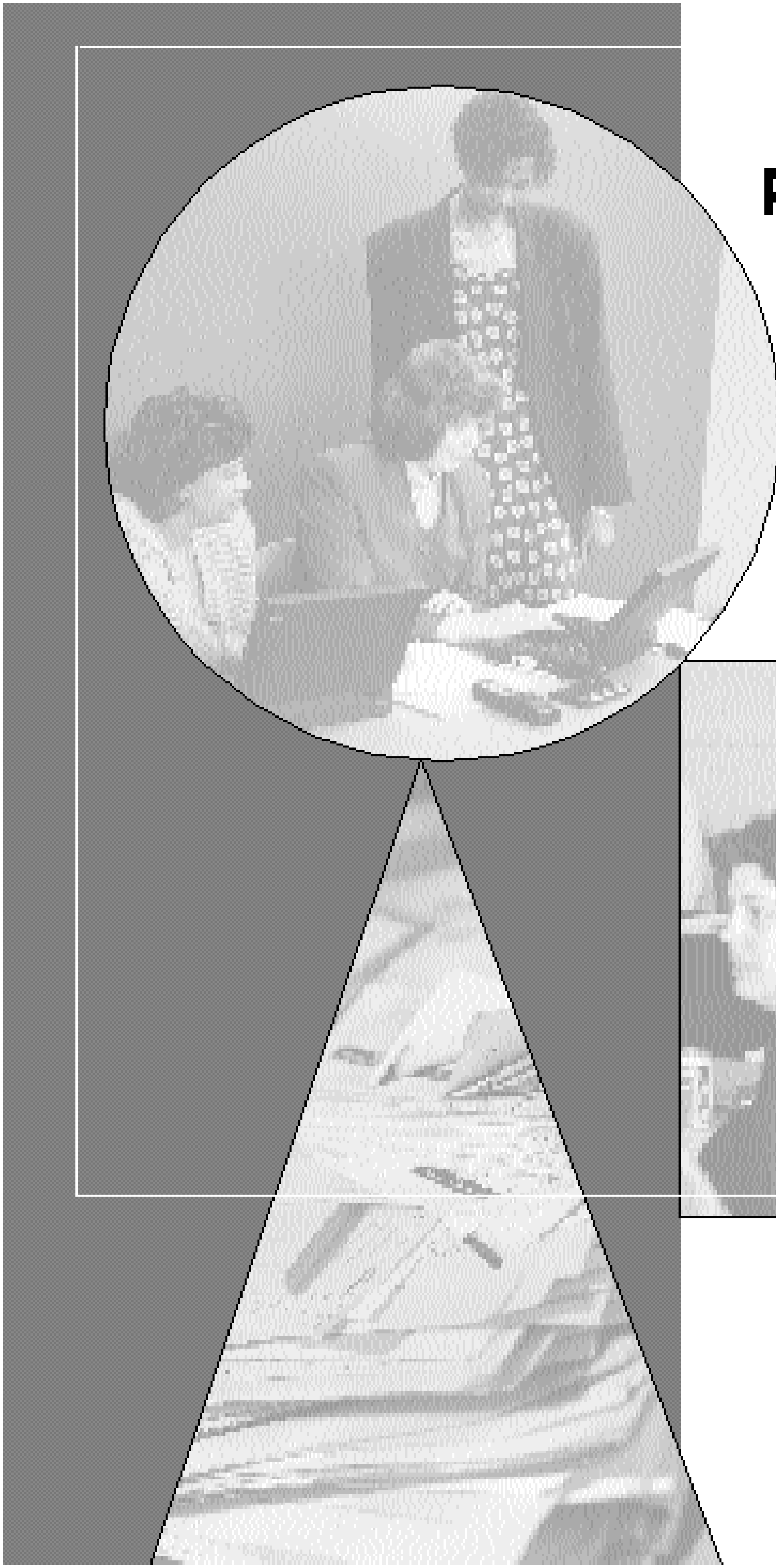
NATIONAL CREDIT UNION ADMINISTRATION

2001 Annual Performance Plan



NCUA—
Dedicated People Working to Ensure Safe, Sound, Secure Financial Access for All Americans

It's Not Just a Job, It's a Commitment

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SECTION I

Introduction

The American credit union movement was established to meet the as then unmet financial needs of individuals of modest means. Credit union movement principles were codified into law with the passage of the Federal Credit Union Act of 1934 (FCU Act) which was enacted "to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States."[1]

Congress reaffirmed the two strategic imperatives of the FCU Act in the Credit Union Membership Act of 1998. First, it stated, "improved credit union safety and soundness provisions will enhance the public benefit citizens receive from these cooperative financial services institutions."[2] Second, Congress recognized the critical role of credit unions within the financial services industry. When discussing the unique nature of the credit union industry as not for profit financial service providers, Congress highlighted the fact "credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means."[3]

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[1] Extracted from Preamble, National Credit Union Act, June 26, 1934.

[2] Public Law 105-219, Credit Union Membership Access Act, August 7, 1998.

[3] Public Law 105-219, Credit Union Membership Access Act, August 7, 1998.

Twenty-First Century Challenges

The twenty-first century will be characterized by rapid and dramatic change. Demographic and technological changes will have a profound impact upon the financial services industry, including credit unions. These changes will be characterized by increased demand for, and use of, technology-driven financial service delivery systems as consumer expectations for technologically delivered financial services increases.

Consumers, including credit union members, will be better informed and will have a greater number of choices between financial service providers. Credit union members will expect the speed and convenience offered by technologically based services. Credit unions must remain competitive, not only with traditional financial service providers, but with non-traditional financial service providers, which can now legally market to consumers. Credit unions must begin now, to project ahead and prepare for these and other changes.

NCUA Response

The National Credit Union Administration (NCUA) must provide a flexible and innovative regulatory environment that serves both as a catalyst for, and a facilitator of, changes within the credit union industry. At the same time, NCUA must maintain a regulatory posture prepared to deal with potential greater risk exposure. The trend appears to be toward fewer, larger and more complex credit unions. As credit unions become larger and more complex, the concentration of risk also increases, compared to the past when the risk was distributed among many small credit unions. A balanced approach to this change is essential to ensure a regulatory framework, which supports credit union efforts to meet member expectations while remaining financially sound.

NCUA's Strategic Plan sets a course of action designed to meet the needs of the credit union movement as well as the consumer. Our Annual Performance Plan 2001 confirms NCUA's commitment to the traditions and values of the credit union movement and specifies the steps we will take in 2001 towards achieving safe; secure financial access for all Americans.

Healthy, prosperous credit unions, as we know them today, have their origins in a cooperative movement that began in the early nineteenth century.[4] NCUA has been charged with the mission of ensuring safe, secure financial access for all Americans in the twenty-first century (see page 21 for a complete mission statement).[5] NCUA's mission statement clearly establishes our purpose and is derived from the preamble of the Federal Credit union Act of 1934.
NCUA has established five strategic goals, in the context of our vision and mission.[6] Simply stated, these strategic goals (see page 21 for the complete text of our goals) are:

- Promote a financially secure national cooperative credit system;
- Promote a national cooperative credit system offering competitive technological services;
- Promote a regulatory environment fostering credit union growth;
- Promote universal financial access; and
- Build a forward-looking human capital infrastructure to support a flexible, universal access, financially secure and technologically competitive national cooperative credit system.

NCUA goal statements, as broadly stated outcomes, guide our programs and management actions. It is NCUA's belief that, through the proper management of our actions, policies and procedures, we will do our part to enable credit unions to successfully meet the challenges of the new millennium.

In the following sections, we will describe the strategies and means NCUA will follow to meet our strategic goals. NCUA's budget is explicitly linked to the accomplishment of our strategic

[4] Extracted from NCUA 1999 Annual Report, *20th Century Federal Credit Unions.*

[5] NCUA Strategic Plan 2000-2005, March 31, 2000.

[6] NCUA Strategic Plan 2000-2005, March 31, 2000.

goals and related budget data is included with the discussion for each of our strategic goals. NCUA will use outcome (results) and output (products) measures as indicators of achieving our goals. It should be noted, as with all regulatory agencies, the outcomes and results of NCUA's efforts are achieved through the cooperative actions of others. Therefore, NCUA must effectively and efficiently use regulations, supervision, examination and other indirect means to facilitate a flexible environment for the operation of the national cooperative credit system while keeping it safe, sound, and secure for all Americans.

SECTION II

Executive Summary

NCUA's 2001 Plan continues our evolution toward a more forward-looking organization, which started with our Strategic Plan 2000-2005. Having just completed our first year under this new strategic approach, NCUA's 2001 Plan provides us with the first opportunity to evaluate its impact. The results were generally good, but as with any work in progress, there is still work to be done. Our initial comments in this summary provide an assessment of the results achieved with our 2000 Plan. We conclude our summary with a review of the follow-on actions in our 2001 Plan (i.e., strategies, goals, and budgetary requirements) necessary to keep us on track to meet our long-term strategic outcome goals.

2000 Plan Summary:

Future challenges and changes compelled NCUA to take a fresh look at its responsibility to credit unions and their members. The result was NCUA's Strategic Plan for 2000-2005. Annual Performance Plan 2000 was our first plan under our new, forward-looking strategic plan. It required NCUA to focus on key issues (i.e., examination and supervision procedures, technology, human resources, etc.) that affect credit union safety and soundness today, and in the future.[7]

NCUA 2000 Plan also represented the first of the transition planning years necessary to shift our focus more outward and into the future. Systems, policies, programs and structure were put into place to begin support for the initiatives to be undertaken in later years. Most importantly, we began the difficult transition from simply tracking data for reports, to thinking and managing strategically, using the results of our annual plan as the basis for change. For the year 2000, our efforts and resources focused primarily on the more traditional financial indicators of safety and soundness. Additionally, we began the initial planning for the necessary supporting resource requirements (i.e., budget, personnel, training, structure, etc.).

[7] NCUA Annual Performance Plan 2000.

The results of our first transition year were generally positive. Of the 22 performance goals established for 2000, 15 were met.[8] The remaining 7 goals lacked a means of readily measuring meaningful data; however, we are developing appropriate measures and collecting data in support of those measures. It should be noted that proper identification, selection, measurement, and verification of results is one of the most difficult aspects of strategic planning. It is also one of the most important and, therefore, must be accomplished with care.

NCUA's personnel and budget in support of our strategic goals in year 2000 were as stated in the chart below.

Actual Resource Utilization for Year 2000 (Full Time Employees and Agency Budget):

Strategic Goal	Full-time Employees	Budget $'s
Goal 1 – Financial Health	689.59	$86,421,522
Goal 2 - Information Technology	35.75	4,772,370
Goal 3 – Regulatory Oversight	33.37	4,182,649
Goal 4 – Universal Access/Business Development	115.69	14,498,590
Goal 5 – Management & Human Resources	119.93	15,029,727
Total	994.32	$124,904,858

Note: Data is annualized based on November 30, 2000 actuals.[9]

2000 Plan Analysis:

In analyzing the results of the 2000 Plan, we ask ourselves a series of questions from two perspectives. The first series looks at credit union issues in five areas. Are credit unions taking appropriate steps to:

- Promote and provide access to all Americans;
- Ensure security and privacy of member information;

[8] NCUA Semi-Annual Report, *Mid-year Performance Report – 2000*, July 15, 2000.

[9] NCUA November 30, 2000 Budget actuals data, Office of Chief Financial Officer, December 12, 2000.

- Remain competitive in the marketplace;
- Ensure current and future technology based systems are safely integrated with financial services and,
- Ensure they are prepared to handle risk resulting from future economic challenges?

Looking at the total picture, are credit unions safe and sound?

The second series looks at NCUA in its roles as regulator and insurer/steward of members' funds in five areas. Is NCUA taking appropriate actions to:

- Ensure it is properly organized to effectively and efficiently examine and supervise the credit union issues above;
- Ensure employees have the right competencies, training and tools to examine and supervise the credit union issues above;
- Ensure its regulations and examinations promote and facilitate credit union competitiveness in the marketplace;
- Ensure it is adding economic value (For example: Is NCUA focusing on the true areas of risk and are the efforts expended in each area appropriate for the identified risk?); and
- Ensure it is leading by example through its preparation for the economic, demographic, legislative and technological challenges of the future.

The issues synergistic impact should determine if NCUA is focused to the maximum extent possible on providing the right environment, the right people, the right skills, the right tools, at the right time, to accomplish the mission effectively and efficiently.

The 2000 Plan results tell us several things. The first is safety and soundness, from a financial health perspective, is well in hand – credit unions are financially healthy! This is validated by NCUA's current measures, which look primarily at key ratios and other financial evaluations based on summarized data from the credit unions' 5300 Call Reports (credit union summary data and ratios). Secondly, the 2000 Plan analysis draws attention to our current limited ability to clearly demonstrate through the measures in our Annual Plan how well credit unions are managing forward-looking risk, given a variety of economic conditions. We should make it very clear at this point NCUA 2000 Plan assessment does not indicate credit unions are doing a poor job managing their forward-looking risk. As previously stated, NCUA's 2000 Plan measures focus primarily on past trends and ratios limiting its ability to clearly demonstrate forward-looking results. Credit unions are required, by regulation and NCUA examination procedures, to demonstrate their ability to remain financially sound under a variety of economic scenarios.

Thirdly, the 2000 Plan analysis identifies the potential need for changes within our organizational structure. This potential need is derived from our inability in our 2000 Plan to directly identify, assess and measure our organizational effectiveness. However, NCUA is in the earlier stages of defining and putting into place the appropriate structure, programs, personnel, tools and technology to support needed changes.

Finally, the 2000 Plan analysis reiterates, as we expected, NCUA is in the early stages of its transition to a more forward-looking organization. The journey is not an easy one or one accomplished over-night. As a result, NCUA must focus on future events possibly driven by the economy, technology, demographics, legislative changes and/or other factors impacting the overall safety and soundness of credit unions during and after this transition.

In summary, while several steps remain, NCUA is continuing its evolution toward a more forward-looking organization in alliance with the cooperative credit union industry. NCUA and all its employees are committed and dedicated to providing safe, sound, secure financial access to all Americans.

2001 Plan Summary:

In our 2001 Plan, we took a fresh look at our Annual Plan goals, as well as, our Strategic Plan 2000-2005. This was to ensure continuity of purpose and intent. Simply put, we took a couple steps away from the trees to see the forest and to make sure we were still focused on critical issues. The following major changes were made during the development of our 2001 Plan.

- We added an introduction and organizational history section to remind the reader of credit union origins and their unique place in history, American society and the financial services industry.
- We expanded the external factor discussion to highlight the possible impact of external factors on our ability to achieve our goals, and to help formulate contingency plans, where appropriate. Note: This will become an Office of Management and Budget requirement for all plans developed after the year 2000.[10]
- We reformatted the document to include a numbering system, which more readily identifies and aligns our strategic goals with our supporting annual strategies and goals.
- We increased line spacing, simplified the organizational format and eliminated financial service industry jargon and acronyms to improve reader friendliness.
- We more clearly tied together our strategic and annual goals and supporting budget data.[11] A chart showing historic and projected budget data for analysis is shown with each strategic goal.

Projected Resource Utilization for Year 2001 (Full Time Employees and Agency Budget):

NCUA budget data was not allocated by strategic goal until year 2000. Budget data is therefore unavailable for the years 1998 and 1999 as requested by the Office and Management Budget.

YEAR		GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5
2000	FTEs	689.59	35.75	33.37	115.69	119.93
	$	86,421,522	4,772,370	4,182,649	14,498,590	15,029,727
2001	FTEs	716.97	31.86	34.85	118.06	127.01
	$	97,547,570	4,935,332	4,741,658	16,061,973	17,280,046
Note: 2000 reflects November 30, 2000, data annualized; 2001 data elements are projections.						

[10] Office of Management and Budget Circular A-11, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Performance Reports*, Section 210.5e, July 2000.

[11] White House Bulletin No. 00-04, *Integrating the Performance Plan and Budget*, June 6, 2000.

Strategic Plan 2000 – 2005 Changes:

Four significant changes were made to our Strategic Plan 2000-2005. These changes are as follows:

- Strategic Outcome Goal 2.2 was combined with Strategic Outcome Goal 2.3 to eliminate duplication and re-emphasize the relationship between security and public trust. Both goals dealt with emerging technology threats and public confidence in the safety and soundness of credit unions, given these threats.
- Strategic Goal 5 was restructured to focus entirely on human resource management. This restructuring clearly identifies and serves to emphasize the importance of human resource management as necessary capital investments in support of credit union safety and soundness. Additionally, it serves to bring our plan in line with recent White House and Office of Management and Budget guidance.[12]
- Strategic Outcome Goal 5.2, which addressed the focus of NCUA's examination and supervision program, was eliminated because it duplicated similar issues addressed in Goals 1 and 3 of our Strategic Plan 2000-2005.
- Strategic Performance Goal 5.3 called for the Strategic Management Council to present budget recommendations to the Board by July 31, 2000. This was accomplished and the goal was deleted. However, to ensure the Strategic Management Process continues to develop, NCUA Instruction Number 9501, Annual Plan Implementation, is being re-written to more clearly define the roles and responsibilities of the Strategic Management Council (SMC). The new instruction will require a SMC charter to be developed, the council to meet quarterly, at a minimum. Meetings should be scheduled with sufficient time to consider agency programs prior to annual and mid-year budget consideration by the NCUA board. SMC membership will be examined to consider including all regional directors and the SMC should review ISOC recommendations for compliance with NCUA's Strategic and Annual Plans.

[12] White House Memorandum, *Actions to Further Improve Management of Federal Human Resources*, June 9, 2000.

SECTION III

Origin and History of Credit Unions and NCUA[13]

Formed to Provide Credit to People of Small Means:

From their early origins, credit unions were unique depository institutions created, not for profit, but to serve members as credit cooperatives. The earliest financial cooperatives date back to the beginning of 19th century in England. The founding principles of these original "credit unions" still exist today:

- Provide reasonable access to affordable credit;
- Democratically governed;
- One vote for each member;
- Member-elected board of directors; and
- Volunteer based.

Twentieth Century Growth:

It is these founding principles, the enduring structure, that form the basis for the cooperative spirit that has allowed credit unions to grow and prosper through two centuries.

- In 1909, Alphonse Desjardins helped a group of Franco-American Catholics in Manchester, New Hampshire organize *St. Mary's Cooperative Credit Association*--the first credit union in the United States.

- On April 15, 1909, the *Massachusetts Credit Act* became law spurred by the attention of Edward Filene, a merchant and philanthropist, and Pierre Jay, the Massachusetts Banking Commissioner. The Massachusetts law served as a basis for subsequent state credit union laws and the Federal Credit Union Act.

[13] Extracted from NCUA 1999 Annual Report, *20th Century Federal Credit Unions.*

- In the 1920's with the upswing of the U.S. economy, the credit union movement became increasingly popular. People had more money to save and were able to afford products such as automobiles and washing machines. However, they needed a source of inexpensive credit. Because commercial banks and savings institutions were not generally interested in providing consumer credit, credit unions began to flourish.

- In 1920, Roy Bergengren, a poverty lawyer, was hired by Edward Filene to manage the Massachusetts Credit Union Association to promote the development of credit unions in that state. Within a year, Massachusetts chartered 19 new credit unions.

- In 1934, President Roosevelt signed the Federal Credit Union Act into law, authorizing the establishment of federally chartered credit unions in all states.

- In the 1940s and 1950s, credit unions grew steadily and by 1960 credit union membership amounted to more than 6 million people in more than 10,000 federal credit unions.

- In 1970, the National Credit Union Administration was created to ensure reasonable access to affordable credit for people of modest means, to charter and supervise federal credit unions and to manage the National Credit Union Share Insurance Fund (NCUSIF). In the independent credit union spirit, the NCUSIF was created without tax dollars and capitalized solely by credit unions to insure credit union deposits. The 1970s were years of tremendous growth in credit unions. The number of credit union members more than doubled and assets in credit unions tripled to over $65 billion.

- The 1980's were characterized by increased flexibility in merger and field of membership criteria and expanded member services. However, high interest rates and unemployment in the early 1980's brought supervisory changes and insurance losses. With the NCUSIF under capitalized, the credit union community called on Congress to approve a plan to re-capitalize the NCUSIF.

- In 1985, federally insured credit unions through an act of Congress re-capitalized the NCUSIF by depositing one percent of their shares into the NCUSIF. No taxpayer dollars were used to re-capitalize the NCUSIF.

- During the 1990s, credit unions continued to experience healthy growth in membership and assets. The strong performance of the NCUSIF safeguarded its ongoing capability as insurer of credit union deposits. Today there are more than 76 million credit union members and credit unions assets exceed $425 billion.

SECTION IV

External Factors Assessment For Year 2001

Economic Assessment: The consumer market will be characterized by continuing mergers and acquisitions of commercial banks and thrifts, resulting in a concentration of large, powerful institutions. Non-traditional financial service providers will enter the competitive fray. Old-line brokers and financial managers will attempt to broaden their product mix. Product cross-selling, sophisticated credit scoring models and fee-based programs will be used to enhance profits generated from the household sector. Credit unions, while using the capabilities of the new technology, can emphasize their cooperative, nonprofit status, their common bond and the trust they have developed with their members to differentiate themselves from their competitors and to broaden their appeal to various segments of the community.

Legislative Assessment: The year 2000 was an election year and like every election year before it, carries with it the potential for a changing political environment, which could impact NCUA and credit unions. The results of the Congressional and Presidential elections may largely determine the future of legislation that could affect credit unions and other financial institutions. For example, the future of privacy protection and bankruptcy reform could potentially be largely determined by which party controls the White House and the Congress.

A number of political issues are likely to carry over to the next Congress, including funding for the Revolving Loan Program, bankruptcy reform and deposit insurance changes. Consideration of deposit insurance limits will likely occur regardless of which party controls Congress and the White House.

NCUA's Public and Congressional Affairs (PACA) will be working to obtain permanent supervisory authority over credit union vendors in 2001, to eliminate the appropriations cap on CLF borrowing and to gain additional funding for the Community Development Revolving Loan Fund. Additionally, efforts will be ongoing to enhance the federal charter.

Technology Assessment: With the rapidly increasing technological innovations, credit unions, and the financial industry, will be challenged to deliver expected financial services to customers. While a few credit unions currently lead the field in providing interactive Internet service, in general, credit unions lag in integrating technology with financial services. Some credit unions are now providing wireless banking service to members, and a few credit unions currently offer biometrics for personal identification in conducting financial transactions. These types of delivery services and many others yet to be implemented, may expand in the near future.

In general, credit unions must provide desired financial services, using the technology members demand, to remain competitive. However, with technology innovations expected to continue at a quickening pace, credit unions must balance the other side of the technology scale – potential increased risk to their operations. Appropriate internal and external controls must come along with technology to ensure consumer privacy and security concerns are satisfied. The security of records and systems, and the privacy of member information must remain a top priority. Credit unions will need to obtain the necessary resources, human and monetary, to protect the security of their systems while they are adopting new technologies. Further enhancements of technology will place increasing demands on staff expertise, affecting the budget for compensation and training. Computer hardware and software needs may further strain the credit union budgets.

Credit union officials will need to further improve information technology (IT) planning to ensure they identify member and resource needs while also achieving efficiencies – with technology – to provide sufficient return to members.

Demographic Assessment: The face of the United States is changing at a rapid rate. The country's population, in general, is aging. Birthrates are declining, thus non-English speaking immigrants fuel much of our population growth. This brings a diversity of financial needs and cultural perspectives to the market place. The gap between skilled and unskilled workers is growing. It is difficult to hire and retain skilled labor, putting pressure both on service providers and credit union employers. In many cases, the technological revolution and changes in the work place result in the demand for new products and new service delivery options. Each of these brings its own challenges, requiring credit unions to develop multifaceted business plans to meet the varied needs of all segments of their existing and potential memberships.

SECTION V

Annual Performance Goals

NCUA Mission

Our charge is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend credit for productive and provident purposes to all Americans, particularly those of modest means.

We strive to ensure credit unions are empowered to make the necessary business decisions to serve the diverse needs of their members and potential members. We do this by establishing a regulatory environment that encourages innovation, flexibility, and continued focus on attracting new members and improving financial service to existing members.

NCUA Vision

Working with the cooperative credit union system to provide service to all segments of American society and to enable credit unions and their members to thrive in the twenty-first century.

NCUA Goals

Goal 1: Promote a system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility.

Goal 2: Ensure credit unions are prepared to safely integrate financial services and emerging technology in order to meet the changing needs of their members.

Goal 3: Create a regulatory environment that will facilitate credit union innovation to meet member financial service expectations.

Goal 4: Enable credit unions to leverage their unique place in the American financial services sector to make service available to all Americans who are not currently being served, particularly those of modest means.

Goal 5: Enhance NCUA's organizational ability to act proactively in assisting the credit union community meet the challenges of the twenty-first century.

Strategic Goal 1: Promote a system of financially sound, well-managed federally insured credit unions able to withstand economic volatility.

Strategic Overview: NCUA must look ahead to help credit unions plan for economic volatility. While overall the United States economy has been strong and growing for the past thirty years, there have been periods of inflation and high interest rates. Credit unions, for the most part, have weathered these periods well. However, a good proportion of current NCUA and credit union employees have never dealt with the challenges of an economic downturn. To some extent, the good economy and a relatively stable, lower interest rate environment can mask credit union problems. If this changes, problems may surface. The more competitive environment, lower margins, increasingly rate sensitive members and new competition from non-financial entities make the potential effect of economic volatility more pronounced.

NCUA through its examination and supervision program will work with credit union boards and managers to identify existing and potential financial weaknesses and to develop effective solutions. NCUA will provide flexible and facilitative regulatory guidance on emerging financial trends to continue to foster a more forward looking view that encourages credit unions to start planning to align their balance sheets to meet the threat of economic volatility and to thrive during those times.

Risk-based review and flexible scope examinations will allow NCUA the flexibility to focus examiner efforts on specific critical areas thereby increasing the economic value added and efficiency of the agency's supervisory actions for credit unions.

Economic Assessment: Major economic issues face credit unions in 2001 as they adjust to changes in their balance sheets. These issues include the impact of the increased percentage of real estate loans as a percentage of total assets and the corresponding increase in longer-term assets on balance sheets. Additionally, credit union members are becoming increasingly sensitive to market interest rates. If interest rates were to rise further, and especially if they were to rise quickly, the economic impact on a number of credit unions could be substantial. Credit union attention to asset liability management, encouraged by new NCUA exam procedures, should enhance credit unions' ability to manage this risk, while meeting the needs of their membership.

In a rising interest rate environment, credit unions would need to raise rates on share deposits in order to retain these deposits in light of the competition for these deposits. At the same time, those credit unions with long-term real estate loans on their books would be hard pressed to increase rates on loans because those loans are fixed or re-price relatively slowly, while the rates on share deposits are impacted more quickly by economic interest rate changes. This could have two primary impacts. First, it could cause liquidity concerns if credit unions were not to raise share deposits rates to correspond with competitive rates in other financial institutions. Secondly, it could cause credit union earnings problems, if credit unions were to raise share deposit rates, but could not raise rates as quickly on loans, especially with real estate loans already booked.

Boards of directors and credit union management need to be prepared to deal with balance sheets that have a high percentage of long-term assets, in a rapid rising interest rate environment. Further, credit unions need to be prepared for a potential reduction in liquidity in a rising interest rate environment, so the ability to provide loans to members is not diminished.

Legislative Assessment: The Central Liquidity Facility is in great need of a more realistic borrowing ceiling, if it is to continue to meet credit union expectations. For twenty years, the ceiling remained at $600 million despite the tremendous growth in credit union assets during the same period. Congress did lift the ceiling to the statutory maximum (approximately $22 billion) for fiscal 2000 in response to Y2K concerns, but it was lowered to $1.5 billion for fiscal 2001. The ceiling should be permanently increased to a more realistic level.

Bankruptcy reform and other pending legislation may have a financial impact on credit unions. In addition, an emerging movement in some credit union circles to enhance and enlarge a private insurance option for credit unions could affect the credit union system adversely. There is historical precedent of private insurance failure and those who are hurt by the failure quickly turn to the federal government for relief.

Technological Assessment: The financial services industry is moving toward enhancing their brick, mortar and paper operations with more convenient, faster technological service, primarily through the medium of the Internet. This is evidenced by recent congressional approval of electronic signatures and the completion of the first credit union all electronic mortgage. A growing number of credit union members want and expect the means to transact personal finances electronically in the convenience of their homes. It is essential the credit union industry stay competitive with other financial industries in providing these services.

NCUA supports credit unions' need to implement these new technologies. Credit unions must appropriately balance the implementation of new technology while maintaining proper internal and external security controls. An imbalance may cause problems for credit unions that have not adequately planned and acted in this regard. NCUA is modifying the examination program to address the additional risks associated with new technology.

Demographic Assessment: Much of the current wealth in the United States is concentrated in two segments of the population, those born before World War II and those born immediately after, "baby boomers." Those born before the war tend to accumulate wealth and save it while those born after the war accumulate wealth and spend it. While income shows a moderate upward trend, net worth has grown strongly. A continued rise in the holding of stock equity combined with a booming stock market accounts for a significant part of the rise in personal net worth. Traditional and non-traditional financial service providers will compete vigorously for a share of the rising net worth.

The older population segment historically is oriented to personal service and, as they were loyal to one employer, tends to be loyal to one financial institution. The baby boomer generation and those following, have money to spend, are technologically savvy, shop for the best deal, and value convenient, consolidated financial services. In addition, many generation X (children of baby boomers) credit union members and future credit union members have grown up using technology and expect this type of service. Credit unions of all sizes will need to meet the challenge to retain members and maintain a level of growth sufficient to replace outgoing generations who were active users of credit union services.

NCUA's approach to safety and soundness recognizes the need for credit unions to take reasonable risks in order to meet member service expectations and attract new members.

Resource Utilization (Full Time Employees and Agency Budget):

YEAR	TOTAL FTEs	TOTAL %	TOTAL $	TOTAL % ($)
2000	689.59	69.40%	$86,421,522	75.50%
2001	716.97	69.69%	97,547,570	69.40%
Note: 2000 reflects November 30, 2000, data annualized; 2001 data elements are projections.				

Strategic Outcome Goal 1.1: Ensure federally insured credit unions are financially healthy.

Discussion: As a regulator and insurer, NCUA plays a vital role in ensuring the financial health of credit unions. The examination and supervision program has been the primary vehicle for accomplishing this. Our current examination and supervision process served us well for many years. However, we designed this transaction review process when credit unions were predominately small and had simple operations. As the assets of the industry concentrate in our largest credit unions and as those credit unions become more complex, it is imperative we adapt our supervision approach to these institutions. This new supervision perspective will focus on how the credit union manages its processes and plans for the future. Continuing to review only transactions in a typical large credit union may cause the examiner to miss the big picture. Interest rate and liquidity risk are two major challenges credit unions face, as is e–commerce risk (security risks). Credit risk can also become an issue depending to a large degree on the economy. It is essential our examination and supervision process evolve to meet the needs of the changing credit union industry.

Our current system will continue to work for and assist in the preservation of small credit unions, but the major risk to the NCUSIF lies in our larger more complex credit unions. We must ensure our examination and supervision efforts allow us to stay ahead of the changing dynamics of the credit union industry.

Performance Strategy and Goal 1.1.1:

- Strategy 1.1.1: Develop, test and systematically update a flexible, yet comprehensive examination process.
- Crosscutting Strategy 1.1.1: Consult with, learn from, and, where appropriate, adopt the best practices of other federal and state financial regulatory agencies.
- Goal 1.1.1(a): Implement a flexible, balanced, and targeted risk-based examination process and infrastructure.
- Goal 1.1.1(b): Implement an Automated Integrated Regulatory Examination System (AIRES) update to enhance the move toward a more risk-based examination process through increased automation of the process.

Performance Strategy and Goal 1.1.2:

- Strategy 1.1.2: Develop and implement an examiner-training program to support the forward-looking examination process.

- Crosscutting Strategy 1.1.2: Participate in Federal Financial Institutions Examination Council training courses as a cost effective way for NCUA staff to acquire skills in specialized areas.
- Goal 1.1.2(a): Implement risk-based disciplines within the examiner career progression structure.
- Goal 1.1.2(b): Implement forward-looking examination process training classes into the first year of the examiner-training curriculum and into training for current examiners.

Performance Strategy and Goal 1.1.3:

- Strategy 1.1.3: Evaluate the corporate regulations in order to ensure any potential future changes address the continued safety and soundness of the corporate credit union network.
- Goal 1.1.3: Complete a review of the corporate rule, NCUA Rules and Regulations, Part 704.

Performance Strategy and Goal 1.1.4:

- Strategy 1.1.4: Develop consistent policies and procedures to evaluate net worth restoration plans.
- Goal 1.1.4: Implement an examination and supervision process designed to evaluate credit union net worth restoration plans.

Strategic Outcome Goal Performance Measures 1.1:

- Measure 1.1(a): Reduce the percentage of federally insured credit unions with a return on assets (ROA) of less than 0.5 percent and net worth of less than 6.0 percent to 1.28 percent (credit unions chartered less than ten years are not included).
- Measure 1.1(b): Reduce the number of federally insured credit unions with net worth less than 6.0 percent to 2.00 percent (credit unions chartered less than 10 years are not included).

Baseline/Expected Performance:

Indicator:	1996+	1997 +	1998 +	1999 *	2000 * (Est.)	2001 * (Est.)	Trend (+/-)
# CU's (ROA <0.5 & NW <6% to 1.28%)	N/A	179	198	145	80	100	+
% CU's (ROA <0.5 & NW <6% to 1.28%)	N/A	1.59%	1.80%	1.36%	.77%	0.96%	+
#CU's (NW <6% to 2.0%)	N/A	364	347	284	167	208	+
%CU's (NW <6% to 2.0%)	N/A	3.24%	2.55%	2.67%	1.61%	2.00%	+

Note: Estimates for Year 2001 reflect the expectation external factors will result in an increase over Year 2000 measures for the number of credit unions falling below the earnings and net worth thresholds. These external factors include, but are not necessarily limited to, potential asset growth, potential increases in credit and/or actual credit losses, and/or other potential losses incurred by those credit unions currently operating at a level marginally above the .50% return on assets (ROA) and 6% net worth ratios. The past decade of strong financial performance in credit unions has produced historically strong operating results that will be difficult to maintain or improve. NCUA accepts that the extremely low average loan delinquency and charge-off rates, stable market conditions, healthy operating margins and high net worth levels in credit unions are subject to adverse change. It should be noted a protracted decline in general economic conditions and/or a persistent growth in credit union assets could result in a higher number of credit unions with net worth ratio below 6% and an ROA ratio below .50%.

+ Requested by OMB if available
* Required by OMB

Data Source and Validation: The 6.0 percent net worth ratio percentage is from the prompt corrective action provision of the Credit Union Membership Access Act. The 0.5 percent return on average assets (ROA) is a threshold of less than optimal credit union earnings. The numbers of credit union percentages (1.28 percent and 2.00) percent are based on an analysis of past performance and consideration of what can be accomplished given available resources. The data will be validated though the 5300 Call Report and the Examination System (EXM) database and individual review of examination reports.

Program Evaluation: NCUA regularly evaluates its progress toward achieving its goals. Monthly management reports and quarterly board reports are used to communicate and discuss progress on organizational strategic and annual goals and corresponding budgetary efficiency. Additionally each year, the Office of the Inspector General selects and evaluates different performance measures for reliability and validity. During 2001, NCUA's Office of Inspector General will accomplish an evaluation of the Form 5300 for natural person credit unions and Form 5310 for corporate credit unions as data sources.

Strategic Outcome Goal 1.2: Ensure credit union management is aware of and positioned to meet current and potential future financial challenges.

Discussion: NCUA will strengthen its long range forecasting capabilities to better understand, communicate and take supervisory action based on a macro-view of the industry. NCUA will identify issues sufficiently in advance to help credit unions take action, when necessary, and develop timely, cost effective solutions, when warranted. NCUA will develop a supervisory and examination approach, which considers the bigger picture and a more forward-looking perspective.

Credit unions must have volunteers and paid staff with the knowledge, skills and abilities to plan for increasingly complex operations and the challenges of a volatile economic environment. This critical need comes at a time when volunteers are sometimes difficult to find, keep current, and retain. Without the appropriate expertise, credit unions may see their competitive edge slip and their ability to serve their members deteriorate. NCUA will work with credit unions, trade associations and leagues to help ensure a competent, prepared credit union workforce and well-informed, up-to-date volunteers.

Performance Strategy and Goal 1.2.1:

- Strategy 1.2.1: Develop long range forecasting capability within NCUA.

- Goal 1.2.1: Provide better information to credit union managers and NCUA staff related to local, regional, and national economic trends and potential problem area.

Performance Strategy and Goal 1.2.2:

- Strategy 1.2.2: Develop a means to integrate NCUA's risked based forward-looking focus throughout the credit union community.
- Goal 1.2.2: Implement a program or process designed to effectively communicate NCUA's risked based forward-looking focus through examinations, information bulletins, letters to credit unions, etc.

Performance Strategy and Goal 1.2.3:

- Strategy 1.2.3: Develop NCUA programs and encourage credit union initiatives to help credit unions attract/retain volunteers and prepare credit union boards and staff to deal with future challenges.
- Goal 1.2.3(a): Work with credit union community to identify needs and areas where NCUA can provide assistance.
- Goal 1.2.3(b): Sponsor efforts such as internship programs, regional workshops, adult education credit union training curriculum, etc.

Strategic Outcome Goal Performance Measure 1.2:

- Measure 1.2(a): Reduce the percentage of those federally insured credit unions that remain CAMEL code 3 for more than 36 months to 4% of operating federally insured credit unions.
- Measure 1.2(b): Maintain 75% of credit unions receiving a CAMEL management rating of 2 or better.

Baseline/Expected Performance:

Indicator:	1996+	1997 +	1998 +	1999 *	2000 * (Est.)	2001 * (Est.)	Trend (+/-)
# Federal insured credit unions	N/A	11,238	10,995	10,629	10,435	10,250	-
FICU's with CAMEL 3 > 36 months	N/A	673	567	462	451	420	+
% FICU's with CAMEL 3>36 months	N/A	6.0%	5.2%	4.3%	4.3%	4.1%	+
Management Rating 2 or better	N/A	6819 59.86%	7785 69.27%	7803 70.97%	7674 72.19%	7798 74.73%	+

\+ Requested by OMB if available
* Required by OMB

Data Source and Validation: CAMEL ratings are assigned in conjunction with an examination or supervision contact at a credit union. NCUA examiners assign CAMEL ratings for federal credit unions. In the case of federally insured state chartered credit unions; the CAMEL rating is assigned by the state supervisor and is reviewed by NCUA. Refer to Data Source and Validation comments under Strategic Outcome Goal 1.1.

CAMEL code 3 represents performance that is flawed to some degree and of supervisory concern. Key performance measures are generally flat or negative to such a degree that safe and sound operations may be adversely affected. CAMEL code 3 credit unions are only nominally resistant to the onset of adverse business conditions and are, generally, not prepared for potential financial challenges.

Strategic Outcome Goal 1.3: Maintain the healthy performance of the National Credit Union Share Insurance Fund (NCUSIF).

Discussion: In the independent credit union spirit, the NCUSIF was created in 1970 without tax dollars, capitalized solely by credit unions. In 1985, the NCUSIF was re-capitalized by federally insured credit unions depositing and maintaining 1.0 percent of their share deposits in the

NCUSIF. The deposits are carried as an investment on their balance sheets. The NCUSIF total balance is maintained at or near 1.30 percent of federally insured credit union deposits. Therefore, the NCUSIF is funded and owned solely by credit unions and their membership. The ongoing healthy performance of the NCUSIF, reflected by no or minimal losses, is essential for the continuation of the independent credit union movement.

Performance Strategy and Goal 1.3.1:

- Strategy 1.3.1: Continue to complete examinations promptly and maintain a quality examination program.
- Goal 1.3.1(a): Complete 90% of all federally chartered credit union examinations within 45 days of the beginning of on-site activity.
- Goal 1.3.1(b): Conduct quality control reviews on a statistically valid sample to achieve a 90% confidence ratio.

Performance Strategy and Goal 1.3.2:

- Strategy 1.3.2: Manage NCUA supervision program so federally insured credit union problems are recognized and resolved promptly.
- Goal 1.3.2: Manage NCUA supervision program so the percentage of federally insured credit unions that remain CAMEL code 4 or 5 is no more than 1.1% for 12 months and no more than 4.5% for 24 months. No more than 4.5% of federally insured credit unions will remain CAMEL code 3 for more than 36 months.

Performance Strategy and Goal 1.3.3:

- Strategy 1.3.3: Ensure joint examinations and risk reviews are sufficient to evaluate the safety and soundness of federally insures state chartered credit unions.
- Crosscutting Strategy 1.3.3: Coordinate with state supervisory authorities to ensure joint examinations and risk reviews are sufficient to evaluate the safety and soundness of federally insured state chartered credit unions.

- Goal 1.3.3(a): Implement a means or process to ensure joint examinations and risk reviews are sufficient to evaluate the risked-based forward-looking issues concerning safety and soundness of federally insured state chartered credit unions (FISCUs).
- Goal 1.3.3(b): Perform insurance reviews of at least 12.0 to 15.0 percent of the federally insured state chartered credit unions in each state.

Strategic Outcome Goal Performance Measures 1.3:

- Measure 1.3(a): Maintain the insurance loss ratio ten-year average below $0.30 per $1000.00.
- Measure 1.3(b): Maintain NCUSIF equity ratio above 1.30 percent.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
NCUSIF equity ratio	N/A	1.3%	1.3%	1.3%	1.3%	1.3%	+
NCUSIF 10-year loss per $1000	N/A	$0.32	$0.28	$0.22	$0.17	$0.09	+

\+ Requested by OMB if available
* Required by OMB

Data Source and Validation: The above data comes from the 5300 Call Reports/Share Insurance Report prepared by the Office of the Chief Financial Officer. The records of the National Credit Union Share Insurance Fund (NCUSIF) are maintained using generally accepted accounting principles (GAAP), which include the establishment of estimated liabilities, accruals, and deferrals to fairly represent the balance sheet and statement of operations. The NCUSIF establishes a liability for estimated losses from insured credit unions, which are troubled, merging, or liquidating. The amount of insurance loss is the difference between the amount of liabilities for losses on the fund's balance sheet and the actual amount needed, which is based on an ongoing analysis systematically completed by the Office of Examination and Insurance.

An effective supervision and examination program, good credit union management, and a robust economy directly impact insurance losses. A system of internal controls ensures the accuracy of the financial statements. Additionally, a major certified public accounting firm annually audits the fund. This external review includes a review of the financial statements and the adequacy of the fund's internal controls. A certified public accounting firm has rendered an unqualified opinion (no recommended actions) for the last 16 years.

Strategic Goal 2: Ensure credit unions are prepared to safely integrate financial services and emerging technology in order to meet the changing expectations of their members.

Strategic Overview: This goal relates to the need to prepare credit unions to meet the technical expectations of its members and to attract new members. Credit union competitiveness is a key component of credit union safety and soundness. NCUA has an important role to play in this crucial challenge. NCUA will:

- Keep its own staff members and credit union management abreast of emerging technology and its applications to the financial services industry through aggressive programs for education, training and information sharing.
- Ensure established procedures allow the integration of technology, as it becomes available, through forward-looking, flexible and innovative policies.
- Ensure examination procedures allow for and are able to evaluate the inclusion of emerging technology in credit union operations through the development of adaptable, modular, forward-looking risk-based examinations.
- Work and partner with other agencies to understand, promote and leverage emerging technology for the advancement of the credit union movement.

Economic Assessment: Economic and financial stresses may cause NCUA to shift priorities to address more immediate credit union financial health issues, thus giving less attention to longer-term technology issues. Should economic and financial stresses actually occur, NCUA and credit unions will need to balance financial health issues with matters of longer-term technology services as both relate to credit union safety and soundness. Alternatively, economic and financial pressures may require credit unions to quicken their adoption of technical change. Their great success in dealing with Year 2000 computer issues indicates credit unions have the will and capability to respond to technology challenges. Regardless of the direction of economic trends, credit union member expectations and competition from other financial service providers for members' business will still be present.

Legislative Assessment: Presently, the other financial regulatory agencies have permanent authority to review the operations of vendors providing cyber-financial services to financial institutions. NCUA was able to obtain the same authority through the Examination Parity Act of 1998, but on a temporary basis. A sunset provision in this Act means NCUA authority lapses on December 31, 2001. NCUA will seek legislation to make this authority permanent. Without the authority to review vendors, NCUA would be hampered in its ability to identify and measure information systems and technology (IS&T) risks. The vendor IS&T examination program will permit the agency to proactively address current and emerging issues in IS&T security, controls and operating procedures. Without the removal of the sunset provision, NCUA will have no authority to participate on Federal Financial Institutions Examination Council (FFIEC) jointly conducted vendor examinations nor any authority to disseminate FFIEC vendor reports to credit unions.

Several bills related to a consumer's right to financial privacy are working their way through the legislative process. They include Consumers Right to Financial Privacy Act, H.R. 3320, Depository Institution Consumers Financial Privacy Enhancement Act of 199, H.R. 1339 and Electronic Disclosures Delivery Act of 1999, H.R. 2626. In general, this legislation addresses protection of the confidentiality of customer financial information. As reflected in the efforts of their elected representatives, use and protection of financial data will be a key concern of credit union members and potential members.

Technological Assessment: Financial service institutions have recognized the benefits of emerging technology and are integrating it into their operations as an important element of their business model. Internet based services enable credit unions to offer additional products and services to their membership. Credit union members may find alternative providers if credit unions cannot keep pace and offer competitive services at reasonable prices.

Demographic Assessment: In the past, traditional credit union members used computers sparingly. Today, technology is an integral part of many younger members' and younger potential members' lives. The younger generation grew up using computers for schoolwork, play, e-mail, business applications, the Internet and financial services. The younger generation is the future of the credit union industry. If a credit union cannot provide financial services to meet their desires, they will look elsewhere. In a competitive environment with electronic commerce, the fight to retain the member's attention and patronage will be a major challenge facing credit unions.

Consumers are opposed to financial institutions sharing information about them with third parties without permission. However, sharing of information may be essential for the partnerships and credit union strategic alliances to provide the kind and variety of services needed to meet member demands. Credit union processes to ensure member confidentiality will be crucial as will be member education regarding confidentiality.

Resource Utilization (Full Time Employees and Agency Budget):

YEAR	TOTAL FTEs	TOTAL %	TOTAL $	TOTAL % ($)
2000	35.75	3.60%	$4,772,370	4.20%
2001	31.86	3.10%	$4,935,332	3.51%
Note: 2000 reflects November 30, 2000, data annualized; 2001 data elements are projections.				

Strategic Outcome Goal 2.1: Ensure credit unions have access to information about emerging financial service technology and use this information to integrate innovative technology planning, contracting, deployment, and support within the credit union framework.

Discussion: Many credit unions are making substantial progress integrating financial services and technology. Others face impediments such as lack of technical expertise or financial resource limitations. NCUA believes it must be an active participant in providing credit unions with access to pertinent information. NCUA will facilitate information exchange and lead the way through its own planning, development, and sharing of information and successful concepts.

Performance Strategy and Goal 2.1.1:

- Strategy 2.1.1: Develop a means to enhance examiners and other NCUA staff understanding and use of technology
- Goal 2.1.1: Assess staff needs. Implement information sharing systems, encourage staff participation in technology focused conferences, assign staff to work with forward-looking credit unions, develop education programs focused on meeting staff needs, etc.

Performance Strategy and Goal 2.1.2:

- Strategy 2.1.2: Develop a means to share technology information with examiners and credit unions.
- Goal 2.1.2: Develop improved ways to share information regarding best practices, contact points, resources, etc., with examiners and credit unions. Promote better use of the intranet (for examiners), Internet, interactive training, distance learning, etc.

Performance Strategy and Goal 2.1.3:

- Strategy 2.1.3: Develop an environment and/or means to encourage the use of technology plans by credit unions.
- Goal 2.1.3: Use the e-commerce checklist and/or other means to encourage the development and use of technology plans by credit unions.

Strategic Outcome Goal Performance Measures 2.1:

- Measure 2.1(a): Increase the number of credit unions offering interactive services by 10%.

- Measure 2.1(b): Increase the number of credit unions offering electronic bill payment and presentation services by 5% per annum.
- Measure 2.1(c): Increase the number of credit unions having technology plans by 5% per annum.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
# of CU's offering interactive services	N/A	N/A	484	977	1400	1600	+
# of CU's offering bill payment services	N/A	N/A	N/A	N/A	N/A	237	+
# of CU's having technology Plans	N/A	N/A	N/A	N/A	N/A	1100	

+ Requested by OMB if available
* Required by OMB

Data Source and Validation: 5300 Call Report System. Interactive services are defined on the Call Report.

Strategic Outcome Goal 2.2: Promote public trust in credit union deployment of emerging technology and in credit union ability to provide secure systems.

Discussion: Public trust is essential to the ability of credit unions to grow and to provide service to their members. As emerging technology enhances or changes the transaction means available, members will desire these capabilities from their credit union. Credit unions, to remain competitive, will deploy this emerging technology. However, any negative perception or publicity resulting from the implementation of this technology may directly impact credit union ability to enhance services, retain members and attract new ones. It is therefore important the general public perceives credit unions as reliable, safe, secure guardians of financial assets. NCUA as the regulatory oversight agency has the explicit task of overseeing efforts to uphold this public trust and to prevent any potential adverse impact upon the National Credit Union Share Insurance Fund (NCUSIF).

Performance Strategy and Goal 2.2.1:

- Strategy 2.2.1: Develop flexible, innovative and secure information technology control policies related to safeguarding member information.
- Goal 2.2.1: Implement flexible, innovative and secure information technology control policies.

Performance Strategy and Goal 2.2.2:

- Strategy 2.2.2: Develop a comprehensive system of communicating technology threats, issues, and vulnerabilities to all credit unions.
- Crosscutting Strategy 2.2.2(a): Work with the Federal Financial Institutions Examination Council to develop a common approach to emerging technology threats.
- Crosscutting Strategy 2.2.2(b): Enhance partnerships with law enforcement and other financial agencies to develop common approaches to combating technological security threats.
- Goal 2.2.2: Implement a comprehensive system to communicate technology threats, issues, and vulnerabilities using regulatory alerts, letters/bulletins to credit unions, NCUA website and the e-commerce checklist, etc.

Performance Strategy and Goal 2.2.3:

- Strategy 2.2.3: Develop a comprehensive and detailed examination program to evaluate the electronic financial services area, including security risk, privacy, and compliance issues, etc
- Crosscutting Strategy 2.2.3(a): Use Federal Financial Institutions Examination Council (FFIEC) agencies as resources in matters related to examiner training and examination program procedures. This may include detailing management and field staff to FFIEC agencies for electronic financial services and information technology training.

- Crosscutting Strategy 2.2.3(b): Use the Federal Financial Institutions Examination Council Information Systems Handbook as a tool for sharing best practices and for developing common procedures, where appropriate.
- Goal 2.2.3: Use methods such as the three-phase e-commerce checklist to evaluate the electronic financial services area, including security risk, privacy and compliance issues.

Performance Strategy and Goal 2.2.4:

- Strategy 2.2.4: Develop the expertise to evaluate credit union e-commerce programs and the security of their systems.
- Crosscutting Strategy 2.2.4: See Crosscutting Strategy 2.2.3(a) and (b).
- Goal 2.2.4: Implement, upon NCUA Board and SMC approval, the appropriate technology programs for examiners and implement training for risked-based examinations.

Performance Strategy and Goal 2.2.5:

- Strategy 2.2.5: Develop a means to evaluate the financial soundness and security of credit union information technology service providers (vendors).
- Crosscutting Strategy 2.2.5: Continue cooperative efforts with the Federal Financial Interagency Examination Council. Joint Internet provider vendor review is one of the cooperative efforts of the Supervision Sub-Committee. This is useful for NCUA as some vendors serve both banks and credit unions.
- Goal 2.2.5: Implement a program to evaluate the financial soundness and security of credit union information technology providers.

Performance Strategy and Goal 2.2.6:

- Strategy 2.2.6: Implement a comprehensive training program for specialization of corporate examiners in electronic financial services, risk, privacy, compliance and evaluation issues, techniques and procedures
- Goal 2.2.6: Provide training opportunities for corporate examiners in electronic financial services.

Strategic Outcome Goal Performance Measures 2.2:

- Measure 2.2(a): Reduce the percentage of credit union websites without posted privacy statements by 10%.
- Measure 2.2(b): Increase by 10% the number of credit union members using transactional websites.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
% Websites w/o Privacy Statements	N/A	N/A	N/A	N/A	N/A	N/A	
% Increase in # of CU members using transactional websites	N/A	N/A	N/A	N/A	N/A	10%	+

+ Requested by OMB if available
* Required by OMB

Data Source and Validation: NCUA's 5300 Call Report System. Measure 2.2(a) will be incorporated in a future 5300 Call Report update. Measure 2.2(b) was incorporated in the December 2000 5300 Call Report update. Thus, no baseline data is available for estimates at this time.

Strategic Goal 3: Create a regulatory environment that will facilitate credit union innovation to meet member financial service expectations.

Strategic Overview: Credit unions are facing increasing competition from new and unexpected sources. Shifting member expectations resulting from changing demographics further complicate the new competitive environment. Credit unions must be aware of member and potential member expectations and prepare to meet those expectations by being competitive without sacrificing the traditional credit union member service focus. The competitive landscape will continue to change requiring clear, decisive leadership, direction and focus to maintain a healthy, strong credit union system.

NCUA will:

- Develop policies and procedures that facilitate credit unions in providing financial services to meet the changing expectations and demographics of credit union membership;
- Continue to recognize each credit union is unique and must, in a highly individualized way, be flexible, innovative, and responsive to its members; and,
- Continue its focus on a strategy of flexible, facilitative regulations, policies, beneficial examinations, cooperation and partnerships, and effective communication at all levels.

Economic Assessment: NCUA will evaluate flexibility in regulations in order to allow credit unions to adapt to demographic changes and changes in the financial market place. NCUA will continue to recognize the need to allow credit unions to take reasonable economic risks in order to serve their members, as they expect more and diverse financial services.

Legislative Assessment: Antitrust legislation is needed to exempt credit union mergers from antitrust reviews by the Federal Trade Commission and the Department of Justice. This change will enhance the ability of credit unions to expand through mergers.

Technological Assessment: Technology is changing rapidly. Regulatory and legislative initiatives must keep pace with the implementation of new technology by credit unions. This will ensure the regulatory environment for credit unions is flexible and facilitates the implementation of technology, while maintaining National Credit Union Share Insurance Fund safeguards.

Demographic Assessment: In the past, credit union members exhibited a high degree of loyalty to a specific credit union. Attractive interest rates and competitive services offered by other institutions have made member loyalty a less significant factor for retaining business. In addition, new technologies also have increased choices for consumers. Credit unions will find it crucial to better tailor their products to member expectations in a very competitive environment.

The changing work environment will drive changes in delivery systems. As more people telecommute, there may be less reason to have brick and mortar credit union branches. Individuals with fewer ties to one workplace, or those working out of their home, will want access to financial services through their home telecommunications networks or through conveniently located kiosks. Kiosks may be more attractive to the underserved that may feel unwelcome in traditional large brick and mortar institutions. NCUA and credit unions need to understand changing markets. NCUA will strive to provide the regulatory framework to support all credit unions in their efforts to be safe, sound and highly member focused.

Resource Utilization (Full Time Employees and Agency Budget):

YEAR	TOTAL FTEs	TOTAL %	TOTAL $	TOTAL % ($)
2000	33.37	3.40%	$4,182,649	3.70%
2001	34.85	3.39%	$4,741,658	3.37%
Note: 2000 reflects November 30, 2000, data annualized; 2001 data elements are projections.				

Strategic Outcome Goal 3.1: **Assist credit unions in understanding the impact of changing demographics and in positioning themselves to address changing member expectations.**

Discussion. NCUA will enhance credit union understanding of the impact of increasing competition and demographic changes through conferences and meetings, economic analysis, supervision and examination activities, NCUA publications, etc. NCUA will focus on effective communication and a cooperative approach. This is essential to ensure there is a mutual understanding of our changing societal environment and its impact on the credit union industry. This strategy will include communicating the need for credit union business plans and technology as effective tools to prepare for and meet the challenges of the twenty-first century. NCUA will focus the examiners' efforts on credit unions use of business plans, information technology and providing financial service access issues.

Performance Strategy and Goal 3.1.1:

- Strategy 3.1.1: Encourage all credit unions to have and to maintain up-to-date business plans that focus on current and future member expectations in the context of safety and soundness and ensure examiners continue to address business plans as a management tool during examination and supervision contacts.
- Goal 3.1.1: Implement a means to ensure examiners are fully knowledgeable regarding the need for up-to-date credit union business plans and what constitutes a good business plan.

Performance Strategy and Goal 3.1.2:

- Strategy 3.1.2: Provide timely, pertinent information regarding developing credit union issues using the NCUA Web Page, press releases, letters to credit unions, the NCUA Newsletter, regulatory alerts, etc., as resources for credit union business planning.
- Goal 3.1.2: Implement a program to systematically upload and distribute information through the Internet using the NCUA Web Page and other means (press releases, letters to credit unions, the NCUA Newsletter, regulatory alerts, etc.).

Strategic Outcome Goal Performance Measures 3.1:

- Measure 3.1(a): Increase by 3% the share draft accounts to members ratio as an indicator of service and convenience to members.
- Measure 3.1(b): Increase by 5% the number of credit union electronic financial services as an indicator of service and convenience to members.

The above are indirect measures of credit union responsiveness to member expectations. Use of share draft accounts is considered an indication that a credit union is a member's primary financial institution. Electronic financial services are considered critical to credit union efforts to satisfy member expectations.

Baseline/Expected Performance:

Indicator:	1996	1997+	1998+	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
Share draft accounts to members ratio	35.95	36.60	37.89	39.20	40.3	41.5	+
% Increase	5.52	1.8	3.5	3.4	3.0	3.0	-
# of electronic financial services offered by credit unions	N/A	N/A	N/A	N/A	N/A	N/A	
% Increase	N/A	NA	N/A	N/A	N/A	N/A	

\+ Requested by OMB if available. * Required by OMB

Data Source and Validation: The data source is NCUA's 5300 Call Report System. Beginning with the December 2000 Call Report, the number of financial services offered by credit unions will be captured in order to develop a baseline and projections.

Strategic Outcome Goal 3.2: Enable credit unions and their members to succeed by ensuring neither examination focus nor regulations impose unreasonable impediments to growth and innovation.

Discussion: NCUA's approach to regulation, examination and supervision will recognize the need for credit unions to take reasonable risks, especially in light of changing technology and demographics. This will be accomplished, in part, by communication between NCUA and credit unions, NCUA and trade associations. NCUA will continue to take steps to be up-to-date regarding emerging issues, new services and new practices. Further, NCUA will continue to analyze the need for new or revised regulations, keeping mind the cost to comply, the impact on innovative attempts to meet member expectations, as well as the more traditional financial safety and soundness concerns.

Performance Strategy and Goal 3.2.1:

- Strategy 3.2.1: Focus our review on emerging credit union issues, services and practices, as part of the examination process, relative to the impact on membership needs and safety and soundness.
- Goal 3.2.1: Complete formal testing of the forward-looking risk-based examination program.

Performance Strategy and Goal 3.2.2:

- Strategy 3.2.2: Continue to encourage interaction between NCUA and the credit union industry through NCUA staff attendance at meetings with credit unions, leagues, trade associations, etc.
- Goal 3.2.2(a): Initiate and participate in such programs as town meetings, *Conversations with America*, work shops, etc.
- Goal 3 2.2(b): Give staff sufficient work schedule flexibility to permit and encourage participation in community activities, conferences, meetings, etc.

Performance Strategy and Goal 3.2.3:

- Strategy 3.2.3: Continue to review NCUA rules and regulations keeping in mind the current competitive environment and emerging issues.
- Goal 3.2.3(a): Identify emerging services and review and revise regulations, as appropriate to support these services. Provide guidance to staff where flexibility may be exercised.

- Goal 3.2.3(b): Encourage dialogue with a broader spectrum of the credit union system on regulatory issues by making it easier to comment through such methods as surveys, focus groups, town meetings, use of the NCUA web-site, etc.

Strategic Outcome Goal Performance Measures 3.2:

- Measure 3.2(a): Credit unions are satisfied with the examination process, in general, as demonstrated by a 4.4 average overall response rating on the NCUA Examination Survey.
- Measure 3.2(b): Credit unions perceive the examination process and examiners as focused on important issues and willing to help as demonstrated by 4.4 average response rating to questions number 3 and 4 on the NCUA Examination Survey.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
Examination Process Average	4.4	4.4	4.4	4.5	4.5	4.5	+
Examiner Focus Average	4.5	4.5	4.5	4.5	4.5	4.5	+

\+ Requested by OMB if available

Data Source and Validation:

Data is available through the Annual NCUA Examination Survey.

Strategic Outcome Goal 3.3: Facilitate credit union partnerships with each other and other financial service providers, trade associations, etc., in order to achieve economies of scale and be better able to meet member service expectations.

Discussion: Credit unions will increasingly be competing for position in a market that includes large conglomerates and their substantial resources. Credit unions can hold their own by leveraging their cooperative efforts to work together to achieve economies of scale. Credit unions may also partner with other financial service providers to package products and services to help them retain members and attract new members.

NCUA will continue to facilitate cooperation between credit unions, vendors and trade associations. NCUA will work closely with the cooperative credit union community at all levels to help credit unions to achieve their goals of optimal membership service while remaining a financially strong industry.

NCUA recognizes its primary role is regulatory and credit unions, leagues and trade associations should take the lead, relative to the attainment of this goal. However, NCUA will continue to facilitate and assist in establishing partnerships.

Performance Strategy and Goal 3.3.1:

- Strategy 3.3.1: Encourage credit unions to partner with each other, to share knowledge and expertise; to form alliances, such as with credit union service organizations (CUSOs), in order to achieve economies of scale; and to partner with other organizations such as technology vendors and non-traditional financial service providers.
- Crosscutting Strategy 3.3.1: Collaborate with other financial regulators on ways and means to promote and facilitate partnerships.
- Goal 3.3.1(a): Develop a program to ensure examiners, and other staff, continue to focus on partnership relationships.
- Goal 3.31(b): Identify credit unions interested in partnering with other credit unions and identify CUSOs and other organizations interested in partnering with credit unions. Facilitate meetings of interested parties.

Strategic Outcome Goal Performance Measures 3.3:

- Measure 3.3: Increase new credit union partnerships by 61 (an average of one per supervisory examiner group). The means and methods to collect data in this area still need to be developed.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
# New partnerships	NA	NA	NA	NA	NA	NA	

+ Requested by OMB if available

* Required by OMB

Strategic Goal 4: Enable credit unions to leverage their unique place in the American financial services sector to make service available to all Americans who are not currently being served, particularly those of modest means.

Strategic Overview: Credit unions must continue to emphasize their role as trusted financial services providers. With the variety of financial services and delivery options available, trust will be a major factor in helping consumers select their financial institution(s) from the wide array of choices. Credit unions should use their positive image and their historically high level of member satisfaction to attract new members. A healthy credit union system is growing; dynamic, and reaching out to all individuals, especially those who are low-income or underserved.

Economic Assessment: Credit unions can capitalize on their unique cooperative structure and common bond where stakeholders are members rather than stockholders interested in profits. Credit unions could be particularly appealing to individuals of modest means, including the immigrant population, who should be informed of the benefits of credit unions as an alternative to predatory lenders. Credit unions and the credit union industry should strive to overcome cultural, language, and other barriers in order to provide basic, competitive financial services to all Americans.

Legislative Assessment: The Veterans Administration and Housing & Urban Development Bill could include additional funds for the Community Development Revolving Loan Program, which would positively impact our ability to achieve our goal of financial access for all Americans. The Banking Modernization Act and the repeal of the Glass-Steagall Act make an already competitive financial services environment even more competitive. The era of the financial "supermarket" will make credit union expansion challenging.

Technological Assessment: New technologies make the availability of financial services to a greater number of Americans possible; however, people of more modest means may not have access to the developing technologies. Accordingly, credit unions will have a significant challenge in trying to reach out to provide cost efficient financial services to underserved areas and may need to find ways to bring technology to these areas.

Demographic Assessment: People of low and moderate income are a large and growing segment of the American population and are underserved by mainstream financial institutions. This presents market opportunities for credit unions. Despite the unprecedented growth in our nation's economy over the last several years, there were nearly 10 million families in the United States in 1997 without either a checking or savings account representing 9.5 percent of American families. Over 8.4 million of these families have income below $25,000 or less than 65 percent of the United States family median income. Nearly one in four lower-income families do not have a relationship with a financial institution. This occurs disproportionately among minority families, nearly one-quarter of who have no financial institution relationship regardless of income.

Population groups, from which have come traditional financial institution customers, are dwindling due to aging and lower birth rates. However, immigrants are fueling United States population growth. These population segments have their own cultural views of financial services and preferred delivery systems. Credit union outreach efforts should continue to emphasize reaching out to individuals and communities outside the financial mainstream. In addition to making good business sense, this reflects the traditional credit union commitment to the underserved.

Resource Utilization (Full Time Employees and Agency Budget):

YEAR	TOTAL FTEs	TOTAL %	TOTAL $	TOTAL % ($)
2000*	115.69	11.60%	$14,498,590	12.70%
2001*	118.06	11.48%	$16,061,973	11.43%
Note: 2000 reflects November 30, 2000, data annualized; 2001 data elements are projections.				

* Required by OMB

Data Source and Validation: 5300 Report included under performance goal 1.1.

Strategic Outcome Goal 4.1: Facilitate credit union growth.

Discussion: Although NCUA is clearly a supporting player in the efforts of credit unions to increase both their membership and public awareness of the distinctiveness of credit unions; NCUA is uniquely responsible for establishing a regulatory and examination environment that encourages innovative programs and growth promoting traditional credit union values. NCUA has the most direct impact on federally chartered credit unions; however, our goal encompasses membership in state-chartered federally insured credit unions, as well.

Performance Strategy and Goal 4.1.1:

- Strategy 4.1.1: Formulate a national business development plan focused on new credit union charters and expansion of existing charters.
- Crosscutting Strategy 4.1.1: Coordinate with the state supervisory authorities, the leagues and other interested organizations to ensure prudent, well-managed credit union growth will be maintained.
- Goal 4.1.1: Implement and review the results of a pilot chartering program. Determine whether such a program should be implemented NCUA-wide.

Performance Strategy and Goal 4.1.2:

- Strategy 4.1.2: Streamline the NCUA chartering process so it is efficient and effective and ensure adequate NCUA resources are in place to facilitate expansion of credit union membership.
- Goal 4.1.2(a): Implement and promote the Express Charter review process and the Internet-based charter application process to ensure NCUA staff and the credit union industry are aware of these processes.
- Goal 4.1.2(b): Develop and implement procedures to ensure all chartering and field of membership policies are accurately maintained (i.e. incorporate IRPS 99-01 and 00-01 into policy.)

Performance Strategy and Goal 4.1.3:

- Strategy 4.1.3: Work with credit unions and state and national trade organizations to increase public awareness about the benefits of credit union membership.
- Crosscutting Strategy 4.1.3: Facilitate cooperation between credit unions, states, and national trade organizations to educate the public about the benefits of credit union membership.
- Goal 4.1.3(a): Facilitate cooperation between credit unions, states, and national trade organizations to educate the public about the benefits of credit union membership.
- Goal 4.1.3(b): Distribute the Office of Training and Development information module on the benefits of credit union membership to NCUA staff and the credit union industry.

Strategic Outcome Goal Performance Measures 4.1:

- Measure 4.1: Increase the number of federally insured credit union members by 3 percent during the year 2001.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
No. CU members (millions)	N/A	71.4	73.4	75.3	77.4	79.7	+
% Inc. of the number of members	N/A	3.3%	2.8%	2.5%	2.8%	3.0%	+

Strategic Outcome Goal 4.2: Increase credit union service to low-income and underserved areas.

Discussion: Another important distinguishing characteristic of credit unions is their commitment to serve individuals of modest means, particularly those who may be overlooked by other financial service providers. NCUA will work with credit unions to help them better provide service to low-income individuals and those who live in underserved areas. Special emphasis will be placed on those not being targeted by others, such as minority and immigrant populations, those relying on pawnshops, check-cashing stores, etc. NCUA's regulatory, supervisory and examination policies and its approach in implementing these policies will work to identify and remove impediments that could make extension of service to underserved groups more difficult.

Additionally, NCUA will promote credit union service to people of modest means and individuals in underserved communities through its Small Credit Union Program. The objectives of the Small Credit Union Program include:

- Providing guidance and resources, in order to encourage and help sustain newly formed credit unions;
- Improving the financial and operational health of small, newly chartered, and low-income designated federal credit unions; and,

- Providing or facilitating assistance to enable small credit unions to better serve their members, expand their membership base, build capital and develop positive financial trends.

The Small Credit Union Program provides special support through the use of economic development specialists and small credit union specialists assigned to supervisory examiner groups.

Performance Strategy and Goal 4.2.1:

- Strategy 4.2.1: Facilitate and encourage chartering of new credit unions and the expansion of existing credit union service to low-income and underserved areas.
- Crosscutting Strategy 4.2.1: Facilitate cooperative efforts through state and national trade organizations to encourage chartering of new credit unions and expansion of existing credit union service to low-income and underserved areas.
- Goal 4.2.1(a): Develop and implement a credit union membership database as a tool for chartering new credit unions and expanding existing credit union service to low-income and underserved areas.
- Goal 4.2.1(b): Educate NCUA staff and the credit union industry as to the available resources (i.e., regional and central office staff, various brochures, NCUA's database, etc.) for chartering new credit unions and expanding existing credit union service to low-income and underserved areas.
- Goal 4.2.1(c): Facilitate meetings between credit unions and community representatives through regional Small Credit Union Program (SCUP) conferences and meetings with other government agencies and private sector foundations.

Performance Strategy and Goal 4.2.2:

- Strategy 4.2.2: Assist credit unions in chartering and expanding service into low-income and underserved areas.

- Goal 4.2.2(a): Identify non low-income designated credit unions located in low-income areas and encourage any eligible credit unions to apply for low-income designation.
- Goal 4.2.2(b): Identify low-income and underserved areas using NCUA's membership database and require staff to disseminate this information to eligible credit unions during the examination process.
- Goal 4.2.2(c): Develop and distribute an examiner brochure to provide NCUA staff with an additional resource to help them assist credit unions in chartering and expanding service into low income and underserved areas.
- Goal 4.2.2(d): Assist credit union officials in preparing field of membership expansion requests, community need assessments and business plans, in an effort to facilitate an increase in the number of credit union members from low-income and underserved areas.

Performance Strategy and Goal 4.2.3:

- Strategy 4.2.3: Develop a methodology to recognize credit unions that invest in, or provide assistance to, credit union development in low-income or underserved areas.
- Goal 4.2.3: Implement an NCUA Board approved incentive program to recognize the efforts of any credit union, which invests in, or assists in credit union development in low-income or underserved areas.

Strategic Outcome Goal Performance Measures 4.2:

- Measure 4.2(a): Increase the number of low-income designated credit unions by 15 percent.
- Measure 4.2(b): Increase the number of credit union members in low-income designated credit unions by 12.5 percent.
- Measure 4.2(c): Increase the number of expansions into investment areas by 20% per year.

Baseline/Expected Performance:
Note: The definition of underserved as the Credit Union Membership Access Act of 1998 first introduced an "investment area".

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
No. of LICU's	N/A	408	468	546	626	707	+
% Inc. of No. of LICU's.	N/A	15%	15%	17%	15%	15%	-
NO. OF MBRS. (MILLIONS	N/A	.979	1.31	1.68	1.89	2.13	+
% INC OF MEMBERS	N/A	18.10%	33.81%	12.50%	12.50%	12.50%	-
# OF EXPANSIONS	N/A	N/A	N/A	N/A	N/A	20%	

+ Requested by OMB if available
* Required by OMB

Data Source and Validation: For purposes of these measures, underserved areas are investment areas as defined in Section 103(16) of the Community Development Banking and Financial Institutions Act of 1994. Investment areas are also defined in Chapter 3, Section III of NCUA's Chartering and Field of Membership Manual. Data sources include Generated Efficient National Information System for Insurance Services (GENESIS).

Currently, in order to obtain a low-income designation the credit union's membership must consist of more than 50 percent of low-income members. Using the current criteria, low-income members are defined as those members who make less than 80 percent of the average for all wage earners, as established by the Bureau of Labor Statistics, or those members whose annual household income falls at or below the median household income for the nation as established by the Census Bureau. This designation can be validated by several methods:

- A zip code run of credit union membership compared to census data;
- A survey of 100 percent of credit union membership compared to census data and a simple majority of the credit unions' membership must respond and qualify as low-income;
- A survey of 100 percent of loans outstanding compared to census data. This data must be reasonably current and the number of borrowers must represent a majority of the credit unions' members, or other supportive statistical data must be provided.

Strategic Goal 5: Enhance NCUA's organizational ability to act proactively in assisting the credit union community meet the challenges of the twenty-first century.

Strategic Overview: NCUA has been extremely action oriented with a strong problem solving thrust. NCUA recognizes the need to become more forward-looking with a stronger policy and trend analysis focus. To do so, NCUA must first look inward to ensure resources are being used efficiently to develop a more forward-looking policy analysis focus. Further, NCUA must take action to ensure it is ready to meet the management challenges resulting from a rapidly changing economic and financial services environment.

NCUA's must enhance its ability to identify and deal with emerging issues and trends impacting credit unions. To accomplish this, NCUA workforce must continue to develop and employ the competencies necessary to assist credit unions in dealing with these emerging issues and the changing environment. NCUA needs to make critical assessments of its programs effectiveness and efficiency. The agency must carefully evaluate its managerial, human resources, and budgetary policies and practices to ensure that they are properly aligned and supportive of the new focus. Key to meeting the requirements for knowledge and expertise is workforce management and planning to recruit, hire, train and retain the right personnel.

Economic Assessment: Credit union financial trends are moving in a positive direction. NCUA, however, will continue to expand the competencies of its staff, to meet any economic scenario. While no economic downturn is foreseen by NCUA, the agency must be prepared to ensure the security of the National Credit Union Share Insurance Fund in any eventuality. Should an economic downturn occur, the resulting economic pressures could potentially alter NCUA's priorities, shifting resources to pressing immediate credit union needs. This would in turn draw resources and focus away from initiatives associated with strategic goals. The latter would be perceived as being less urgent and thus a perceived "lower priority", thereby reducing the emphasis on meeting future credit union member expectations. NCUA workforce planning aims to allocate staff to handle immediate concerns without losing the proactive focus.

Legislative Assessment: In response to the Graham, Leach, Bliley Act of 1999, which opens the financial services market to non-traditional financial institutions, NCUA is continuing to examine its structure and organizational capabilities to effectively contend with changes being driven by a competitive economic market and fast-paced technology initiatives.

Technological Assessment: The area of human resources has also been dramatically impacted by technology. Potentially, automated and technologically oriented recruitment efforts and systems will significantly affect NCUA's, as well as other agencies', ability to attract, recruit and hire required personnel. Additionally, the higher pay and benefits offered by technology-based organizations will continue to affect NCUA's ability to hire personnel, especially in the information technology areas and other non-examiner support areas. NCUA must continue to focus on effectively maximizing its use of technology, to increase effectiveness and efficiency.

Demographic Assessment: The face of America, credit union members and NCUA are changing. With these changes come challenges of language, culture, training and diversity of expectations. NCUA's workforce must reflect this changing of America to effectively address the challenges of being a cooperative partner with credit unions.

Resource Utilization (Full Time Employees and Agency Budget):

YEAR	TOTAL FTEs	TOTAL %	TOTAL $	TOTAL % ($)
2000*	119.93	12.10%	$15,029,727	13.10%
2001*	127.01	12.35%	$17,280,046	12.29%
Note: 2000 reflects November 30, 2000, data annualized; 2001 and 2002 data are projections.				

Strategic Outcome Goal 5.1: Ensure that NCUA has the ability to identify management and human capital issues and trends and implement timely solutions before the issues become critical.

Discussion: As NCUA looks inward to assess its capabilities; efforts must focus on two areas. First, it must take a critical look at its current staffing and competency needs for forecasting and evaluating trends. This is critical to NCUA being able to adequately prepare for and assist credit unions in preparing for future challenges. Second, the agency must have the process in place for communicating this essential information to executive management staff.

It is imperative NCUA be able to quickly identify and bring forward critical information regarding trends to senior management. Once executive management evaluates this information, clear direction can be given to staff that deal with credit unions on a day-to-day basis. This approach will improve NCUA responsiveness to the safety and soundness issues of the credit union industry it serves.

Performance Strategy and Goal 5.1.1:

Strategy 5.1.1: Develop a means or process to effectively forecast the impact of a changing economy, its impact on credit union operations and the resulting impact on NCUA's organizational structure and effectively deploy and communicate the resulting agency performance goals and measures throughout NCUA.

Goal 5.1.1: Implement a program and provide an economist position to more effectively integrate economic forecasting into NCUA operations, to evaluate the impact of impending economic trends on NCUA's organizational structure and to deploy and communicate the resulting agency performance goals and measures throughout NCUA.

Performance Strategy and Goal 5.1.2:

- Strategy 5.1.2: Develop a means or process to effectively identify critical issues and trends and their impact upon the cooperative credit union system.
- Goal 5.1.2: Implement a program to effectively identify critical issues and trends and their impact upon the cooperative credit union system.

Performance Strategy and Goal 5.1.3:

- Performance Strategy 5.1.3: Develop a process to ensure NCUA is kept fully knowledgeable and proficient in evaluating the safety and soundness of evolving technology based credit union transaction delivery means.
- Performance Goal 5.1.3: Identify and integrate specific training needs for NCUA examiner staff to ensure it is kept fully knowledgeable and proficient in evaluating the evolving technology based credit union transaction delivery means relative to safety and soundness.

Performance Strategy and Goal 5.1.4:

- Strategy 5.1.3: Develop technological means to efficiently collect data for performance goals and measures.
- Goal 5.1.3: Implement a means to leverage technology to systematically and efficiently collect data for performance goals and measures.

Strategic Outcome Goal Performance Measures 5.1:

- Measure 5.1(a): Maintain a survey response to applicable questions of 4.4 or higher on a baseline NCUA Employee Survey (to be developed during 2001).
- Measure 5.1(b): Maintain NCUSIF equity ratio above 1.30 percent.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
Survey Response Question xxxx	N/A	N/A	N/A	N/A	N/A	N/A	
NCUSIF Equity Ratio	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	+

+ Requested by OMB if available
* Required by OMB

Strategic Outcome Goal 5.2: Ensure that NCUA has the organization in place to support a renewed emphasis on credit union growth and development.

Discussion: Credit union membership and assets have increased substantially in recent years. With this growth there has been a corresponding increase in the complexity of credit union operations. This includes technological implementations and a greater selection of financial products. For credit unions to remain competitive and continue to grow in membership, further electronic technological financial services and new competitive financial products will need to be offered. It is essential NCUA's organizational structure supports and encourages further membership growth, while focusing on safety and soundness.

Training is critical to accomplish this goal. All examiners must be trained in a timely manner in order to regulate and understand electronic financial services and new financial products. If examiners are not fully knowledgeable concerning new technologies and new products, the agency may impede credit union growth and development. It is human nature not to support what one does not understand. It is important the regulatory environment allow credit unions to safely offer new services to its membership. While much can be done with flexibility of regulations, a credit union's primary regulatory environment is its interaction with the examiner. Placing an emphasis on examiner education regarding new technologies and new services, with the primary focus being safety and soundness, will enhance credit union growth and development. Included in educating examiners in the effective use of technology is the need to ensure staff has up-to-date technological tools in order to accomplish this goal.

Timely examiner recruitment must also be emphasized, to ensure vacancies are filled quickly with the best-qualified people. Otherwise, as an agency we will fall behind in keeping up with the regulatory demands of the new credit union marketplace. Further, in addition to recruitment, it is very important that we retain staff and limit turnover.

NCUA's organizational structure needs to address increasing credit union membership, especially with the underserved. This can be accomplished through community chartered credit unions reaching out to members of their communities who are not adequately served, the addition of select employer groups that qualify, new charters and a greater emphasis by all credit unions to reach out for new members. NCUA must have the structure in place to support agency initiatives that will permit us to work with others to increase credit union membership.

Performance Strategy and Goal 5.2.1:

- Strategy 5.2.1: Ensure organizational structure allows and does not impede, credit union membership growth and technological competitiveness.
- Goal 5.2.1: Develop an organizational plan to foster an environment for credit union membership growth and technological competitiveness.

Performance Strategy and Goal 5.2.2:

- Strategy 5.2.2: Develop a means or a training process to adequately address identified competency gaps.
- Goal 5.2.2: Implement a program or means to address identified competency gaps.

Performance Strategy and Goal 5.2.3:

- Strategy 5.2.3: Continue the emphasis of the recruitment task force, in ensuring the agency remains fully staffed with a minimum of turnover.
- Crosscutting Strategy 5.2.3: Continue to work as an active member of professional organizations such as the National Academy of Public Administration (NAPA) and the

Human Resources Management Council (HRMC) in order to increase NCUA's effectiveness in developing human resource programs.

- Goal 5.2.3: Maintain an optimal level of recruitment efforts and staffing.

Performance Strategy and Goal 5.2.4:

- Strategy 5.2.4: The Strategic Management Council will develop an effective means or process to ensure NCUA is properly utilizing existing resources and has the organizational structure, staff, training, and other resources necessary to effectively and efficiently accomplish its mission.
- Goal 5.2.4: Implement an effective process and means to assess NCUA's organizational structure, staff, training, and other resources.

Strategic Outcome Goal Performance Measures 5.2:

- Measure 5.2(a): Maintain recruitment actions at 60 days or less for 80% of NCUA wide actions, 75 days or less for 75% of government wide actions, or 90 days or less for 75% of all sources actions.
- Measure 5.2(b): Maintain personnel level at 95% of authorized FTE's or higher.
- Measure 5.2(c): Maintain turnover at a level of 9% or lower.

Baseline/Expected Performance:

Indicator:	1996+	1997+	1998*	1999*	2000* (Est.)	2001* (Est.)	Trend (+/-)
NCUA wide recruitment actions	N/A	N/A	N/A	83%	100%	N/A	
Government-wide recruitment actions	N/A	N/A	N/A	74	N/A	N/A	
All sources recruitment actions	N/A	N/A	N/A	80	71%	N/A	
Personnel level > XX%	N/A	N/A	N/A	N/A	N/A	N/A	
Turnover ratio < xx%	N/A	N/A	N/A	N/A	N/A	N/A	

\+ Requested by OMB if available
* Required by OMB

Data Source and Validation: Personnel data will be provided from Office of Human Resources (OHR) logs for staffing actions and OHR database of employee competencies.

Verification and Validation: Continue to assess appropriateness of baseline assumptions given actual performance, changes in operations due to technology or other requirements, and other factors that may impact the staffing processes.

SECTION VI

Strategic Plan Changes

Four significant changes were made to our Strategic Plan 2000-2005. These changes are as follows:

- Strategic Outcome Goal 2.2 was combined with Strategic Outcome Goal 2.3 to eliminate duplication and re-emphasize the relationship between security and public trust. Both goals dealt with emerging technology threats and public confidence in the safety and soundness of credit unions, given these threats.
- Strategic Outcome Goal 4.1 was combined with Strategic Outcome Goal 3.2 to eliminate duplication. Both focused on credit union growth and used the same measure to determine successful accomplishment. It also focuses Strategic Goal 4 on financial access to low income and underserved areas.
- Strategic Outcome Goal 5.2, which addressed the focus of NCUA's examination and supervision program, was eliminated because it duplicated similar issues addressed in Goals 1 and 3 of our Strategic Plan 2000-2005.
- Strategic Performance Goal 5.3 called for the Strategic Management Council to present budget recommendations to the Board by July 31, 2000. This was accomplished and the goal deleted. However, to ensure the strategic management process continues to develop, NCUA Instruction Number 9501, Annual Plan Implementation, is being re-written to more clearly define the roles and responsibilities of the Strategic Management Council (SMC). The new instruction will require a SMC charter be developed, and the council meet quarterly at a minimum. Meetings should be scheduled with sufficient time to consider agency programs prior to annual and mid-year budget consideration by the NCUA board; SMC membership will be examined to consider including all regional directors and the SMC should review ISOC recommendations for compliance with NCUA's Strategic and Annual Plans.

Comments: This plan is a product of the National Credit Union Administration. The National Credit Union Administration is the federal agency that charters and supervises the nation's federal credit unions. NCUA insures the majority of member deposits held in credit unions. NCUA is funded by credit unions and receives no federal tax dollars. Comments and/or recommendations may be sent via e-mail to the Office of the Director, Strategic Planning; jpatrick@ncua.gov.