

National Credit Union Administration

PUBLIC COMMENT DRAFT

Strategic Plan 2009 - 2014

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Message from the NCUA Board

Message will be added in final draft

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Who We Are

The National Credit Union Administration (NCUA) is the independent federal agency that charters and supervises federal credit unions, and, through the National Credit Union Share Insurance Fund (NCUSIF), insures a majority of member deposits held in the nation's credit unions. The NCUA, as the insurer of approximately 95 percent of the state chartered credit unions, also works cooperatively with the State Supervisory Authorities (SSA) to maintain the safety and soundness of those credit unions insured by the NCUSIF.

The NCUA regulatory and insurance responsibilities are funded entirely by federally insured credit unions. NCUA receives no federal tax dollars for its chartering, supervision, regulatory and insurance responsibilities.

The Federal Credit Union Act, as amended by the Credit Union Membership Access Act of 1998, discusses the establishment of a credit union system as follows:

An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to serve the productive and provident credit and savings needs of consumers, especially persons of modest means through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States.

This statement describes the fundamental reasons for the establishment of a "Federal Credit Union System" and remains the model for the development of the NCUA mission and strategic goals.

NCUA Values

The NCUA values: integrity, accountability, teamwork, objectivity, and independence support the agency's priorities and ultimately guide our efforts toward fulfillment of our mission. As a result, the success of the NCUA is directly influenced by its core values.

What We Do

NCUA Mission

Ensure a safe and sound credit union system.

The NCUA mission drives agency operations and serves as the foundation of its existence.

Strategic Management Process

The goals, objectives and strategies provided in this Strategic Plan provide the guidance from which the NCUA Annual Performance Budget objectives and operating plan goals originate. The NCUA communicates the strategic direction and accountability for achieving our goals and objectives by disseminating the Strategic Plan, Annual Performance Budget, and Operating Plans throughout the organization. Accountability is achieved by monitoring our progress at least semi-annually through established performance measures and targets.

NCUA Goals

Goal 1: A safe, sound and healthy credit union system.

This is achieved through examinations, ongoing onsite and offsite supervision, and various risk analysis tools the NCUA utilizes to proactively assess and monitor the financial condition and risk profiles of credit unions. It is also incumbent upon the agency to ensure that it retains and recruits a highly-qualified and diverse workforce that is trained and prepared to identify, address and monitor risks and critical operational issues affecting credit unions.

Goal 2: Access to financial services offered by federal credit unions for all eligible persons within their field of membership.

This focuses efforts on providing access to all individuals eligible for membership, with an emphasis on reaching those potential members of modest means. As the financial services market evolves, so does the credit union industry. The membership diversity of credit unions provides many avenues to serve people of modest means while maintaining a safe sound and healthy credit union system.

Goal 3: A flexible and efficient regulatory environment for all federal credit unions.

This concentrates efforts on creating an effective regulatory environment that enables the credit union industry to meet the financial, service, and delivery needs of millions of credit union members. NCUA manages the balance between regulatory flexibility and responsible oversight. It is a top agency priority to ensure that regulations and supervision do not diminish credit union product and service offerings, while still allowing adequate safety and soundness standards to endure.

How we plan to Achieve Results

The following table presents the NCUA's three stated goals, descriptions of our desired outcome for each goal and lists the steps we plan to take to achieve them.

<u>Goal 1</u>	
<i>A safe, sound and healthy credit union industry</i>	
<u>Outcome 1.1</u>	<u>How We Plan to Achieve Results</u>
<i>Effective management of risks and a consistently healthy NCUSIF</i>	1. Perform ongoing evaluations of the examination and supervision process to ensure timely identification of new or emerging risks/problems.
	2. Ensure risk-based supervision program focuses on credit unions managing their risk activities.
	3. Enhance risk identification and communication; implement training and guidance to address critical and emerging risks.
	4. Set and monitor performance expectations.
	5. Conduct quality assurance reviews to ensure consistent application of policies and procedures.
	6. Identify operational and technological related vulnerabilities resulting from new products and services; and, adjust supervisory strategies and activities to address these risks.
	7. Compare best practices with other financial regulators through interagency groups such as the Federal Financial Institutions Examination Council (FFIEC).
	8. Investigate and deploy new technology solutions to improve data collection and data reporting quality.
<u>Outcome 1.2</u>	<u>How We Plan to Achieve Results</u>
<i>Consistently adequate capital and liquidity levels</i>	1. Implement timely corrective actions to minimize any undue capital erosion below adequate levels.
	2. Provide credit unions with a source of funds (loans) to meet their liquidity needs through the Central Liquidity Facility (CLF).
	3. Establish contracts/agreements with corporate credit unions to provide emergency funding.
	4. Provide ongoing examination review of credit unions' continuity of operations plans.

<u>Goal 1 (Continued)</u>	
<u>Outcome 1.3</u>	<u>How We Plan to Achieve Results</u>
<i>Strong NCUA succession management</i>	1. Recruit, retain, and develop highly qualified staff consistent with the principles of equal employment opportunity.
	2. Enhance agency management processes including staff, management, and executive development programs.
	3. Develop and maintain a diverse work environment where employee contributions are valued and agency diversity initiatives attract and retain the most talented employees.
<u>Goal 2</u>	
<i>Access to financial services offered by federal credit unions for all eligible persons within their field of membership</i>	
<u>Outcome 2.1</u>	<u>How We Plan to Achieve Results</u>
<i>An increase in member services to those of modest means</i>	1. Provide an environment that encourages credit unions to serve all members within their field of membership.
	2. Encourage credit union mentoring and partnerships to develop knowledge, skills and abilities of staff and/or key officials in new and low-income credit unions.
	3. Support credit union efforts to engage in sound and successful community outreach and development activities.
	4. Administer the Community Development Revolving Loan Fund (CDRLF) to assist eligible credit unions in providing services to members and stimulating economic activities in their communities.
<u>Outcome 2.2</u>	<u>How We Plan to Achieve Results</u>
<i>An increase in credit union membership</i>	1. Educate the public about the benefits of credit unions and credit union membership using innovative means.
	2. Educate the public regarding the role of the NCUA and the value of the National Credit Union Share Insurance Fund.
	3. Encourage credit unions to increase their marketing efforts to reach potential members.

<u>Goal 3</u>	
<i>A flexible and efficient regulatory environment for all federal credit unions</i>	
<u>Outcome 3.1</u>	<u>How We Plan to Achieve Results</u>
<i>A leveraging of NCUA resources to mitigate obstacles to credit union competitiveness</i>	1. Systematically review and revise regulations that may unduly impede efficient and effective credit union operations.
	2. Balance regulation and supervision to allow credit unions to enhance the array of financial services to meet the needs of its members and potential members.
<u>Outcome 3.2</u>	<u>How We Plan to Achieve Results</u>
<i>A well coordinated regulatory compliance effort of federally insured credit unions.</i>	1. Maintain effective communication and coordination, to the extent practical, with state supervisory authorities.
	2. Work with other banking regulators, and various law-enforcement agencies to discuss strategies and goals for implementing new/changed regulations.

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Annual Performance Objectives – How They Fit within the Planning Framework

The NCUA Strategic Plan 2009-2014 serves as the basis for development of the agency's annual plans and budgets throughout this period. The three goals established in this Strategic Plan become the focus from which we derive annual objectives for the Annual Performance Budget. Annual objectives reflect a narrower scope than our stated strategic goals, reflecting objectives which can be achieved in the short term. Additionally, measures and year-end targets for annual objectives will be established and should either be accomplished or substantially completed within the targeted timeframe, usually a budget year.

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Factors Influencing Successful Strategic Goals

There are several factors, some external to the NCUA, which could affect achievement of strategic goals and annual objectives. These factors will be closely monitored and used to set our yearly targets to appropriate levels.

Economic and Industry Trends

The trend of the national economy directly affects the credit union system and the NCUA, with the ups and downs of interest rates, inflation, and unemployment directly impacting the performance of the credit union system. In particular, economic trends in the automobile, residential real estate and energy sectors exert an increasing influence on the strategies of the credit unions. With increasing globalization, the credit union system is potentially becoming more impacted by the global economic activities as well. Forecasters agree that volatility in the national and global financial markets is likely to continue. This may result in a more uncertain operating environment for the credit union system and the NCUA.

Legislative

The legislative environment will continue to have a significant impact upon the credit union system and the NCUA. Congress's enactment of new laws continues to place increasing focus on anti-terrorism monitoring activities, compliance, privacy/data security and corporate governance issues. These new regulatory requirements will continue to expand the burden on individual credit union operations and upon the NCUA's supervisory responsibilities and placed increasing requirements on examination and supervisory staff. They may also drive the development of new rulemakings or supervisory initiatives by the NCUA office staff to address potential new powers and/or business models. Legislative changes also have the potential to affect the NCUA small credit union and outreach programs. Protecting the privacy of consumer information is another challenge that has and will continue to receive increased emphasis legislatively because of financial modernization and technological developments. This will require the credit union system to find the appropriate balance between information sharing for normal business purposes and the need to protect individual privacy.

Means and Resources to Achieve Goals

Means and resources are those elements used to execute the steps of our strategic plan. The NCUA utilizes the means listed below in the performance of its mission. The NCUA also depends on and works cooperatively with State Supervisory Authority (SSA) staff in achieving the goals in relation to the federally insured state-chartered credit unions.

Human Capital Management

Every year the NCUA's Office of Human Resources (OHR) conducts a Human Capital Management Survey and uses the results to evaluate the success of its training, staffing and labor and employee relations programs. Based on that evaluation OHR updates its Operating Plan to ensure that the issues identified by the NCUA employees will be addressed. In addition, OHR supports the Equal Opportunity Programs office in collecting and analyzing workforce statistics and implementing an affirmative employment program under EEOC Management Directive 715. OHR is also developing an agency-wide succession plan to address the significant loss of executives and managers over the next 5 years.

Information Technology Management

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

Continuity of Operations

The NCUA updates its Continuity of Operations Planning (COOP) regularly to integrate the regulations and to ensure the agency is prepared to perform its critical functions at all times. While the NCUA COOP is an internal document, it provides a strategic overview of the critical functions of contingency preparedness. The concepts, ideas, and elements set forth in the COOP address the NCUA operations and do not address individual credit union continuity of operation efforts. The NCUA updates the COOP annually to integrate the latest requirements and guidance. The COOP assists employee readiness by outlining specific responsibilities and procedures before, during and after any contingency situation.

Program Evaluations

The NCUA uses program evaluations as an integral part of its effort to continuously improve and enhance its mission performance. These evaluations take many forms and are performed by organizations both within and outside the agency. Principal among the evaluations follow:

External

General Accounting Office (GAO) Evaluations - As necessary, GAO conducts program and program support related evaluations of the NCUA programs.

Office of Management and Budget (OMB) Program Assessment Rating Tool (PART) Evaluations - During 2005, OMB conducted a PART of the NCUA Regulatory Program. The NCUA received a rating of “Effective” – the highest possible rating. The final report was released in 2006.

In 2006, OMB completed a PART of the NCUA Share Insurance Fund. The NCUA received a rating of “Moderately Effective”. Evaluations have shown that the fund has remained in good financial condition and helped maintain the stability and liquidity within the credit union system. The following actions are being taken to improve the performance of the program:

- Implementing a new performance measure to track the speed with which the NCUSIF refunds insured deposits after the failure of an institution.
- Implementing a new performance measure in its annual performance budget to track the effectiveness of the fund’s receivership function
- Support revisions to the Federal Credit Union Act to allow the NCUA to introduce risk-based “deductibles” for deposit insurance by adjusting the capital a credit union must hold based on its risk profile.

Financial Audits - Annually, the NCUA Operations Fund, National Credit Union Share Insurance Fund, Central Liquidity Fund and the Community Development Revolving Loan Fund are audited by an outside audit firm contracted by the OIG.

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

Internal

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

Corporate Examination Review Task Force (CERTF) - Annual internal evaluation of the agency’s corporate program. The task force is made up of rotating members from various regional and central offices. Recommendations are evaluated for adoption.

Human Capital Management Survey - Annually, the NCUA Office of Human Resources (OHR) conducts the Office of Personnel Management's Human Capital Management Survey. Recommendations are evaluated for implementation and integrated into the NCUA Human Capital Management Plan as appropriate.

Competency Management System – Using feedback from examiners, this newly developed system will provide information on examiner competency levels.

Training Program Evaluations – The NCUA Division of Training and Development (DTD) periodically solicit and obtain feedback from the NCUA and SSA staff on the quality of various training programs.

Human Resources Internal Review Program - Through this program, OHR identifies human capital issues and assesses progress toward meeting strategic human capital goals.

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

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