systems and reports to better track diversity actions at all levels within the agency including both human capital and contracting.

## Agency Priority Goals

Agency Priority Goals (APGs) are goals with high direct value to the public and resolve challenges leading to improved effectiveness or efficiency. APGs should be achievable within twenty-four months. In addition, APGs should be stated as performance outcomes, which can be evaluated through the use of quantitative performance indicators.

NCUA integrates its APGs and annual objectives. The goals and objectives are designed to contribute to NCUA's strategic goal achievement. While all annual goals are important and the agency will strive to achieve them, the APGs are the highest priority in the short-term, necessary to meet NCUA's mission. Accordingly, they will receive the necessary agency focus and resources to be achieved within twenty-four months. The APGs for 2013/2014 are to:

- Monitor and control risk in consumer credit unions, as measured by net worth growth in the consumer credit union system, the long-term assets ratio, and a reduction in the NCUSIF losses as a percentage of total insured shares; and
- Dedicate appropriate resources to staff and train ONES to assume responsibility for the largest consumer credit unions in 2014.

These priorities represent the most beneficial use of agency resources in the coming year to achieve the largest positive impact to credit union members and the public.

## Performance Indicators and Targets

Performance Goal 1.1 – Monitor and control risk in consumer credit unions						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est	2013 2014 Target
Net worth growth in consumer credit union system	-0.16%	1.79%	5.08%	6.81%	8.00%	Greater than 5%
Long-term assets ratio	31.9%	31.55%	33.0%	32.5%	33.4%	<35%
Net Losses for Current Year Failures/Average Insured Shares	.041%	.026%	.033%	.007%	.026%	<.03%
Performance Goal 1.2 – Continue to monitor the corporate credit union system						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Percentage of corporates meeting the 4 percent leverage ratio (formerly interim leverage ratio)	N/A	N/A	N/A	79.2%	100%	100%
Percentage of corporates meeting 4 percent Tier 1 risk-based ratio	N/A	N/A	N/A	N/A	100%	100%
Percentage of corporates meeting 8 percent total risk-based ratio	N/A	N/A	N/A	N/A	100%	100%
Percentage of corporates meeting 2 percent Net Economic Value	N/A	N/A	N/A	83.3%	100%	100%
Percentage of corporates meeting 0.45 percent retained earnings ratio	N/A	N/A	N/A	N/A	N/A	100%
Performance Goal 1.3 – Devote appropriate resources to the largest consumer credit unions						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Percent of approved ONES FTEs in place	N/A	N/A	N/A	N/A	N/A	100%
Percent of mandatory ONES training complete	N/A	N/A	N/A	N/A	N/A	100%
Performance Goal 1.4 – Promptly pay member’s insured shares upon involuntary liquidation of a credit union						
Performance Indicator	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Average number of business days from liquidation date to payout of member shares	4.3	3.5	6.3	2.5	3.0	5.0

Performance Goal 2.1 – Address consumer complaints effectively and efficiently						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Average number of business days to respond to consumer complaints	N/A	N/A	N/A	80	60	60 days
Performance Goal 2.2 – Assist low-income credit unions in growing and increasing the accessibility of credit union services.						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Percent CRDLF grant/loans to first-time applicants	51%	28%	36%	24%	52%	35%
Make credit unions aware of their low income eligibility	N/A	N/A	N/A	N/A	N/A	Notify annually
Grant new CDRLF loans to low income credit unions	\$ 0.4 Million	\$2.5 Million	\$0.3 Million	0	\$3 Million	\$2 Million
Performance Goal 2.3 – Increase awareness of share insurance and credit unions in younger demographics						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Increase NCUA's Facebook and Twitter followers ages 25-44	N/A	N/A	N/A	369	717	Increase by 10%
Enhance NCUA's consumer video library and diversify type of content shared	N/A	N/A	N/A	N/A	N/A	Increase by 25%
Enhance the impact of Pocket Cents among consumers	N/A	N/A	N/A	N/A	N/A	Increase by 20%
Educate credit unions on mobile banking	N/A	N/A	N/A	N/A	N/A	At least 2 info pieces

Performance Goal 3.1 - Devote resources to achieve regulatory compliance and educate credit union officials						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Number of Fair Lending Examinations	25	24	26	14	11	18
Performance Goal 3.2 - Improve communications with credit unions						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Conduct targeted specialty and general industry webinars	N/A	N/A	N/A	N/A	N/A	5
Performance Goal 3.3 - Continue transparency of NCUA Guarantee Notes program						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Continue publishing NGN transparency information on <b>www.ncua.gov</b>	N/A	N/A	N/A	N/A	Done	Publish semi-annually
Continue to include NGN specific disclosures to TCCUSF Report	N/A	N/A	N/A	N/A	Done	Semi-annually
Performance Goal 3.4 - Review and Modernize NCUA regulations every three years						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Review and modernize NCUA regulations	1/3	1/3	1/3	1/3	1/3	1/3

Performance Goal 4.1 - Recruit, hire and retain a larger, more diverse pool of potential candidates/employees						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Increase diversity of CU 11 and below level staff	70%	66%	63%	63%	63%	Increase by 5%
Increase diversity representation of CU-12 through CU-16 staff	55%	49%	52%	51%	51%	Increase by 5%
Increase diversity representation in senior staff positions (SSPs)	37%	38%	31%	39%	47%	Increase by 5%
Increase veterans representation in all NCUA staff	47%	51%	55%	59%	59%	Increase by 2%
Increase disabled representation in all NCUA staff	6%	7%	8%	8%	9%	Increase by 2%
Performance Goal 4.2 - Enhance communication within the agency vertically and horizontally						
Performance Indicator	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
OPM Employee Viewpoint survey question 64, "How satisfied are you with the information you receive from management on what's going on in your organization?"	N/A	41%	45%	57%	65%	Improve to 68% positive response
Performance Goal 4.3 - Improve agency succession planning for staff, mid-level managers and senior managers						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Introduce a new NCUA executive leadership development program	N/A	N/A	N/A	N/A	N/A	Develop
Increase number of employees in leadership development programs	4	11	12	10	20	Increase by 10%
Performance Goal 4.4 - Develop and implement a comprehensive, integrated and strategic focus for diversity						
Performance Indicators	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Est.	2013 2014 Target
Use the civilian labor force (CLF) demographic data to benchmark and measure diversity at all staff levels	N/A	N/A	N/A	N/A	Equal or exceed CLF	Equal or exceed CLF
Enhance usage of women and minority owned businesses when contracting for goods and services	N/A	N/A	N/A	N/A	Base line	Increase by 2%

## Management Review

NCUA is implementing a quarterly data driven review process. Each designated goal leader is responsible for the progress in meeting the goals, reporting the results, and making operational adjustments. The goal leader reviews will be supported by a performance management data system, which will serve as the collection point for the agency performance data. The reviews will be coordinated by the Director of Strategic and Continuity Planning.

## Research and Program Evaluation

NCUA will use the results of the data driven reviews and its annual performance report as a data point for future development of the strategies, goals, measures, and targets. For this Plan, each regional and central office provided their analysis and support for each goal, objective and performance indicator. They ensured consistency in measurement for prior periods and 2013/2014 performance. The results from the data driven reviews and these evaluations will be included as some of the factors considered in determining NCUA's Plan.

## Data Management and Reliability

NCUA's Office of the Chief Information Officer (OCIO) identified data management and reliability as one of its supporting objectives for 2013/2014. Currently, the data is reviewed by E&I, OCCU, and OCE. In 2014, ONES will be responsible for data related to the largest federally insured credit unions.

Data provided by NCUA during the financial statement audits provides another level of assurance. The NCUA Chairman deems the data as current, reliable and accurate to support NCUA's performance results and the annual plans.

## Low Priority Programs

NCUA is not part of the President's Budget and, therefore, has no programs to recommend to Congress for consolidation and/or elimination. As part of the annual plan development process, NCUA reviewed all programs and their supporting functions for possible consolidation, elimination or enhancement to optimize the overall agency efficiency and effectiveness of operations. Over the last three years, NCUA has consolidated various regional office functions with the goal of gaining greater efficiency. A project evaluating the examination and supervision processes is underway to find additional efficiencies.

## Appendix A – Budgetary Requirements by Program

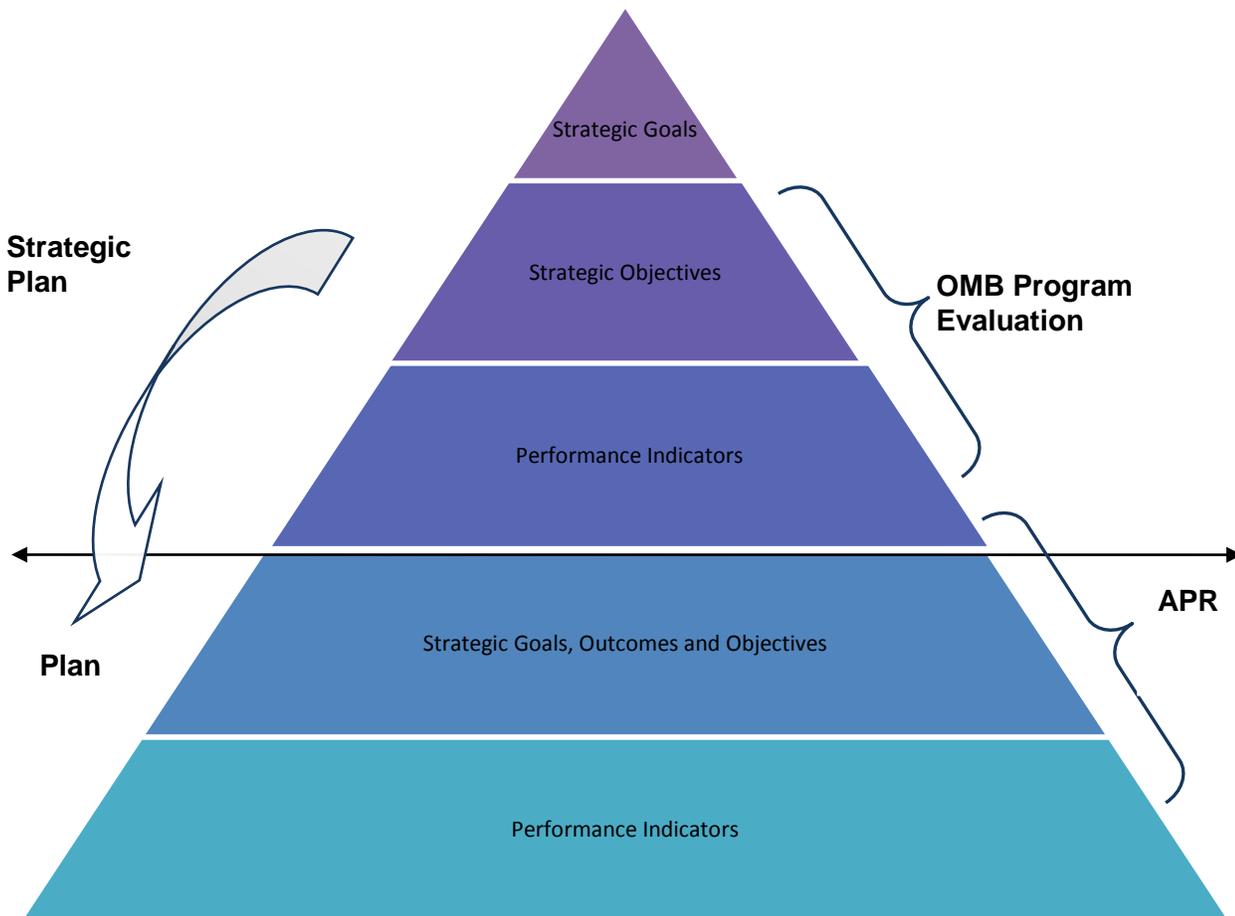
<b>FY 2013 Budgeted Dollars by Major Program (in Millions)</b>										
Supervision		Insurance		Small CU		Consumer Prot.		Asset Mgt.		Total
Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
\$102.9	40.9%	\$130.0	51.7%	\$5.7	2.3%	\$7.2	2.9%	\$5.6	2.2%	\$251.4
<b>FY 2013 Projected FTE by Major Program</b>										
Supervision		Insurance		Small CU		Consumer Prot.		Asset Mgt.		Total
FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	
511	40.5%	646	51.2%	27	2.1%	41	3.2%	37	2.9%	1,262

<b>FY 2014 Budgeted Dollars by Major Program (in Millions)</b>										
Supervision		Insurance		Small CU		Consumer Prot.		Asset Mgt.		Total
Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
\$106.0	40.9%	\$133.9	51.7%	\$5.9	2.3%	\$7.4	2.9%	\$5.8	2.2%	\$259.0
<b>FY 2014 Projected FTE by Major Program</b>										
Supervision		Insurance		Small CU		Consumer Prot.		Asset Mgt.		Total
FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	
511	40.5%	646	51.2%	27	2.1%	41	3.2%	37	2.9%	1,262

## Appendix B – Performance Management Programs Process

NCUA's performance management programs process begins with the agency's strategic plan that provides long-term strategic goals for the agency and serves as the cornerstone of the performance management process. The Plan serves as the agency's operational plan. It outlines NCUA's annual (short-term) objectives, strategies, and corresponding performance goals that contribute to accomplishing the established strategic goals. Goal accomplishment is evaluated through the use of performance indicators each quarter. At the end of each Plan period, a formal analysis of performance is documented in the Annual Performance Report (APR) which includes performance indicator results, an analysis of agency program performance and factors that may have affected goal achievement.

OMB evaluates the effectiveness of NCUA's programs and performance management process. The following chart illustrates the relationship among the elements of the Strategic Plan, Plan, and OMB evaluation.

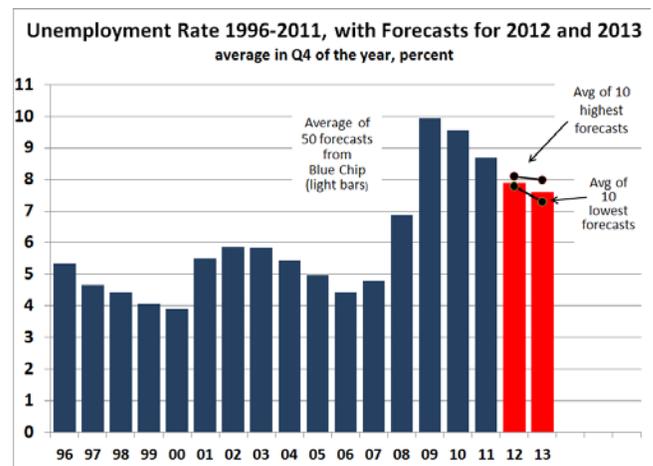
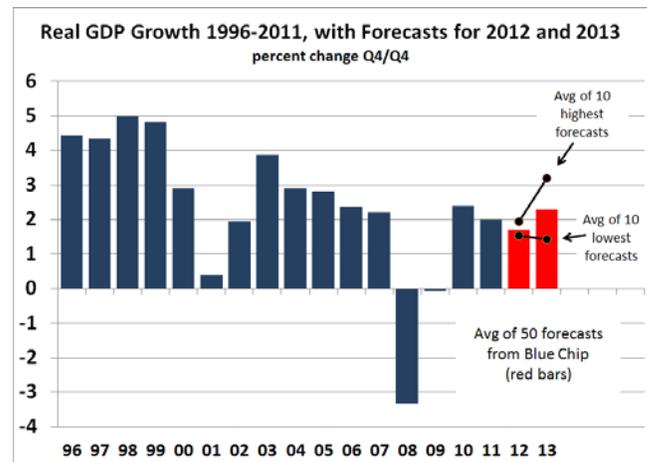


## Appendix C – External Factors

The growth of the U.S. economy was below trend during the first three quarters of 2012. Modest consumer spending growth, depressed consumer confidence, continued cuts in state and local budgets and a slowdown in growth internationally all contributed to below-trend growth. Housing and labor markets improved, but unemployment remains high relative to pre-recession levels and job growth is relatively sluggish. The near-term outlook calls for continued modest GDP and employment growth, and restrained inflation. The modest improvement in the economy means the environment facing credit unions will be modestly supportive and consistent with moderate growth in deposits and loans, falling delinquency rates, little change in net interest margins, and modest improvements in ROAA and net worth ratios.

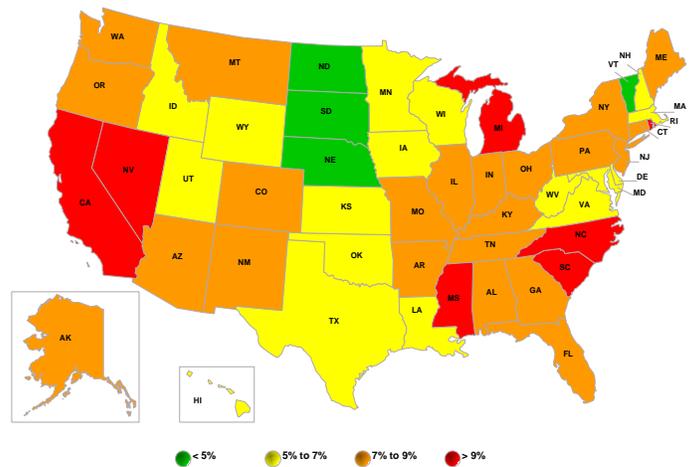
The consensus outlook is clouded by key risks. Weak global economic growth, including in Europe and Asia, will slow U.S. growth, but is unlikely to lead to a U.S. recession. The prospect for European financial disruptions remains, although policy initiatives started in 2012 have reduced stresses. The resolution to the U.S. “fiscal cliff” is a modest positive for confidence, but may set the stage for potentially destabilizing political impasses later in the year. Credit unions will continue to face challenges related to weak loan demand, existing exposure to interest rate risk stemming from their dependence on long-term, fixed-rate loans funded with a high share of interest-sensitive deposits, and risks associated with more aggressive search for yield in the low-rate environment.

- The economy grew by 1.6% during the first three quarters of 2012. Analysts expect the economy grew at 1.7% in 2012 overall and project a continued subdued pace in 2013, at 2.3% q4/q4 rate. The economy grew at 2.4% q4/q4 rate during 2010 and by 2.0% during 2011.
- Payrolls have been expanding, albeit at a moderate pace. Average monthly job gain during 2012 was 153,000, matching the 2011 average. Although the economy added 4.8 million jobs since the low point reached in February 2010, total employment is still down almost 4 million jobs from December 2007. The job situation is worse on the West Coast and Southeast, and better in the middle of the country. Professional and business services, leisure and hospitality, and education and health services sectors added the most jobs in percentage terms during 2012, and are the only sectors that have surpassed their pre-recession job levels. Government and information sectors lost jobs during 2012. Employment is expected to continue increasing only modestly through 2013.



- The unemployment rate trended down during 2012, declining from 8.5% in December 2011 to 7.8% in December 2012. The unemployment rate was 5.0% in December 2007, before the start of the recession, and peaked at 10.0% in October 2009. A rise in the labor force – usually a sign of a growing economy – over several months has prevented the unemployment rate from falling more quickly. Analysts expect the national unemployment rate to remain around current elevated levels through the end of 2013, but some states will perform better, while others will continue to lag.

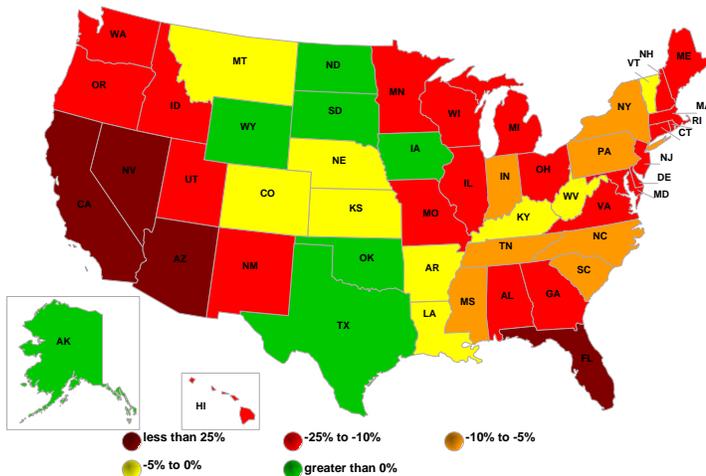
2013Q4 Unemployment Rate Forecast



- The housing market has been improving, although from low levels. The monthly FHFA national purchase-only house price index rose in every month from February to October 2012. Prices using this measure were up 4.5% from December 2011 levels and 5.6% from October 2011. However, prices are still 15.7% below the peak reached in April of 2007 and performance varies by location. From the peak, prices have fallen the most in the West and the Southeast. Over the past year, weakness has been concentrated in the Northeast. Nationally, analysts expect housing prices to improve only modestly during 2013, although some states are expected to see more substantial increases.

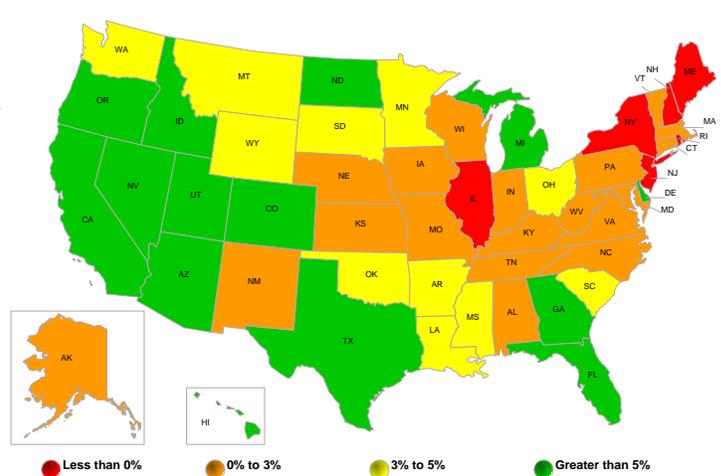
Home Price Changes from 2007Q1 to 2012Q3

FHFA Purchase-Only Home Price Index (SA)



Home Price Appreciation: 2011Q3-2012Q3

FHFA Purchase-Only Index



## Risks to Watch

### Near-Term Economy Risks:

- U.S. Fiscal Policy: The resolution to the U.S. “fiscal cliff” is a modest positive for confidence, but may set the stage for potentially destabilizing political impasses later in the year. By eliminating income tax rate increases scheduled for early 2013 for most households, the budget deal enacted in early January 2013 will boost consumer confidence in the near term. But the immediate phase-out of the payroll tax holiday will be felt by middle-class households, including credit union members. The limited nature of the agreement creates the potential for another round of destabilizing budget and debt ceiling negotiations before the end of the first quarter of 2013.
- Weak Global Growth: Unemployment in Europe is still rising and fiscal austerity measures will continue to hurt growth over the near-term, while growth has slowed in Asia and the rest of the world. The resulting decrease in European and rest-of-world demand for U.S. goods will have a small, but noticeable negative impact on U.S. growth.
- European Financial Disruptions: European financial risks pose a critical threat to the U.S. Recent policy agreements have made disorderly default in Europe less likely. Nevertheless, a disorderly default in the Euro area would threaten Euro-area banks and could be transmitted to U.S. banks, leading to slower U.S. growth and higher private-market financial premiums. As the Euro area situation improves or stabilizes, U.S. Treasuries rates are expected to rise.

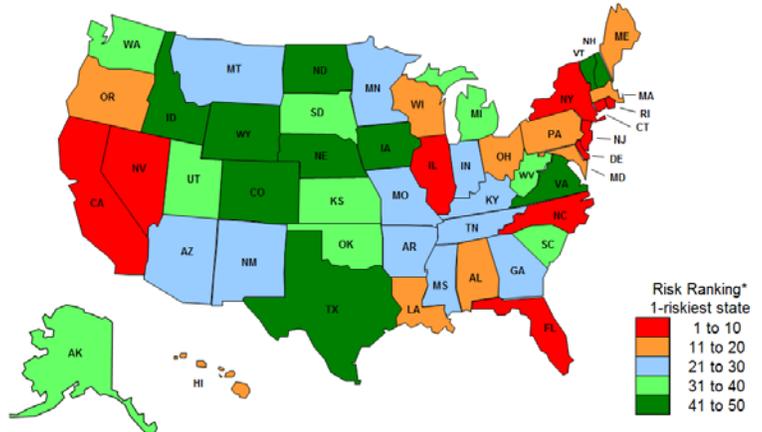
### Potential CU balance sheet issues:

- The CU loan portfolio is weighted toward long-term assets at low fixed rates.
- The CU deposit portfolio is shifting to more interest-sensitive deposit accounts.
- Interest rates will remain volatile. A quick rise in short-term interest rates relative to long rates will shrink net interest margins sharply if credit unions attempt to keep their interest-sensitive deposits in place.
- While the Federal Reserve monetary policy guidance points to exceptionally low target interest rates through 2015, this guidance is conditional on the Federal Reserve forecast. The actual path of interest rates depends on how the economy actually performs, which is inherently uncertain. Thus, rates could be volatile over the next few years.
- Delinquencies can remain elevated if economy fails to improve substantially. This is a particularly important issue in institutions that have reduced provisioning and allowances for losses rapidly over the past year.

### State Dashboard Risk Index, December 2012

#### Riskiest States:

The adjacent map shows a summary measure of the economic risks facing credit unions, based on economic indicators, including unemployment, home prices and delinquency rates, and credit union indicators, including loan growth, earnings and delinquency trends for each state. The composite ranking combines performance in each indicator. Low rankings suggest higher risks associated with credit union and economic performance compared to the rest of the country. Currently, the worst performers are on the West and East coasts, the Southeast, and some Midwestern states. The worst five performers are currently New Jersey, Connecticut, Illinois, Rhode Island, and Florida. This measure suggests considerable diversity across states going forward. If the overall economy under-performs current expectations, conditions in the high-risk states could worsen substantially more than in other states.



#### Important Long-term Developments:

Several longer-term developments are likely to impact credit unions going forward, including:

- Lending/Investment trends – high concentration in real estate and increasing concentrations in MBL and auto lending emphasize the need for long-term risk diversification and effective risk management tools and practices along with expertise to properly manage increasing concentrations of risk. Appropriate ALM will become increasingly important as credit unions take on additional risks.
- Membership trends – demographic, field of membership, and low-income credit union composition changes are likely to mean that credit unions will have to reevaluate their product mix to ensure it is consistent with demands of their membership. A balanced regulatory environment will be necessary to enable credit unions to provide an optimal mix of products in a safe and sound manner.
- Consolidation trends - technological and demographic changes will likely mean that more members will demand sophisticated products and services that smaller credit unions might not be able to provide. Economies of scale might also be required to mitigate the high compliance costs. These changes might indicate an increase in the rate of consolidation going forward.

