



NCUA
Annual
Performance Plan 2004





Dennis Dollar
Chairman

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JoAnn Johnson
Vice Chair

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Deborah Matz
Board Member

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Message from the NCUA Board

The NCUA Board is pleased to present NCUA Annual Performance Plan 2004. To date, 2003 has been another productive year at NCUA. The goals and objectives established by the NCUA Board for the year are documented in NCUA Annual Performance Plan 2003, which guided the agency's achievements. The agency's priorities continue to be those that promote the facilitation of safe and sound operations of federally insured credit unions and enhanced access to reasonable and affordable financial services for Americans from all walks of life.

NCUA began the year deeply engaged in an effort to increase agency efficiency with the implementation of the Accountability in Management (AIM) study initiative. As such, agency leadership announced the final actions necessary to complete regional restructuring, which includes the relocation of the Region VI (Concord, CA) regional office to a lower-cost area and the closing of the Region IV (Chicago, IL) regional office. These actions alone will save the agency approximately \$27 million over the next 10 years.

Other ongoing AIM study initiatives include: the formation of a working group to enhance our risk assessment capability for large credit unions; the formation of a Surveillance Systems Working Group to explore ways to enhance credit union data collection, storage and retrieval processes; and the initiation of a comprehensive agency pay study.

As a result of ideas shared at NCUA's 2003 Strategic Leadership Summit, NCUA formed a Small Credit Union Working Group to explore changes the agency may make to help small credit unions reach their full potential within the bounds of safety and soundness.

NCUA successfully met our statutory responsibilities of safety and soundness while providing and fostering a regulatory environment which permits credit unions to be innovative, responsive to their members, and competitive in the rapidly evolving financial services industry. NCUA actions included, among others, conducting several Partnering and Leadership Successes (PALS) workshops; encouraging the prudent expansion of small business related services; enhancing our Member Business Loan Regulation; and working with the Small Business Administration to expand the eligibility of the 7(a) loan program to more credit unions. In an effort to address contemporary risk areas, the agency continued the evolution of our risk-focused examination and supervision processes, provided guidance to credit unions on monitoring their risk exposure, and promoted credit union due diligence in managing real estate mortgage portfolio concentration risks.

NCUA issued a revision to the federal credit union chartering and field of membership rule, which incorporated necessary updates and technical corrections stemming from experience and review in administering and implementing field of membership rules since the passage of the Credit Union Membership Access Act of 1998. The revisions included, among others, the standardization of the definition of a local community, the continued development of the *Access Across America* initiative which is designed to facilitate access to affordable financial services to those who need it most, and the introduction of a new trade, industry or profession option for single common bond credit unions. These changes and updates clearly demonstrate the agency's ongoing commitment, within the parameters of the statute and safety and soundness, to ensure the federal charter remains a viable, safe and sound option within the dual credit union chartering system.

NCUA will end the year 2003 with the sharp focus with which it began by completing the realignment of the regional offices and continuing the ongoing initiatives designed to facilitate the safe and sound operations of federally insured credit unions and the extension of access to affordable financial services for Americans from all walks of life. The agency's efforts to create efficiency, enhance risk assessment capabilities, and provide a flexible regulatory environment to meet the needs of a dynamic and changing financial marketplace have well positioned NCUA to meet the ongoing challenge of providing a safe, sound, strong, and more viable credit union system in the year 2004 and beyond.

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NCUA Mission, Vision, and Values

NCUA

NCUA is the independent federal agency that charters and supervises federal credit unions, and, through management of the National Credit Union Share Insurance Fund (NCUSIF), insures the majority of member funds held in the nation's credit unions. NCUA also works in cooperation with the state supervisory authorities to maintain the safety and soundness of state chartered credit unions insured by the NCUSIF. NCUA's regulatory responsibilities are entirely funded by federally insured credit unions; it receives no federal tax dollars in the execution of its chartering, supervision and enforcement mission.

Vision

NCUA must ensure the cooperative credit union movement can safely provide financial services to all segments of American society, enabling credit unions and their members to thrive in the 21st century.

Mission

NCUA's charge is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend the availability of financial services for provident and productive purposes to all who seek such service, while recognizing and encouraging credit unions' historical emphasis on extension of financial services to those of modest means.

NCUA's mission is accomplished by managing the NCUSIF in an efficient and prudent manner through an

effective supervision program and a regulatory environment that encourages innovation, flexibility and continued focus on attracting new members and improving financial service to existing members.

Values

Integrity – This is the underlying value in everything NCUA does as an agency and as individual staff members. Integrity is the result of communicating openly and honestly, delivering what we promise and doing the right thing, not merely doing things right. Integrity directly addresses the concepts of honor and duty, which the American public has the right to expect from us as public servants.

Forward-Looking – NCUA continuously scans the horizon, plans how to address emerging issues and acts upon these issues sufficiently in advance to provide timely, cost effective solutions where warranted.

Responsiveness – NCUA strives to provide effective policies and procedures that are designed to address safety and soundness, as well as concerns of credit unions in an ever-changing financial marketplace.

Teamwork – Teamwork inspires, motivates and guides NCUA toward its goals. It was from a group identity – commitment, team spirit and a willingness to work together for the betterment of all members -- that credit unions were created, and it is that identity which sustains NCUA today.

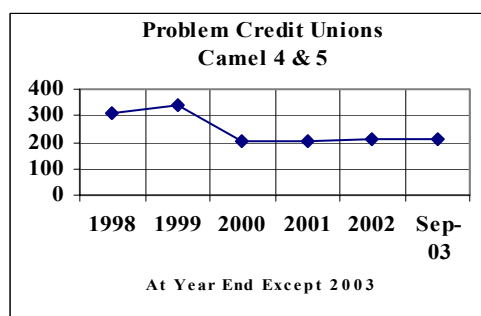
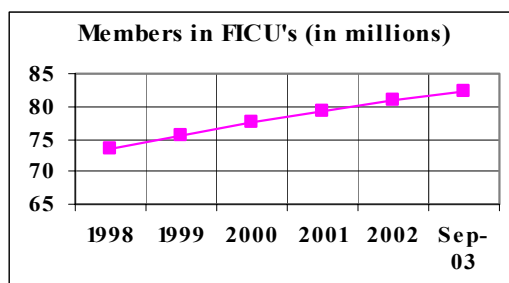
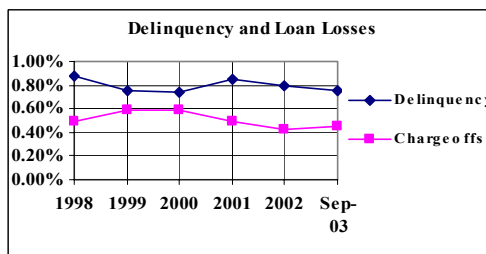
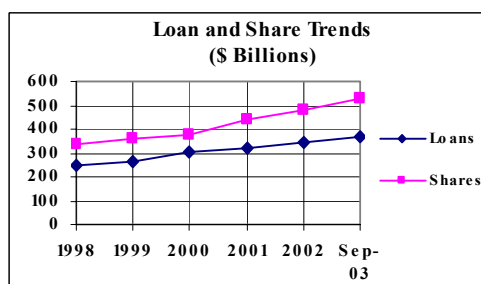
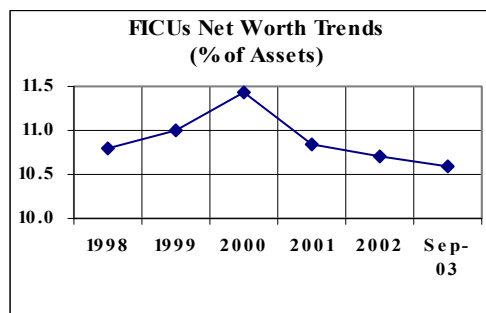
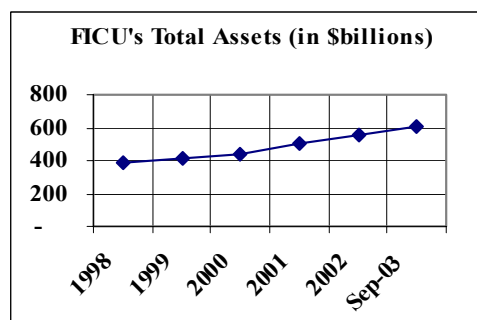
Industry Overview

The number of federally insured credit unions declined from 9,730 as of December 31, 2002, to 9,458 as of September 30, 2003. Of this number, 5,829 credit unions are federally chartered and 3,629 are state chartered.

Despite the decrease in total numbers, the industry today is very strong, as evidenced by financial performance trends. As indicated in the following charts, membership in credit unions has steadily increased with a corresponding increase in assets and net worth. Total net worth increased \$4.5 billion during the first nine months of 2003, while assets grew by \$49.0 billion. The aggregate net worth ratio declined to 10.58% as of September 30, 2003, as asset growth outpaced net worth growth.

Credit unions are making more loans while share deposits continue to increase. Loans increased by \$24.3 billion in the first nine months of 2003, while shares increased \$41.9 billion. As a result, the loan to share ratio decreased to 69.76% as of September 30, 2003.

The delinquency rate and the number of problem credit unions remain low. Delinquent loans, as a percentage of total loans, decreased from the yearend 2002 level of 0.79% to 0.75%, while net charge offs increased from 0.51% to an annualized 0.55% of average loans.



Trend Analysis and Emerging Issues

Overall, the credit union industry remains healthy and robust. High growth in assets, shares, and investments continued in the first half of 2003, while loan growth was moderate. To maintain safe and sound operations and a healthy industry, NCUA and credit unions must consider emerging risks.

In the first half of 2003, the economy started to show signs of improvement and, consequently, long-term interest rates increased moderately. Continued increases in long-term interest rates combined with increases in market and rate sensitive share accounts pose significant balance sheet risk management challenges for financial institutions.

Key trends include:

- Share growth continues to exceed loan growth and remains concentrated in short-term, potentially volatile share accounts. If the record growth of share deposits in recent years was due in part to the bear market in equity securities, members may be inclined to withdraw these shares if alternative investment options once again appear attractive. This uncertainty raises concerns of increased liquidity and earnings risk.
- Loan growth continues to be concentrated in fixed rate real estate loans. These are being granted at the lowest rates in 40 years, resulting in interest rate, liquidity, and earnings risks should market rates significantly rise.

- Consumer borrowing remains weak. Used auto loans were the only consumer loans to show aggregate growth. Credit unions trying to compete for consumer loans may turn to indirect or third party lending, which could introduce potential risks that may result from third party transactions and demonstrates the need for sound due diligence.
- Potential transaction risk continues to increase as more credit unions move to transactional websites and increasingly complex e-Commerce services. While the number of credit unions implementing new websites has waned, the number and type of electronic services provided has grown steadily presenting considerable potential for additional growth.

Summary:

High growth in fixed rate real estate loans and volatile, non-maturity shares combined with increases in lower quality consumer loans could present significant interest rate, liquidity, and credit risks to some credit unions. As such, if the economy continues to improve, equity market investing increases, and interest rates continue to rise, interest rate risk and liquidity risk could impact credit union earnings and capital. If the economy does not improve, credit risk could impact credit union earnings and capital.

Environmental Scan

The environmental scan provides information on the economic, social/demographic, technological, and political/legislative environment. This information, combined with performance results from NCUA Annual Performance Report 2002, provides the foundation for formulating NCUA Initial Annual Performance Plan 2004.

Economic Outlook¹

The United States economy moved ahead slowly in early 2003, as excess capacity and uncertainty led businesses to hold back on capital expenditures and hiring. Business investment is the key to a robust recovery, and economists expect business investment to continue its slightly positive trend in late 2003. Consumer confidence is low, but household savings and wealth should both turn up in 2003.

Real gross domestic product (GDP) -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 3.3 percent in the second quarter of 2003, according to revised estimates released by the Bureau of Economic Analysis. In the first quarter, GDP increased 1.4 percent. The forecasted growth rate in GDP for the 2nd half 2003 is 3.8 percent. The outlook for 2004 is moderate growth, in the two to four percent range.

The Federal Reserve has said that rates could stay low for a “considerable period.” However, once the United States economy appears to be in a sustainable healthy recovery, the Federal Reserve is likely to return to a neutral or even tightening mode on inflation.

¹ Economic Outlook benefited from presentations at NCUA’s Strategic Leadership Summit, January 2003, by Larry Meyer, Director, MPI, and former Federal Reserve Governor, and Bill Hampell, CUNA’s Chief Economist.

The implied forward rate expresses the market expectation of where future rates will be. Over the recent period the forward curve has shown that the market anticipates shorter term Treasury rates to be approximately one per cent higher than they are now in twelve months time.

It is anticipated that credit unions will continue to grow in 2004, but the composition of their balance sheets will likely not change much, and no significant changes in credit quality are expected. Credit union balance sheets are projected to grow about ten percent per year, with a slight increase in liquidity. Aggregate interest rate risk exposure is expected to remain unchanged. Return on assets and net worth ratios should remain practically unchanged. Prompt Corrective Action is not expected to be a material constraint.

Social/Demographic Outlook

The U.S. population more than tripled from 76 million people in 1900 to 292 million people in 2003. The growth of 32.7 million people in the 1990s represented the largest numerical increase of any decade in U.S. history.

At the beginning of the century, half of the U.S. population was less than 22.9 years old. At the century’s end, half of the population was more than 35.3 years old, the country’s highest median age ever.

The United States’ gender composition shifted from a majority male population to a majority female population around mid-century. As the United States entered the 21st century, most of the population lived in the South or the West, in metropolitan areas, was female, at least 35 years old, White (but much less so),

owned a home, and lived alone or in a household with one or two other people. The United States population was much more racially diverse in 2000 than in 1900. At the beginning of the century, 1 out of 8 Americans was of a race other than White; at the end of the century, the ratio was 1 out of 4. Large-scale immigration, primarily from Latin America and Asia, underlies both increased racial and ethnic diversity. In just the last two decades of the century, the Asian and Pacific Islander population tripled, and the Hispanic population more than doubled. Between 1998 and 2001 about 45 percent of the population increase was due to net immigration.

The rising economic tide of the late 1990s lifted the family income of almost all American families, but also sharply increased the net worth gap between the rich and the rest of society. The percentage change in median net worth from 1998 to 2001 for families in the lowest 20 percent of income (14.4 percent) was less than that of those in the highest 10 percent (19.3 percent). The median net worth for most families rose 10.4 percent. Although equity markets declined in 2001, studies suggest that with equity prices as low as they were in October 2002, median family net worth still exceeded 1998 levels.

In 2001, 12.7 percent of surveyed families reported not having a checking account. The most commonly reported reason given by 28.6 percent of families without accounts was that the family did not write enough checks to make account ownership worthwhile. Another 14.0 percent said that they did not have enough money to make account ownership worthwhile. Of those surveyed, 22.6 percent said that they did not like dealing with banks; this response showed the largest increase since 1998 – 4.1 percentage points.

Families that did not have transaction accounts in 2001 were disproportionately likely to have

low incomes, to be younger than 35, to be nonwhite or Hispanic, to be headed by a person who was neither working nor retired, to be a renter, and to have relatively low levels of wealth.

In summary, the United States population is increasing, aging, more racially diverse, and more likely to be female. Family income has risen in every income category, but the net worth gap between the rich and the rest of society has widened. In 2004, credit union products and services are expected to be tailored to meet the needs of this changing population.

Technological Outlook

As of December 31, 2002, approximately fifty percent of all federally insured credit unions reported having a website. The rate of website growth is currently 4.4 percent, but is declining annually as saturation is reached. Although the growth rate in new websites is declining, the proportion of advanced websites is increasing. Interactive websites make up an increasingly larger percent of the total websites, currently 66.8 percent. Credit unions continue to offer standard e-commerce services and are increasingly implementing more sophisticated services (e.g., aggregation, electronic bill paying).

In 2004, credit unions will increasingly use the Internet and World Wide Web to deliver financial services. We expect the growth rate of credit union websites will continue to decline as saturation is reached. Websites will continue to shift from Informational/Interactive to Transactional thus increasing transactional and reputation risks.

Vendors are developing e-Commerce products and solutions in-house and/or are establishing relationships with 3rd party vendors. The number of vendors offering vendor designed or

3rd party e-Commerce products will continue to increase. Vendors with turnkey products will continue to place system (hardware/software) security responsibility directly on their clients.

The more complex the systems and services become, the less likely credit unions (primarily small to mid-size) will be able to effectively secure and manage those systems. To secure systems and protect member data, credit unions will need to spend more for technology, personnel, and staff training as well as gain management focus and commitment.

Political/Legislative Outlook

Regulatory Relief

In 2002, House Financial Services Committee members Shelly Moore Capito (R-WV) and Mike Ross (D-AR) introduced legislation (H.R. 3951) to provide regulatory relief for financial institutions, including credit unions. In response to an inquiry from Chairman Mike Oxley of the House Financial Services Committee, NCUA submitted several recommendations designed to reduce regulatory burden on federal credit unions. NCUA recommended that the legislation include provisions that would:

1. Authorize credit unions to provide check cashing, wire transfers, and other money transfer services for non-members within the field of membership;
2. Increase the twelve-year maturity on loans;
3. Authorize an increase to the one percent investment limit in CUSOs;
4. Clarify the “reasonable proximity” requirement;
5. Authorize additional investment options for Federal credit unions;
6. Authorize mergers of credit unions with multiple groups over 3,000; and
7. Provide exemption to credit unions from SEC registration requirements similar to

those provided to other financial institutions.

Reps. Capito and Ross reintroduced similar legislation (H.R. 1375) on March 20, 2003. The legislation includes all the provisions recommended by NCUA except for the provision that would clarify the “reasonable proximity” requirement. On April 19, 2003, the Subcommittee approved the legislation, as amended, by voice vote. The amendment approved by the Subcommittee included a new section that would require all financial institution regulators, including NCUA, to report to Congress the number of minorities and women employed by the agencies. On May 20, 2003, the House Financial Services Committee approved H.R. 1375. Senate Banking Chairman Richard Shelby (R-Ala.) has likewise requested regulatory agencies, including NCUA, to submit input to a regulatory relief package he is expected to craft for committee consideration. Similar recommendations were submitted to Senator Shelby.

FY 2004 Appropriations

NCUA will continue to seek assistance from Congress to fund the Community Development Revolving Loan Fund (CDRLF). For fiscal year 2004, NCUA requested an additional \$1 million appropriation for the CDRLF over last year’s funding level bringing the total amount requested to \$2 million. The additional appropriation could provide the CDRLF program even greater ability to further the growth and long-term viability of credit unions in low-income and underserved areas.

Deposit Insurance Reform

Legislation to consider reforms and make structural changes to the Federal Deposit Insurance System has been introduced in both the House and the Senate. While the legislation

does not affect the structure of the NCUSIF, if adopted as introduced, it would increase the coverage for depositors in credit unions.

Bankruptcy Reform

The House and Senate Judiciary Committees have both indicated their commitment to reintroduce legislation to reform the bankruptcy laws again this year. The House Judiciary Committee has scheduled hearings on the legislation, while the Senate Judiciary Committee has decided to forego the Committee process and bring legislation directly to the Senate floor.

NCUA has made several recommendations to legislators to revise the legislation to include credit unions in the language that amends the bankruptcy insolvency laws with respect to the termination and netting of qualified financial contracts.

Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) was enacted in 1970 to protect consumers and the ways their credit information is gathered and disseminated. The FCRA, which expires on December 31, 2003, prevents states from adopting separate rules on credit reporting. The House and Senate held hearings in 2003, to consider whether and how to extend the FCRA. The FCRA is expected to be the main vehicle to carry the privacy debate.

Miscellaneous Legislation

President Bush's FY 2004 budget proposed the recharacterizing of several retirement vehicles, including Roth IRAs, Archer Medical Savings Accounts, and the Coverdell Education Savings Accounts. Also, the FY 2004 budget proposes to expand tax incentives for savings.

The Assets for Independence Act of 1998 authorized the U.S. Department of Health and Human Services (DHHS) to establish and administer a 5-year, \$125 million demonstration of Individual Development Accounts (IDA). Currently, credit unions designated as low-income or Community Development Financial Institutions are eligible for DHHS assistance. Under a proposed Savings for Working Families Act of 2003 legislation, all credit unions would be eligible for a transferable tax credit for every dollar contributed as matching funds for IDAs.

Election Year

It is important to note that 2004 is an election year where the full House is up for election, as well as one-third of the Senate. Most notably, it is a presidential election year. Although it is not easy to predict what will occur, legislative priorities generally shift during election years.

Strategic and Outcome Goals

Strategic Goal 1:

A system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility.

Outcome Goals:

- 1.1. NCUA promotes effective risk management practices.
- 1.2. NCUA timely resolves safety and soundness issues.
- 1.3. NCUA's supervision efforts influence credit unions to effectively plan to meet current and future financial and managerial challenges.
- 1.4. NCUA diligently manages the National Credit Union Share Insurance Fund (NCUSIF).

Strategic Goal 2:

The safe integration of credit union financial services and emerging technology.

Outcome Goals:

- 2.1. NCUA's supervision process is designed to identify, measure, monitor, report, and control the risks that existing and emerging financial service technologies pose to credit unions and the NCUSIF.
- 2.2. NCUA provides information and resources to help ensure credit unions safely integrate, operate, and effectively manage existing and emerging financial service technologies.

Strategic Goal 3:

A regulatory environment that facilitates credit union innovation to meet member financial service expectations while maintaining safety and soundness.

Outcome Goals:

- 3.1. NCUA regulations are current, clearly written, flexible, necessary and relevant for an effective regulatory environment.
- 3.2. NCUA's supervision process supports credit union financial services that are innovative and competitive in a changing economic environment.
- 3.3. NCUA contributes to a regulatory environment that promotes credit union innovation.

Strategic Goal 4:

Credit unions leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means.

Outcome Goals:

- 4.1. NCUA promotes increased credit union membership and accessibility with service to the underserved and enhanced financial service offerings.
- 4.2. NCUA appropriately shapes the regulatory environment to allow credit unions to meet the changing economical and sociological financial needs of credit union members.
- 4.3. NCUA identifies and shares innovative initiatives to further credit union service while ensuring the safe and sound condition of the credit union system.

Strategic Goal 5:

NCUA's organization is appropriately structured to enable credit unions to continue to flourish while addressing the challenges of the 21st century.

Outcome Goals:

- 5.1. NCUA has the ability to identify emerging management and human capital issues and trends and implement timely and effective solutions in a cost effective manner.
- 5.2. NCUA strategic goals are supported by an integrated, reliable and secure Information Technology architecture.
- 5.3. NCUA's organizational structure supports a safe and sound credit union system while facilitating growth and development in a changing environment.
- 5.4. NCUA has the people, tools, and structure in place to minimize the impact of any potential crisis situation.

Resource Utilization Projection

The following chart shows how NCUA resources have been applied to accomplish its five strategic goals since 1999. The 2004 projected FTE and budget dollars are estimates only. The final 2004 budget was approved by the NCUA Board in November 2003.

Goal		1999	2000	2001	2002	2003 ²	Est. 2004 ³
1	Budget	704.69	729.20	706.22	628.66	634.71	602.95
	FTE Actual	665.84	697.36	692.85	604.76	N/A	N/A
1	Budget	\$82,368,695	\$93,276,711	\$96,086,414	\$92,790,450	\$95,485,302	\$93,842,706
	Dollars Actual	\$79,927,400	\$89,008,270	\$92,422,097	\$84,528,781	N/A	N/A
2	Budget	34.41	39.00	31.81	36.48	31.86	34.15
	FTE Actual	30.52	35.32	30.98	34.81	N/A	N/A
2	Budget	\$4,172,141	\$5,738,137	\$4,928,441	\$5,460,094	\$4,792,946	\$5,315,415
	Dollars Actual	\$3,612,356	\$5,053,257	\$4,707,265	\$4,874,055	N/A	N/A
3	Budget	35.18	32.69	33.95	72.18	70.65	68.12
	FTE Actual	31.61	34.04	33.69	79.55	N/A	N/A
3	Budget	\$4,112,044	\$4,181,701	\$4,618,820	\$10,653,276	\$10,628,670	\$10,602,367
	Dollars Actual	\$3,794,983	\$4,344,719	\$4,493,986	\$11,119,362	N/A	N/A
4	Budget	129.34	115.84	123.67	151.58	126.20	155.52
	FTE Actual	116.25	118.16	122.47	145.68	N/A	N/A
4	Budget	\$15,118,454	\$14,818,098	\$16,826,083	\$22,372,974	\$18,984,865	\$24,205,613
	Dollars Actual	\$13,955,037	\$15,081,098	\$16,337,272	\$20,362,714	N/A	N/A
5	Budget	138.52	132.34	133.10	106.30	107.60	102.55
	FTE Actual	108.96	110.25	110.17	93.50	N/A	N/A
5	Budget	\$16,191,016	\$16,927,899	\$18,108,822	\$15,690,667	\$16,187,929	\$15,961,491
	Dollars Actual	\$13,079,304	\$14,071,940	\$14,695,977	\$13,069,330	N/A	N/A
Total	Budget	1042.15	1049.07	1028.75	995.20	971.02	963.30
	FTE Actual	953.18	995.13	990.16	958.30	N/A	N/A
Total	Budget	\$121,962,349	\$134,942,546	\$140,568,580	\$146,967,461	\$146,079,712	\$149,927,592
	Dollars Actual	\$114,369,080	\$127,559,283	\$132,656,597	\$133,954,242	N/A	N/A
% Total Actual Dollar Change		13.70%	11.53%	4.00%	.98%	N/A	N/A

² The 2003 budget was approved by NCUA Board on November 21, 2002.

³ The 2004 FTE are annualized and are for planning purposes only. The 2004 budget was approved by the NCUA Board on November 20, 2003.

Annual Performance Goals, Means, and Strategies

Strategic Goal 1:

A system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility

Outcome Goal 1.1:

NCUA promotes effective risk management practices.

1.1(a): NCUA Rules and Regulations promote the use of effective risk management practices.

<u>Measure</u>				<u>Target</u>		
(1) The review and update of NCUA Rules and Regulations as appropriate				Complete one third annually		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2003.				12/03	12/04

1.1(b): NCUA’s risk-focused supervision process provides credit unions with useful, effective, and efficient means for improving their risk management practices.

<u>Measure</u>				<u>Target</u>		
(1) Recommendations from the post implementation program evaluation conducted by the Office of Examination and Insurance in 2003				Implement by year-end		
(2) Necessary changes identified through third-party reviews (i.e., OIG, GAO, OMB, etc.)				Implement by year-end		
(3) Question 2 ⁴ on the revised NCUA Examination Survey				4.5 average rating		
(4) Corporate credit unions with a CRIS Risk Management rating of 3 or better				90% or better		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Implement by	New goal for 2004.					12/04
(2) Implement by	New goal for 2004.					12/04
(3) 4.5 or >	New goal for 2003.				4.5	4.5
(4) 90% or >	100%	100%	100%	100%	100%	100%

⁴ Question 2 asks whether the examination provided management with sufficient direction for improving risk management at the credit union.

1.1(c): Emerging risks and trends are identified and evaluated for resulting regulatory changes, changes to the supervision process, and/or the development of guidance.

<u>Measure</u>				<u>Target</u>		
(1) National Risk Trends Report and other communications				Distribute to staff semi-annually and as needed		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Distribute by	New goal for 2003.				3/03 9/03	3/04 9/04

Outcome Goal 1.2:

NCUA timely resolves safety and soundness issues.

1.2(a): The percentage of federally insured credit unions (FICUs) with long-standing unresolved problems that threaten their safety and soundness is limited.

<u>Measure</u>				<u>Target</u>		
(1) FICUs that remain a CAMEL code 3 or greater for 36 months and have a Management component code of 3 or greater				3 percent or less		
(2) FICUs that remain a CAMEL code 4 or 5 for more than 12 months				1 percent or less		
(3) FICUs with a return on assets of less than 0.50% and net worth less than 6%				Acceptable range is 1 percent + or (-) .25%		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 3% or less	3.78%	3.01%	3.11%	2.83%	3%	3%
(2) 1% or less	1%	1%	1%	1%	1%	1%
(3) 1% +(-) 25%	1.36%	0.73%	0.70%	0.63%	0.75%	0.75%

1.2(b): FICUs in danger of insolvency are effectively monitored and assessed for continued viability.

<u>Measure</u>				<u>Target</u>		
(1) FICUs with a net worth ratio of less than two percent				0.25 percent or less		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 0.25 % or less	N/A	0.32%	0.30%	0.18%	0.25%	0.25%

Outcome Goal 1.3:

NCUA’s supervision efforts influence credit unions to effectively plan to meet current and future financial and managerial challenges.

1.3(a): NCUA staff, credit unions, and other interested parties are proficient in assessing strategic risk and understanding strategic planning concepts.

<u>Measure</u>				<u>Target</u>		
(1) Percentage of FICUs with a high strategic risk rating				Baseline to be established in 2003		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Baseline TBD	New goal for 2004.					TBD

1.3(b): NCUA provides credit unions and staff with critical and valuable information to assist with planning and evaluating emerging issues.

<u>Measure</u>				<u>Target</u>		
(1) Question 1 ⁵ on the revised NCUA Examination Survey				4.5 average rating		
(2) Letters to Credit Unions, Regulatory Alerts, and other communications				Issue as warranted		
(3) Recommendations to improve NCUA's communication processes identified by audits conducted by the OIG.				Implement as necessary		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 4.5 or >	New goal for 2003.				4.5	4.5
(2) Issue by	New goal for 2004					12/04
(3) Implement by	New goal for 2004.					12/04

Outcome Goal 1.4:

NCUA diligently manages the National Credit Union Share Insurance Fund (NCUSIF).

1.4(a): NCUA diligently manages the NCUSIF to support credit union deposit insurance needs.

<u>Measure</u>				<u>Target</u>		
(1) NCUSIF Equity Ratio				1.3 percent		
(2) Percentage of the credit union industry's market share of federally insured assets				Increase from prior year		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 1.3%	1.3%	1.3%	1.25%	1.27%	1.3%	1.3%
(2) % Increase	5.63%	5.55%	5.99%	6.31%	6.32%	6.33%

⁵ Question 1 asks if the examiner communicated effectively with management and officials throughout the examination (e.g., sharing information, discussing applicable current credit union issues).

Means and Strategies:

1. Focus the risk-focused examination on the forward-looking analysis of the seven areas of risk relevant to credit union operations and on credit union management’s ability to identify, evaluate, monitor, and control risk in their institutions.⁶
2. Conduct quality control reviews and supervisory examiner appraisals of the risk-focused examinations at the regional level to help ensure the integrity and effectiveness of risk-focused examination process.
3. Work cooperatively with the State Supervisory Authorities in their assessment of the financial and operational condition of federally insured state-chartered credit unions and in properly managing their risk to the NCUSIF.
4. Utilize supervision tools currently available and under development to evaluate risk to the NCUSIF at the individual credit union, geographic area, region, and national level and react appropriately to mitigate this risk.
5. Continue to issue Letters to Credit Unions, Regulatory Alerts, Technical Bulletins and other official communications as warranted on a timely basis.
6. Ensure the Central Liquidity Facility continues to operate in an efficient and timely manner in meeting the unforeseen liquidity needs of its members.

Strategic Goal 2:
The safe integration of credit union financial services and emerging technology

Outcome Goal 2.1:

NCUA’s supervision process is designed to identify, measure, monitor, report, and control the risks existing and emerging financial service technologies pose to credit unions and the NCUSIF.

2.1(a): NCUA Information System & Technology (IS&T) subject matter examiner workforce possesses an above average knowledge of procedures and controls in internal and external IS&T environments.

Measure				Target		
(1): IS&T SME Concept Understanding ⁷				Review and, if necessary, update by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.					12/04

Outcome Goal 2.2:

NCUA provides information and resources to help ensure credit unions safely integrate, operate, and effectively manage existing and emerging financial service technologies.

⁶ The seven risk areas are; credit, interest rate, liquidity, transaction, compliance, strategic, and reputation.

⁷ A Concept Understanding is the list of knowledge, skills and abilities that a SME should possess after a specified period of time.

2.2(a): The credit union community's use and understanding of technology planning including disaster recovery and contingency plans, due diligence expectations and best practices is enhanced.

<u>Measure</u>		<u>Target</u>				
(1) Appropriate number of IS&T Subject Matter Examiners (SME) with the desired competency level.		Determined by each Region based on the number, size, and services of its credit unions				
(2) Guidance on effective technology management practices		Issue as necessary				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) TBD	New goal for 2004.					TBD
(2) Issue by	New goal for 2004.					12/04

Means and Strategies:

1. Develop and implement a comprehensive program designed to provide initial and continuing education/training to subject matter examiners, examiners and SSA staff. This program should include establishing a baseline, program testing, evaluation, and reassessment through an examiner survey.
2. Enhance the sharing of Information Systems and Technology best practices among examiners, credit unions and trade associations through group meetings, regional intranet sites, and participation in sessions provided by the trade associations.
3. Monitor the number of CUs engaging in e-commerce activity and the type of activity utilized.
4. Promote voluntary agreements for 3rd party e-commerce vendor reviews.
5. Track e-commerce providers to monitor the volume and level of associated risk.

Strategic Goal 3:

A regulatory environment that facilitates credit union innovation to meet member financial service expectations while maintaining safety and soundness

Outcome Goal 3.1:

NCUA regulations are current, clearly written, flexible, necessary and relevant for an effective regulatory environment.

3.1(a): NCUA regulations facilitate credit union innovation.

<u>Measure</u>		<u>Target</u>				
(1) The completed review and update of the NCUA Rules and Regulations as appropriate.		One third annually				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2003.				12/03	12/04

Outcome Goal 3.2:

NCUA’s supervision process supports credit union financial services that are innovative and competitive in a changing economic environment.

3.2(a): The NCUA Board’s regulatory philosophy is effectively communicated throughout all levels of the organization.

<u>Measure</u>		<u>Target</u>				
(1) Employee satisfaction level with management communication of organizational information.		Implement recommendations in the NCUA Human Capital Survey Report to address the high percentage of negative responses to Question 64 of the Human Capital Survey ⁸				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Implement by	New goal for 2004.					12/04

3.2(b): NCUA’s supervision process is efficient, effective, flexible and facilitative in a competitive environment yet maintains safety and soundness standards.

<u>Measure</u>		<u>Target</u>				
(1) Credit union satisfaction with relevancy, (risk) focus and effectiveness of NCUA’s supervision process as indicated on questions 3 and 7 of the NCUA Examination Survey ⁹ .		Rating of 4.5 or greater				
(2) Examination and supervision productive time as a percentage of total examiner time.		59% ¹⁰ or greater				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 4.5 or >	Survey revised in 2003.				4.5	4.5
(1) 59% or >	57%	56%	59%	59%	59%	59%

Outcome Goal 3.3:

NCUA contributes to a regulatory environment that promotes credit union innovation.

3.3(a): Communication of legislative and regulatory information is efficient, timely and effective.

⁸ Question 64 of the Human Capital Survey asks NCUA employees to rate their satisfaction level with the information they receive from management on what’s going on in their organization.

⁹ Question 3 asks if the topics discussed with credit union officials were relevant to the identified risks and potential risk exposure in the credit union. Question 7 asks if the overall examination process was effective.

¹⁰ Ratio includes 5300 data collection and Small Credit Union Program time.

<u>Measure</u>		<u>Target</u>				
(1) Availability of legislative and regulatory information to credit unions, credit union leagues, and trade associations.		Publish as appropriate				
(2) Availability of an electronic subscription service for disseminating regulatory and supervisory communications to credit unions.		<u>Implement by year-end</u>				
(3) Redesign of the NCUA Internet website.		Implement by year-end				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Publish by	New goal for 2004.					12/04
(2) Implement by	New goal for 2004.					12/04
(3) Implement by	New goal for 2004.					12/04

Means and Strategies:

1. Promote the flexible regulatory philosophy through publications and meetings.
2. Review examination and supervision procedures for necessary changes considering economic conditions.
3. Review NCUA regulations for both natural person and corporate credit unions for needed changes to ensure they are current, necessary, and effective.
4. Enhance the ability of NCUA to share information and legislative efforts with credit unions, leagues, State Supervisory Authorities and associations.
5. Continue to promote a strong dual-chartering system by maintaining a balanced “playing field” through the appropriate means for the two systems.
6. Review and consider all communications/input regarding the effectiveness of all regulations.

Strategic Goal 4:

Credit unions leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means

Outcome Goal 4.1:

NCUA promotes increased credit union membership and accessibility with service to the underserved and enhanced financial service offerings.

4.1(a): Financial service availability is expanded to people from all walks of life.

<u>Measure</u>	<u>Target</u>
(1) Potential underserved members added	An amount equal to or above the three-year moving average number of potential underserved members added
Historical Performance	

	99	00	01	02	Est. 03	Est. 04
(1) Three year moving average	N/A	2.37	16.1	23.5	14	18

4.1(b): Emerging trends in demographics and financial service offerings are identified and shared with examiners, State Supervisory Authorities and federal credit unions.

<u>Measure</u>				<u>Target</u>		
(1) An annual survey of emerging trends in demographics and financial service offerings				Publish by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Publish by	New goal for 2004.					12/04

4.1(c): Common themes or reasons for the success or failure of newly chartered credit unions are identified.

<u>Measure</u>				<u>Target</u>		
(1) Chartering Model ¹¹				Revise or appropriately update by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Revise by	New goal for 2004.					12/04

Outcome Goal 4.2:

NCUA appropriately shapes the regulatory environment to allow credit unions to meet the changing economical and sociological financial needs of credit union members.

4.2(a): The regulatory environment allows credit unions to enhance financial services by reducing regulatory barriers and sharing information and legislative efforts with credit unions, leagues, and associations.

<u>Measure</u>	<u>Target</u>
(1) Percentage increase in the number of credit union members	An increase of 2.0 percent or greater ¹²
(2) Percentage increase in credit union assets	An increase of 8.0 percent or greater ¹³
(3) Percentage increase in credit union shares	An increase of 7.5 percent or greater ¹⁴

¹¹ The chartering model encompasses the established standards for organizing and chartering a credit union. The study will focus on ways in which the standards may be modernized for more successful chartering.

¹² The target is based on historical performance for the last three years.

¹³ The target is based on the actual 10 year average increase in assets and current and forecasted economic conditions.

¹⁴ The target is based on the actual 10 year average increase in shares and current and forecasted economic conditions.

(4) Percentage increase in credit union loans outstanding	An increase of 6.0 percent or greater ¹⁵					
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Increase by	2.6%	2.9%	2.3%	2.0%	2.0%	2.0%
(2) Increase by	5.8%	6.5%	14.4%	11.1%	15.0%	8.0%
(3) Increase by	5.0%	6.3%	15.2%	10.8%	15.3%	7.5%
(4) Increase by	10.5%	11.0%	7.0%	6.3%	6.5%	6.0%

Outcome Goal 4.3:

NCUA identifies and shares innovative initiatives to further credit union service while ensuring the safe and sound condition of the credit union system.

4.3(a): Innovative best practice member service solutions are available to credit unions.

<u>Measure</u>				<u>Target</u>		
(1) Communications describing best practice member service solutions				Post articles semi-annually		
(2) Single focus workshops that foster <i>Access Across America</i> Initiative objectives				Conduct by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Post by	New goal for 2004.					6/04 12/04
(2) Conduct by	New goal for 2004.					12/04

Means and Strategies:

1. Promote and enhance the ability of federal credit unions to expand the availability of affordable products and services to people from all walks of life through the *Access Across America* initiative.
2. Encourage credit union use by all Americans through an education initiative on the value of the NCUSIF account coverage.
3. Encourage and facilitate federally chartered credit unions to focus on providing competitive services based on sound business practices, to partner with others to increase efficiencies and to consider means to provide technologically based services to those not having access to the Internet.
4. Provide federal credit unions with an efficient process to expand fields of membership through effective statutes (including Federal legislation), regulations, policies and procedures.
5. Identify challenges in forming new federal charters and expanding existing charters, and identify and share resources to mitigate those challenges, partnering with trade associations and others to enhance service to underserved groups.
6. Facilitate the identification of resources available for federal credit unions to obtain economies of scale and to attract and retain new members, especially the underserved.

¹⁵ The target is based on historical performance for the last ten years and current and forecasted economic conditions.

Strategic Goal 5:

NCUA's organization is appropriately structured to enable credit unions to continue to flourish while addressing the challenges of the 21st century

Outcome Goal 5.1:

NCUA has the ability to identify emerging management and human capital issues and trends and implement timely and effective solutions in a cost effective manner.

5.1(a): Human resource decisions are optimal, supported by data and aligned with the agency's mission, values, and goals.

<u>Measure</u>		<u>Target</u>				
(1) NCUA Human Capital Survey		Act on areas identified for improvement in the 2003 survey.				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.					12/04

5.1(b): Subject Matter Examiners (SME) maintain the requisite competencies required by their SME designation.

<u>Measure</u>		<u>Target</u>				
(1) Identify SME competencies for placement in CU-12 examiner position description and performance standards		Review and, if necessary, update annually				
(2) Examiner CU 5-12 Workforce Planning Survey competency self-assessment on questions pertaining to the SME designation.		Percentage of CU-12 examiners with an average response rating of 4 ¹⁶ or better (establish baseline in 2004)				
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.					12/04
(2) 4 or >	New goal for 2004.					Baseline

5.1(c): NCUA staff has the requisite information technology skills to effectively support the accomplishment of agency mission and goals.

<u>Measure</u>	<u>Target</u>
(1) Examiner CU 5-12 Workforce Planning Survey competency self-assessments on	Maintain at 90% or better the percentage of examiners with

¹⁶ A rating of 4 indicates employee is provided training to achieve the requisite competency level.

questions pertaining to the use of agency provided hardware, purchased software, and custom applications.	an average response rating of 4 ¹⁷ or better					
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 4 or >	New goal for 2004.					90%

5.1(d): Efficiency and effectiveness is enhanced through partnerships with sister FFIEC agencies.

<u>Measure</u>				<u>Target</u>		
(1) FFIEC Annual Report				Advancement of inter-agency working group mutual goals.		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.					12/04

Outcome Goal 5.2:

NCUA strategic goals are supported by an integrated, reliable and secure Information Technology architecture.

5.2(a): NCUA program and operational support-related capabilities are enhanced by leveraging existing and emerging technologies.

<u>Measure</u>				<u>Target</u>		
(1) Independent customer service survey evaluation				Equal to or above peer group average rating.		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Equal to or above peer group	N/A	N/A	N/A	3.83	3	3

5.2(b): Security reviews reflect minimal deficiencies

<u>Measure</u>				<u>Target</u>		
(1) Federal Information Security Management Act (FISMA)-mandated security review				Minimum material deficiencies noted ¹⁸		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Deficiencies	N/A	N/A	N/A	None	None	None

¹⁷ A rating of 4 on the 5 point training and experience scale indicates the employee uses the hardware or software independently as a regular part of the job, normally without review by a supervisor or senior employee

¹⁸ If any determined, they will be corrected as soon as practical and prudent given the nature of the deficiency and the degree of risk.

5.2(c): NCUA networks and servers are reliable.

<u>Measure</u>				<u>Target</u>		
(1) Percentage of network and server availability				Maintain at an acceptably high level (98%)		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) 98 % Availability	N/A	N/A	N/A	98.94 98.57	98 98	98 98

Outcome Goal 5.3:

NCUA’s organizational structure supports a safe and sound credit union system while facilitating growth and development in a changing environment.

5.3(a): NCUA employs sound business planning principles at all levels of the agency to assess past performance and improve future operating results.

<u>Measure</u>				<u>Target</u>		
(1) Requirements detailed in NCUA Instruction 9501 “NCUA Strategic and Annual Performance Planning” dated April 15, 2003.				Complete applicable requirements by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.				12/03	12/04

5.3(b): The current environment and NCUA organizational structure and procedures are continually assessed to enhance effectiveness and efficiency.

<u>Measure</u>				<u>Target</u>		
(1) Closure of Region IV office, relocation of Region VI office, and integration of staff				Complete by year-end		
(2) Postmortem review of the Region IV office closure and the Region VI office relocation				Initiate by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.					12/04
(2) Initiate by	New goal for 2004.					12//04

5.3(c): NCUA examination and supervision procedures are appropriately structured to identify and minimize the potential risks arising from large credit unions.

<u>Measure</u>				<u>Target</u>		
(1) Large credit union pilot program findings				Implement by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Implement by	New goal for 2004.					12/04

5.3(d): The Economic Development Specialist Program is appropriately structured to provide enhanced economic development support.

<u>Measure</u>				<u>Target</u>		
(1) Economic Development Specialist Program Study				Complete study by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Complete by	New goal for 2004.					12/04

Outcome Goal 5.4:

The people, tools, and structure is in place to minimize the impact of any potential crisis situation.

5.4(a): The operational impact of a crisis situation is minimized.

<u>Measure</u>				<u>Target</u>		
(1) Continuity of Operations Management Plan and Continuity of Operations Action Plan				Review, test and, if necessary, update by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Test and update by	New goal for 2004.				12/03	12/04

5.4(b): NCUA physical, human capital and information technology assets are protected during a crisis situation.

<u>Measure</u>				<u>Target</u>		
(1) Continuity of Operations Management Plan and Continuity of Operations Action Plan				Review, test and, if necessary, update by year-end		
Historical Performance						
	99	00	01	02	Est. 03	Est. 04
(1) Test and update by	New goal for 2004.				12/03	12/04

Means and Strategies:

1. Employ effective business planning strategies to continually evaluate the validity and applicability of NCUA's strategic goals, outcome goals, and annual performance goals and measures.
2. Ensure human capital support systems provide necessary tools to meet current and evolving requirements of risk-focused transition and those set by the Office of Personnel Management.
3. Evaluate emerging technologies as potential tools to enhance operational effectiveness and efficiency where appropriate.
4. Promote internal collaboration and efficiency by maintaining a continual strategic dialog between all NCUA Regional and Office Directors through their participation on the Strategic Management Council.
5. Identify, resolve, and report security weaknesses and risks, as well as protect against future vulnerabilities and threats in accordance with the Government Information Security Reform Act, and the Office of Management and Budget's Updated Guidance on Security Plans of Action and Milestones.

Strategic Program Evaluation

The NCUA Office of the Inspector General's 2003 -2004 audit schedule includes the following audits:

2003 PROJECTS

- Financial statement audits (4)
- Government Information Security Act 2003
- Material loss reviews (as necessary)
- Nationwide Member Complaint Process
- NCUA Risk Based Exam Scheduling Program
- Credit Union E-Commerce
- Federally Insured State Chartered Credit Unions
- Training and Equipment provided to State Supervisory Authorities

2004 PROJECTS

- Financial statement audits (4)
- Government Information Security Act 2004
- Material loss reviews (as necessary)
- Resource Allocation Process
- Adequacy of Information Technology Vendor Reviews
- Subject Matter Examiners
- Risk Focused Examination Process
- Communication with Credit Unions
- Parking Garage Management and Operations Contract

APPENDIX A: Cross-Cutting Strategies

NCUA participates in various interagency working groups to share ideas, promote the advancement of mutual goals, and increase consistency and efficiency. Following is a list of interagency working groups NCUA staff participated in during 2002, along with a brief description of major 2002 accomplishments. NCUA anticipates working in collaboration with these same groups in 2004.

Atlanta Federal Executive Board (FEB). FEBs operate in major metropolitan areas around the United States to discuss areas of common interest such as security to leaders of Federal agencies.

Bank Fraud Working Group. The BFWG is chaired by the Fraud Section of the Department of Justice and generally meets on a monthly basis to discuss issues of concern to the various agencies. The current membership includes the financial regulatory agencies and a number of law enforcement agencies. Its primary purpose is to provide a forum to enhance cooperation between these entities in order to assure that crimes against federally insured financial institutions are promptly prosecuted to the full extent of the law. Recently the group has been developing standard civil prohibition language for use in criminal plea agreements.

Banking Agencies FOIA Working Group. This group is comprised of disclosure officers from each of the financial institution regulators and focuses on developing consistency among the agencies' disclosure policies for examination materials and sharing best practices on general disclosure issues.

Chief Human Capital Officers Council (CHCOC). The CHCOC is an interagency advisory group of federal CHCOs/HR Directors chartered by OPM that identifies emerging government-wide human capital policy and

operational issues and proposes specific measures and approaches for dealing with them. Its predecessor, the Human Resources Management Council, worked with OPM in developing and refining the Human Capital Framework and government-wide human capital survey NCUA has used in human capital planning.

Conference of State Bank Supervisors (CSBS) District One. Our involvement with the CSBS includes semi-annual meetings between state and federal regulators. The meetings are designed to coordinate regional issues, discuss common areas of concerns and identify upcoming risks. The CSBS meetings also allow us to keep up to date on regulatory issues affecting other federal regulators.

Dallas Regional Bank Fraud Working Group. This group's function is to discuss and share information of mutual interest to regulatory and law enforcement agencies regarding white collar crime in financial institutions. In 2002, the group made participants better informed of issues and initiatives important to fellow agencies, most often related to fraudulent activities.

Economic Growth and Regulatory Paperwork Reduction Act (EGRPA) Interagency Group. This group, which is made up of all the financial institution regulators, is required by section 2222 of the EGRPA of 1996 to categorize all of the agencies regulations by type and then issue a notice and request for comment for each of the categories. The notice must request comment on areas of the regulations that are outdated, unnecessary, or unduly burdensome. This must be done on a 10-year cycle. The first cycle ends in September 2006.

Employment Information Work Group. The Employment Information Work Group serves as a conduit for OPM to report on the employment information program, funded by legislatively-mandated fees from all federal agencies, and receive input and evaluations of program effectiveness from agency users. Participation in the work group has kept OHR up to date on interagency services including USAJOBS internet and automated telephone systems advertising federal vacancies, automated application services, and information on federal employment.

Employee Relations Network. The OPM sponsored network serves as a conduit for employee relations information sharing across Executive Branch agencies. Participants share and/or disseminate information on employee relations issues/practices, e.g., conferences, training, key misconduct issues/cases, and MSPB and Court decisions. Discussions of new issues/initiatives and their impact in personnel actions contribute to the successful adjudication of cases.

FACTS Notes Committee. This group, comprised of representatives from the US Treasury, FDIC and OMB, was formed to establish financial reports for non-appropriated agencies. Significant achievements include development of report formats consistent with the President's budget and the report to Congress.

Fair Credit Reporting Act (FCRA) Group. This group, which consists of all the financial institution regulators, is working on writing regulations that implement the FCRA, with the help of Federal Trade Commission (FTC) staffers. The Gramm-Leach-Bliley Act gave rule-writing authority to the financial institution regulators for the first time. Previously, the FTC attempted to analyze the law through staff legal opinions. The group is working on its second proposed rule to make it compatible

with the privacy rule and current industry practices. The group has not met in several months, however, as the group awaits possible amendments to the FCRA that Congress is likely to make this session.

Fair Lending Task Force. This group is chaired by the Federal Reserve and is comprised of representatives from the federal financial institution regulators and others including HUD and Treasury. The group meets every other month to share information on fair lending issues and develop uniform strategies to fair lending problems. The group has developed policy statements and brochures in the past but has not issued any documents in the past few years.

Federal Financial Institutions Examination Council (FFIEC). The FFIEC is an interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision and to make recommendations to promote uniformity in the supervision of financial institutions. To effectively administer projects in all its functional areas, the Council established six interagency task forces, each including one senior official from each agency. The Council also established the Legal Advisory Group, composed of a senior legal officer from each agency.

Activities of the six FFIEC Interagency Staff Task Forces

Task Force on Consumer Compliance: This task force promotes policy coordination and uniform enforcement of consumer protection

laws and regulations. Initiatives addressed in 2002:

- Examination procedures for the Home Ownership and Equity Protection Act
- Examination procedures for the rule on prohibition against using interstate branches primarily for deposit production
- Consumer leasing examination procedures
- HMDA efficiency
- Guidance in dealing with the lapse of FEMA authority to issue flood insurance contracts

Task Force on Examiner Education: This task force promotes interagency education through timely, cost-efficient, state-of-the-art training programs for agency examiners. Initiatives addressed in 2002:

- Update Release of the first InfoBase CD on Subprime Lending
- Negotiated Agreement with the Conference of State Banking Supervisors to co-sponsor an online distance-learning course on fraud identification
- Development of three Supervisory Update sessions including topics on subprime lending, credit scoring, electronic financial services, and risk management

Task Force on Information Sharing: This task force promotes the sharing of electronic information among the FFIEC agencies to support the supervision, regulation, and deposit insurance responsibilities of financial regulators. Initiatives addressed in 2002:

- Establishment of a process to transmit FDIC documents to the FRB securely and an automated T1 line between the

FDIC and the OTS for secure e-mail and bulk data transmissions

- Establishment of a collaborative website among FFIEC agencies

Task Force on Reports: This task force helps to develop interagency uniformity in the reporting of periodic information needed for effective supervision and other public policy purposes. Initiatives in 2002:

- Call Report processing modernization
- Reporting requirements for the Call Report

Task Force on Supervision: This task force promotes quality, consistency, and effectiveness in examination and supervisory practices to minimize regulatory burden. Initiatives in 2002:

- Interagency guidance on implicit recourse in asset securitization
- Interagency questions and answers on the capital treatment of recourse, direct credit substitutes, and residual interests in asset securitization
- Interagency advisory on the regulatory capital treatment of accrued interest receivable related to credit card securitization
- Crisis management efforts – updated supervisory communication protocols
- Credit card and subprime lending – identified accounting, policy and examination issues related to assessing the associated risks
- Corporate Governance and Audit – approved a Notice of Proposed Rule Making that would strengthen the authority of federal banking agencies to take disciplinary actions against independent public accountants and accounting firms that perform audit and attestation services required by section 36 of the Federal Deposit Insurance Act

- Capital Standards – issued supervisory guidance to address the appropriate capital treatment of certain asset securitization activities
- Information Technology – focused resources to update and revise the FFIEC’s Information Systems Examination Handbook

Task Force on Surveillance Systems: This task force oversees the development and implementation of uniform interagency surveillance and monitoring systems. Initiatives in 2002:

- Electronic distribution of the Uniform Bank Performance Report (UBPR)
- Internet versions of related statistical reports
- New UBPR pages for securitization and fiduciary activities

Legal Advisory Group NCUA attorneys in the Office of General Counsel are members of the FFIEC interagency Legal Advisory Group. This group considers and provides advice on legal issues arising from the work of the Federal Financial Institution Examination Council; its members are the General Counsels from the agencies making up the Council. In 2002, among other matters, the group addressed data collection and distribution costs associated with financial institution compliance with the Home Mortgage Disclosure Act that is expected to promote fair sharing of the costs among the agencies

Federal Interagency Travel Committee. This group assists GSA in development of travel management and policy. Significant achievements include streamlining travel activities through the use of the travel card and developing the Premier Lodging Program to keep lodging rates in high-rate areas within established government rates.

Financial and Banking Information Infrastructure Committee (FBIIC). The FBIIC is a standing committee of the President's Critical Infrastructure Protection Board, serves as the Office of Homeland Security Financial Markets Work Group, and is charged with coordinating federal and state financial regulatory efforts to improve the reliability and security of the U.S. financial system. Treasury's Assistant Secretary for Financial Institutions chairs the committee.

FIRREA Compensation Committee. The Compensation Committee facilitates information sharing among FIRREA agencies on compensation and classification programs, practices, and issues to solve problems and identify best practices. OHR participation has assisted NCUA in meeting the legal requirement to maintain comparability across FIRREA agencies in compensation programs.

Government Performance and Results Act Financial Institutions Regulatory Working Group. This interagency working group is composed of the federal financial regulatory agencies. It was formed to work on issues related to common strategic goals and to collaborate in understanding and meeting GPRA requirements. Initiatives taken by this group in 2002 include sharing of “best practices” and addressing common budget and planning issues.

Gramm-Leach-Bliley Act (GLBA) Study Working Group. This group, which is chaired by Treasury and includes all the financial institution regulators, the Federal Trade Commission, the Commodity Futures Trading Commission, and the Securities and Exchange Commission, is preparing a report for Congress required by GLBA §508 on information sharing practices among financial institutions and their affiliates. The report is nearing completion and will contain recommendations regarding legislative actions to address

consumer privacy issues. The same agency representatives also meet as needed to discuss questions regarding interpretation of the GLBA consumer privacy provisions.

High Risk Money Laundering and Related Financial Crimes Areas (HIFCA) NY/NJ.

HIFCA is comprised of federal, state and local enforcement authorities in the New York City area with the goal of combating money laundering. Our participation in HIFCA includes periodic meetings to address the tracing of funds, collaborative investigative techniques and the exchange of information on money laundry issues among participants.

Interagency Accounting Seminar Planning Committee. The Interagency Accounting Seminar Planning Committee plans and oversees the annual Interagency Accounting Seminar. The objective of the seminar is to update participants on emerging accounting and auditing issues. During 2002, the committee held a successful seminar and began planning for the 2003 seminar.

Interagency Budget Group. This group covers budget related issues of the smaller and non-CFO agencies. Efforts have resulted in standardization of budgetary reporting to OMB.

Interagency Ethics Council. This group, which is comprised of ethics representatives from all federal executive branch agencies, meets monthly to share information on developments in ethics law and regulations, such as Office of Government Ethics news as well as interpretations of the Executive Branch Standards of Conduct regulations.

Interagency Relocations Advisory Committee. This group communicates developments in the moving and real estate industry which affect relocation policies. The group has influenced changes to relocation regulations and related activities.

Interagency Staffing Issues Group. The Interagency Staffing Issues Group facilitates cross-agency information sharing on federal staffing issues and provides a sounding board for OPM on proposed and existing staffing programs. Participation in the Group provided OHR staff with up to date information on current staffing issues and initiatives; OPM issuances, legislation, and executive orders; problems and best practices; and evaluations of staffing products and services.

National Academy of Public Administration (NAPA). NAPA is an independent, nonpartisan organization chartered by Congress to assist federal, state, and local governments in improving their effectiveness, efficiency, and accountability. Its Center for Human Resources Management (CHRM) provides research, information, education, & consulting services on human resources issues to help organizations strengthen their capacity to develop & deliver effective human resources programs. Participation in NAPA conferences and meeting during 2002 is assisting NCUA in meeting the human capital goals set out in the President's Management Agenda.

National Association of State Credit Union Supervisors (NASCUS). We meet semi-annually with NASCUS to discuss areas of mutual concern to the NCUA and state credit union regulators. The primary achievement of these meetings is the development of a national Document of Cooperation between the NCUA and state regulators. The Document of Cooperation defines our regulatory efforts regarding state chartered credit unions.

New England Regulatory Compliance Council (NERCC). NERCC involves state and federal financial regulators located in New England. NERCC's goals include providing a forum for inter-agency communications, promoting greater compliance with consumer compliance laws, promoting greater

consistency in the examination process and providing training to examiners, financial institutions and community organizations. NERCC meetings are held on a monthly basis.

Office of Financial Institution Adjudications.

This group, which consists of all the federal financial institution regulators, monitors the work of the Administrative Law Judges. The group meets four times a year, receives verbal reports from the judges, adopts budgets, and hires administrative law judges as appropriate.

Office of Personnel Management Employee Assistance Program Committee. This interagency committee, established by OPM, is creating a government-wide OPM Employee Assistance Program (EAP) report of the future that will present government-wide data from EAP Program Managers to demonstrate the value of the EAP and the need for resources and support, and position the program to serve its organizations. The data will help NCUA in making EAP program decisions, managing operations and contractors, discovering best practices, and understanding issues cutting across the larger Federal EAP community.

Section 314 (U.S.A. Patriot Act) Working Group. This group is chaired by the Department of the Treasury and is comprised of representatives from the federal banking agencies. This section of the U.S.A. Patriot Act provides for information sharing between law enforcement agencies and financial institutions as well as between financial institutions themselves. The group developed Treasury's implementing regulation and has been working on guidance to financial institutions involved in information sharing.

Section 326 (U.S.A. Patriot Act) Working Group. This group is chaired by the Department of the Treasury and is comprised of representatives from the federal banking

agencies and others. This section of the U.S.A. Patriot Act requires the establishment of customer identification programs at a broad range of institutions offering financial services. The group is in the process of drafting regulations to implement this section of the statute.

Sharing Neutrals Program. Provide mediators from other agencies for mediation requests HHS provides the administrative framework for agencies to share mediators at no cost.

Small Agency Financial Council. The purpose of this group is to discuss financial related issues of importance and best practices among the non-CFO Act agencies. Efforts of the council have improved overall financial management of the smaller or non-CFO Act federal agencies.

Small Agency Human Resource Council (SAHRC). The SAHRC identifies human resources management policy and operational issues and propose specific measures and approaches for dealing with them. Agency HR Directors supported each other in defining, encouraging innovative approaches to address HR problems common to small and independent agencies.

Southeastern Federal Recruiting Council (SEFRC). SEFRC has operated since 1956 with membership open to public and private colleges and Federal agencies with the purpose of increasing awareness of Federal employment opportunities. SEFRC conducts annual conferences to that end with speakers from within the group as well as outside speakers.

Special Emphasis Program Managers. Networking group for the FIRREA agencies and other small agencies. Share program ideas and present ideas to EEOC for the EEO Special Emphasis Programs.

APPENDIX B: Data Verification and Validation

The examination and supervision programs for natural person and corporate credit unions employ multiple checks and balances to evaluate processes and to verify and validate data collected. These checks and balances are the responsibility of the Office of Examination and Insurance, the Office of Corporate Credit Unions, and the Regional Offices. The Office of the Chief Financial Officer is responsible for the verification and validation of budget data collected. A few of the processes used are listed below by way of example:

Surveillance Systems Working Group. This newly formed group is made up of regional and central office employees. The group's charter is to develop a comprehensive understanding of NCUA's entire data collection, storage, and retrieval process, maintain up-to-date documentation on these processes and systems, assist in the implementation of needed changes to our processes and systems, and provide recommendations for improving data collection methods.

5300 Call Report Program. The 5300 Call Report Program is the source of most data collected and reports produced concerning natural person credit union activities. The data are reviewed at three levels for accuracy and validity: the examiner level, the Regional or State Supervisory Authority level, and the Central Office level. The Automated Integrated Regulatory Examination System Committee conducts continuous reviews of the data collected to ensure specific alignment with the agency's program and to the changing environment of credit unions.

5310 Call Report Program. The 5310 Call Report Program is the source of most data collected and reports produced concerning corporate credit union activities. The data are reviewed initially for accuracy and integrity by corporate office staff before being reviewed by corporate field staff. If the corporate credit union has a state charter, the appropriate State Supervisory Authority may review the data. The Office of Corporate Credit Union staff then reviews the 5310 data of both federal and state corporate credit unions to assist in ensuring its integrity and accuracy. Corporate examination procedures are also periodically reviewed by the Office of Corporate Credit Union staff to ensure their specific alignment with the agency's program and to the changing environment of corporate credit unions.

Information System and Technology Program. The Information System and Technology Program provides continuous oversight of the natural person credit union technology related data in addressing safe and secure integration and use of information technology. The accuracy of this data is also reviewed at three levels, as above.

Annual Audits. An outside independent accounting firm conducts annual Certified Public Accountant audits on the National Credit Union Share Insurance Fund, National Credit Union Administration Operating Fund, Community Development Revolving Loan Program, and the Central Liquidity Facility to ensure the accuracy of their financial data.

APPENDIX C: Human Capital Management Plan

NCUA's Human Capital Management Plan focuses on the means by which its personnel are recruited, trained, and retained in the most effective and efficient manner to accomplish the mission. It also addresses the requirements of The President's Management Agenda and the directives of the Office of Personnel Management. The concepts, ideas and elements expressed within are intended for NCUA internal use only.

Environmental Scan:

Demographics. The NCUA staff is its most critical and valuable asset. The agency has invested substantial amounts of time and effort in recruiting, developing and maintaining its high performing, well qualified, and diverse workforce. NCUA's workforce demographics reflect a much younger workforce than is typical in most federal agencies. For this reason, NCUA does not expect a wave of retirements proportionate to what other agencies will experience in the next 10 years. At the staff, or non-supervisory level, the peak in retirement eligibility is not anticipated before 2020.

However, NCUA's largest number of retirements within the next 10 years will be at the supervisory and executive level. Nearly 65 percent of the supervisory examiner workforce and nearly 50 percent of the executive level workforce will be eligible to retire between 2005 and 2010. The anticipated executive level and supervisory level retirements have provided an excellent opportunity to reassess NCUA's structure; with a focus on ensuring the

agency is citizen-centered as directed by the President's Management Agenda. The assessment included a determination of the necessary and appropriate number of executive and supervisory staff, and the number and location of regional offices and the states served by each region. Implementation of the results of this reassessment began in 2002 with a realignment of headquarters offices and is continuing into 2004 with a phased field realignment reducing the number of NCUA regions from six to five and realigning states among the five regions.

At the staff level, retention is steady at a high 94 percent fill-rate due to recruitment and retention programs. These programs enable NCUA to maintain a steady influx of candidates for the primary agency occupation, the credit union examiner, with minimal disruptions as workforce losses occur due to retirements and other causes.

To assure a continuing source of highly qualified leaders, NCUA has developed its management and executive development resources with in-house programs targeted at NCUA employees currently at the CU-12 through CU-16 levels. NCUA also promotes government-wide leadership programs focused on employees at the CU-5 level and above.

Supervisory Workforce Analysis. During 2002 and 2003, we continued our efforts to conduct competency evaluations of critical occupations, following our initial study of Credit Union Examiners in 2001. The second workforce analysis included a comprehensive survey of 42 field supervisors, Supervisory Examiners

and Directors of Special Actions. The objective of the survey was to identify the competencies required to perform the work essential to the supervisor's job and to assess current supervisory competency levels.

The survey data support multiple human resource purposes, including the development of recruitment, staffing, training, and performance management mechanisms needed to assure field supervisors have the leadership skills needed to achieve the agency's strategic goals. Analyses of other critical NCUA occupations, such as the specialty examiner and analyst positions, will follow the examiner workforce analysis.

Competencies Vital to Goal Accomplishment. The supervisory examiners' leadership role in supervising credit union examiners is vital to the

accomplishment of NCUA's mission. Their coaching and support of examiners as they develop to the full performance level enable examiners to independently apply discretion and judgment concerning the safety and soundness of the credit union based on its financial (management) systems and practices, credit union staff and volunteer interaction, and assessments of its relative financial condition.

The leadership provided by field supervisors fosters the continued safety and soundness of federally insured credit unions and protects the National Credit Union Share Insurance Fund (NCUSIF). The infrequent and relatively small losses to the NCUSIF and the overall integrity of the credit union system result, in part, from skilled leadership of the examiner workforce.

Human Capital Program Activity

Support of Safety and Soundness Mission:

- | | |
|-----------------------------|-----------------------|
| ➤ Agency Program Alignment | ➤ Performance Culture |
| ➤ Recruitment and Retention | ➤ Continuous Learning |
| ➤ Leadership | ➤ Equal Opportunity |

Note: NCUA’s 5-Year Work Force Plan is designed to meet the human capital goals and standards set in the Office of Personnel Management’s *Human Capital Scorecard* and the Office of Management and Budget’s *Human Capital Standards for Success*, for the President’s Management Agenda (PMA).

Strategic Goal #1

Align human capital policies with strategic goals.

Outcome Goal 1.1: Align NCUA’s human capital policies to support accomplishment of its mission, vision, goals and strategies.

Means and Strategies:

1. Ensure human capital goals and strategies in the agency’s strategic plan and the human resources annual performance plan support mission needs and the PMA.
2. Reinforce linkage between competencies for mission critical occupations and achievement of NCUA strategic goals through such activities as employee training on risk focused supervision process; changes in position descriptions and performance standards to reflect a new risk-focused credit union supervision role; and regular reports to all employees on progress in meeting goals.
3. Assess structure of agency and implement changes to better meet mission goals.
4. Promote progress toward this goal by addressing goal related issues presented by the Human Capital Survey administered in 2003.
5. Identify issues and progress toward this goal through Human Resources Internal Review program.
6. Encourage broad employee involvement in updates to NCUA Strategic Plan.
7. Participate in Government-wide collaborative efforts and/or managerial/professional/employee organizations to share best practices and leverage lessons learned.

	Annual Performance Goal 1.1
➤ 2004	1.1a: Ensure there are explicit and well communicated links between HR strategies and plans and the agency’s strategic objectives. 1.1b: Ensure the agency is well structured to support its mission. 1.1c: Ensure employees understand their department’s plans and are involved in the strategic planning and reporting process.

Strategic Goal #2

Recruit, develop, and retain employees with strategic competencies.

Outcome Goal 2.1: Ensure NCUA recruits, develops, and retains employees with the strategic competencies required for mission critical occupations.

Means and Strategies:

1. Identify current and potential competency gaps and succession planning needs by conducting workforce planning studies of primary mission-critical occupations and implement recruitment, staffing, training, retention, or other actions (as needed) to better meet requirements.
2. Give management direct automated access to competency information to assist in addressing individual employee and organizational competency needs.
3. Ensure employees acquire mission critical competencies by modifying training and development programs and guidance materials as required (e.g., Entry Level Examiner training courses, manuals, and on-the-job development program; technical training for subject matter examiners; competency-based training and development catalog).
4. Provide efficient, effective staffing services to meet NCUA's resource management needs (e.g., fill times for examiner recruitment).
5. Maintain turnover rate for Credit Union Examiners at 9 percent or less.
6. Maintain 95 percent fill-rate for Credit Union Examiners throughout the year.
Note: Turnover-rate and fill-rate are independent of the target full time equivalent. For example, should a lower full time equivalent level be established, the 95 percent is based on the lower full time equivalent.
7. Identify issues and progress toward goals through the Human Resources Internal Review program.
8. Promote progress toward this goal by addressing goal related issues presented by the Human Capital Survey administered in 2003.

	Annual Performance Goal 2.1
➤ 2004	2.1a: Ensure the desired competency levels in mission critical occupations are achieved. 2.1b: Ensure the desired recruitment/retention rate for employees with strategic competencies is achieved. 2.1c: Ensure the desired quality level of new hires is achieved.

Strategic Goal #3

Inspire and guide achievement of strategic goals in a high quality work environment.

Outcome Goal 3.1: Ensure agency leadership inspires, motivates, and guides others toward goals; coaches, mentors, and challenges staff; adapts leadership styles to various situations; establishes a clear vision for change; models high standards of honesty, integrity, trust, openness, and respect for all by applying these values.

Means and Strategies:

1. Provide opportunities, on a competitive basis, for supervisory and non-supervisory staff to identify and overcome gaps in first line supervisory and executive level competencies through participation in NCUA Management and Executive Development Programs and government-wide leadership programs.
2. Promote compliance with merit principles and ethical standards through training of supervisory, management, and executive staff.
3. Identify and address current and potential competency gaps and succession planning needs by conducting workforce planning studies of mission-critical supervisory occupations and implement recruitment, staffing, training, retention, or other actions, as needed.
4. Promote progress toward this goal by addressing goal related issues presented by the Human Capital Survey administered in 2003.
5. Promote and support employee participation on committees at agency and regional/office levels to address strategic, operational, and quality of life issues.

Annual Performance Goal 3.1	
➤ 2004	3.1a: Ensure agency recruits, develops, and retains high performing leaders. 3.1b: Ensure agency leaders create high levels of motivation and commitment in the workforce. 3.1c: Ensure leaders maintain high standards of honesty and integrity that serve as a model to the whole workforce.

Strategic Goal #4

Develop and maintain a high performance organizational culture.

Outcome Goal 4.1: Create a high performance culture that values and rewards employees' contributions to the work of the organization and promotes shared values while ensuring fairness in the workplace.

Means and Strategies:

1. Ensure employee pay is tied to work performance through use of NCUA-wide merit pay system.
2. Foster a high performance culture by use of the full range of awards programs.
3. Use a contributions-based personnel system for NCUA executives to determine pay for promotions or reassignments to executive level.
4. Address employee performance problems through use of performance improvement plans, employee removals, and other performance actions.
5. Identify issues and progress toward this goal through a Human Resources Internal Review program.
6. Promote progress toward this goal by addressing goal related issues presented by the Human Capital Survey administered in 2003.
7. Foster a climate that values diversity through diversity education programs in connection with government-wide diversity recognition programs.
8. Promote employment diversity within NCUA through diversity recruitment efforts.
9. Assure employee's contributions are accurately measured and goal oriented by strengthening understanding of the appraisal process.

	Annual Performance Goal 4.1
➤ 2004	4.1a: Ensure agency develops, rewards, and retains high performers while dealing effectively and efficiently with poor performers. 4.1b: Ensure employees are engaged and focused on achieving the high standards and optimum results expected of them. 4.1c: Ensure the agency fosters a climate that values diversity.

Strategic Goal #5

Create and promote an agency culture of continuous learning (knowledge management).

Outcome Goal 5.1: Ensure agency promotes a knowledge-sharing culture in a climate of fairness, openness, and continuous learning and improvement.

Means and Strategies:

1. Link employee training and development goals and programs to mission related goals in NCUA strategic plan (e.g., transition to risk-focused credit union supervision).
2. Address current and potential competency gaps and succession planning needs by conducting workforce planning studies of mission-critical supervisory occupations and implement recruitment, staffing, training, retention, or other actions, as needed.
3. Enhance ongoing management of competencies across mission critical occupations by exploring computer-based skills competency management tools.
4. Improve access to learning opportunities through an NCUA training and development catalog based on competencies.
5. Promote continuous learning and improvement through Individual Development Plans for every employee on an annual basis.
6. Improve access by every employee to the latest information, best practices, and upcoming program changes via NCUA's e-mail and intranet systems.
7. Facilitate more cost-efficient training, meetings, and information sharing by a widely dispersed nationwide workforce through an agency videoconferencing system.
8. Promote skills development and maintenance of state-of-the-art knowledge of credit union and financial issues with in depth technical training programs.
9. Encourage participation in the Federal Financial Institutions Examination Council technical training courses offered to NCUA employees.
10. Enable each Credit Union Examiner to maintain up-to-date knowledge by providing an annual stipend for the purchase of work-related publications.
11. Invest in internal Management/Executive Development Programs, which enable employees, selected on a competitive basis, to participate in formal courses, developmental assignments, and a group project providing experiential learning.
12. Test computer-based electronic learning to identify the costs/benefits of this methodology for a workforce that is geographically dispersed.
13. Maintain comparability with credit union and banking industry* on percent of budget spent for employee training and development relative to salary and benefits expenditures. (E.g., in 2001, NCUA spent 2.85 percent as compared to an average of 2.8 percent spent by the credit union and banking industry.*)
14. Promote progress toward this goal by addressing goal related issues presented by the Human Capital Survey administered in 2003.
15. Encourage learning and growth through training and development opportunities offered to employees each year.

16. Promote effective utilization of resources by enhancing supervisory competencies and maintaining state-of-the-art knowledge through performance management and discipline training.

* Industry data published by American Society of Training & Development (ASTD)

Annual Performance Goal 5.1	
➤ 2004	5.1a: Ensure knowledge management systems and/or strategies are in place for use within the agency. 5.1b: Ensure agency invests strategically in training and development opportunities for all employees. 5.1c: Ensure a climate of learning and growth exists throughout the agency.

APPENDIX D: Information Technology Resource Management Plan

NCUA’s Information Technology Management Plan focuses on the means by which information technology will be used to support and enhance mission accomplishment. It also addresses the requirements of The President’s Management Agenda and directives of the Office of Management and Budget. The concepts, ideas, and elements expressed within are intended for NCUA internal use only and do not address credit union use of information technology.

Introduction:

The Clinger-Cohen Act requires all Federal agencies to define the current and future information technology environment or “Enterprise Architecture.” The difference between the current and the future (target) environment determines what must be accomplished and is used as a basis to develop the agency’s information technology strategic and annual performance goals.

Information Technology Vision Statement

To be a leader in government and serve as a model to the credit union industry in the delivery of timely, accurate and complete information technology resources, products and services.

Information Technology Mission Statement

Provide agency staff and external customers with quality information technology products and services that foster efficient operations and support the mission of NCUA.

Current Environment

Work Processes and Information Sets Used:

Work Process	Support Data
Natural Person and Corporate Credit Union Examination Programs, Asset Management and Assistance Program, Central Liquidity Facility Program, and Community Development Revolving Loan Fund Program	Financial and management data, personnel resource execution data, and regional and national trend information
Financial Management Program	Accounting, budgeting, travel, expense, and other financial data
Human Capital Management Program	Personnel management and life cycle information (i.e., recruiting, classification, staffing, compensation, benefits, training, etc.)

Applications and Systems Supported:

Custom Applications. The core custom applications maintain chartering, examination and financial data stored in the central office database. The applications are multi-tiered and serve both office and field functions. Some custom applications are designed to run on the Intranet or the Extranet.

Automated Integrated Regulatory Examination System (AIRES). AIRES supports the core agency function of examining natural person credit unions for safety and soundness.

Comprehensive Human Resources Integrated System (CHRIS). CHRIS is maintained for NCUA by the General Services Administration and supports all aspects of the personnel life cycle to include recruiting, classification, staffing, compensation, benefits, training, equal employment opportunity reporting, and personnel processing and management.

Financial and Statistical System (F&S). The F&S System contains the financial data for the credit unions. The data from the Form 5300 and Form 5310 Call Reports are maintained in this system.

Management Information System (MIS). The MIS contains information regarding the credit union's location and select event history and financial data. An event can be a merger, liquidation, operations resumption, purchase and assumption, conversion, and/or cancellation.

OSCAR. OSCAR maintains historical credit union examination data for viewing and use by examiners. The data is collected from other systems supported by the NCUA.

Risk Management System (RMS). The RMS contains problem credit union data.

Time Management System (TMS). The TMS contains examiner's weekly examination hours, details of time charged, and itinerary.

Videoconferencing System. The Videoconferencing System connects the regional offices and the Central Office using an Internet Protocol based videoconferencing system.

Software. All client computers are identically configured with a combination of commercial and custom software based on WinTel standards.

NCUA uses the SAP R/3 Enterprise Resource Planning software package to manage the agency's core financial processes. The SAP R/3 Financial Accounting, Controlling, Material Management, and the Human Resources modules have been implemented to support NCUA headquarters, six regional offices, and the Asset Management & Assistance Center. This system also supplies financial processing services for the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

Web-based Environments. NCUA maintains three different web-based environments, which are accessed using a standard Internet browser. Each environment serves a different customer base and is built accordingly.

- *Internet.* The NCUA web site (www.ncua.gov) is accessible by anyone having Internet access. The Office of Public and Congressional Affairs maintains the site with content supplied by NCUA offices.
- *Intranet.* The NCUA Intranet is accessible only by NCUA employees. The Office of Public

and Congressional Affairs maintains the structure of the site, as well as the custom applications that are hosted on the Intranet. Various NCUA offices own portions of the Intranet and are responsible for appearance and content.

- *Extranet.* The NCUA extranet serves credit unions interested in using the automated field of membership expansion application. The Office of the Chief Information Officer maintains the extranet site and the custom application it serves. Only those credit unions that have been granted a certificate can access this site.

Technology Architecture:

Hardware. NCUA uses a single end-user computing platform for all users. NCUA servers are periodically upgraded or replaced to ensure availability and maintainability. The current configuration is documented in a network diagram maintained by OCIO. Network storage for all servers is provided via a Storage Area Network (SAN) system.

Communications. NCUA has Local Area Networks in each Regional Office and the Central Office that are connected through the agency Wide Area Network. This configuration is described in the NCUA Wide Area Network diagram. Connections to communication systems outside NCUA are protected through a firewall.

Future (Target) Environment

Work Processes:

The focus will be to provide tools to enhance the work processes for increased efficiency and effectiveness in accordance with the NCUA program on Accountability in Management.

Information and Information Sets Used:

All information and information sets shown above will continue to be collected. The focus will be on providing tools to enhance the collection processes for increased efficiency and effectiveness in accordance with the NCUA programs. NCUA will migrate toward using Web-based collection means and information distribution. Web-based Form 5300 and Form 5310 Call Report filing is the first step in that migration.

Applications and Systems Supported:

All functions of the applications and systems supported will continue to be supported. The focus will be on enhancing the applications and systems to improve the work. The Financial and Statistical System (Form 5300 and 5310 Call Report Data Collection) is under continuous review and enhancements by the Office of Examination and Insurance and the Office of Corporate Credit Unions. Efforts are also underway to develop a Risk Modeling System to enhance the examiner's capability to assess credit union risk profiles. Additionally, NCUA will develop off-site monitoring for enhanced data management and supervision for increased efficiency and effectiveness in accordance with the new NCUA Risk-Focused Examination Program. Further, NCUA has embarked upon the process of developing enhanced training tools

integrating e-learning capabilities into our training process across the agency's enterprise. This enhanced training capability will greatly assist with NCUA's ability to transition to a risk-focused examination process through the efficient training of subject matter examiners.

Technology Architecture:

Hardware. NCUA replaces all the agency end-user computers every three years. This allows NCUA to stay current with changes in hardware and software technology. Anticipated improvements in hardware include faster processing and greater data storage.

Communications. NCUA's goal is to constantly improve performance and availability of the network.

Security. Security is an integral part of all agency systems and is incorporated throughout the life cycle of each system. The Federal Information Security Management Act requires that agencies maintain and implement a security plan with appropriate security controls for all critical elements of each system in place. Each plan is reviewed annually for effectiveness. More frequent reviews are completed as necessary for significant changes to the system or to the environment.

APPENDIX E: Contingency Planning

The Federal Government is committed to ensuring that the financial services system will be able to continue to operate under crisis conditions. The Contingency Planning Appendix looks at how NCUA assesses and mitigates event risk and how NCUA evaluates its programs for mission impact.

This appendix also addresses the requirements of The President's Management Agenda, the Government Information Security Reform Act, and recent guidance from the Office of Management and Budget.

The concepts, ideas and elements expressed herein are intended for NCUA internal use only and do not address individual credit union contingency planning efforts, which should be based upon their own needs and requirements.

NCUA's approach to Contingency Planning is based on the concept that the most effective management of a crisis

situation occurs when it is detected and dealt with quickly.

Contingency Planning Mission

Minimize the impact of any potential disruption to agency operations while continuing to carry out its mission. NCUA accomplishes this by identifying those functions and/or processes that are critical to its operations and develops plans to deal with the potential failure of one or more of them.

NCUA Strategic and Outcome Contingency Planning Goals follow in the table below.

Contingency Planning Strategic Goals

Strategic Goal #1
NCUA management has the ability to assess, direct and manage the potential impact on operations during crisis situations.
<u>Objective</u> This goal deals with the element of Situation Management. This is the development and communication of management actions to staff and the training of staff to handle these actions during a crisis. The ability of senior management to assess and manage a crisis is often the single most important aspect of minimizing the impact of the crisis to the organization.
<u>Outcome Goal</u> Effectively manage NCUA operations while minimizing the impact of any potential crisis situation.

Means and Strategies:

1. Identify, train and maintain an effective crisis management team.
2. Identify and prioritize potential crisis scenarios.
3. Prioritize overall agency operations and allocate resources appropriately during a crisis.
4. Provide oversight of the development, testing, and distribution of crisis response plans.
5. Review, update and enhance crisis response plans.

Strategic Goal #2
NCUA has the capability to continue critical operations in crisis situations.
<u>Objective</u> This goal addresses Continuity of Operations. While no one can think of or plan for all possible options, it is possible to identify those critical elements needed to sustain operations. It is these critical elements that NCUA must focus on during a crisis.
<u>Outcome Goal</u> Create and maintain an effective operational structure to ensure the continuity of operations.

Means and Strategies:

1. Assess potential crisis situations for the potential impact on program operations.
2. Identify critical program and operational systems.
3. Assess critical systems for their potential impact on the continuity of operations and prioritize based on impact (e.g., allowable down time).
4. Protect the operational integrity of the control structure during a crisis situation.
5. Develop continuity of operations / crisis response plans for critical systems.
6. Train and exercise staff in the execution of continuity of operations / crisis response plans.

Strategic Goal #3

NCUA's Physical, Human Capital and Information Technology assets are safe and secure.

Objective

This goal addresses the various aspects of security for NCUA's assets.

Outcome Goal

Protect NCUA's Physical, Human Capital and Information Technology assets during a crisis situation.

Means and Strategies:

1. Identify NCUA's critical facilities and equipment, human capital and information technology assets.
2. Assess critical assets for potential internal and external threats.
3. Assess critical systems to identify external factors that affect NCUA's ability to protect critical assets.
4. Develop options to protect critical assets during a crisis.
5. Test agency-wide plans to protect critical assets, both physical and electronic, during a crisis.
6. Train NCUA and SSA employees on the appropriate aspects of the Government Information Security Reform Act.

Strategic Goal #4

NCUA has an effective, secure and sustainable communications network during a crisis situation.

Objective

This goal addresses Crisis Communication. NCUA must be prepared to provide effective communications to its staff, other Federal and state agencies, the credit union community and the general public during a crisis.

Outcome Goal

Maintain the integrity and function of NCUA's communication network during a crisis.

Means and Strategies:

1. Identify critical agency communication needs.
2. Identify NCUA's critical communications systems (facilities, equipment, and/or personnel).
3. Assess critical communications systems for potential internal and external threats.
4. Develop alternative means of communicating during a crisis.
5. Develop and maintain an effective public affairs and media communications plan for use during a crisis situation.
6. Test agency-wide communication systems as part of the continuity of operations plan.

Glossary of Terms

Environmental Scan – a forward-looking perspective or scan of social, technological, economic, ecologic, political/legislative, international, or other conditions that are relevant to the major functions and operations of the agency over the time period covered by the plan.

Information Technology Enterprise Architecture - the framework an organization uses to articulate its information technology priorities, to manage for results, and to tie information technology architecture to mission objectives. This framework is a comprehensive plan that includes the delimitation of information technology objectives and a description of how resources will be deployed to accomplish them.

Outcome Goal – a description of an intended result, effect, or consequence that will occur from carrying out a program or activity.

Output Goal – a target of performance of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort.

Mission Statement – the articulation of why an organization exists, the “business” it engages in to achieve its purpose, and the values that guide the accomplishment of the mission.

Performance Goal – a target level of performance expressed as a tangible,

measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.

Performance Measure – the results of a program activity compared to its intended purpose expressed as an outcome (assessment) or an output (quantitative or qualitative).

Performance Plan – derived from an agency’s strategic plan and sets out measurable goals that define what will be accomplished during the time period of the plan.

Performance Report – an assessment of an agency’s actual performance and progress in achieving the goals and objectives in the strategic plan and annual performance plan. It also assesses the reliability and completeness of the data contained within it.

Performance Target – a specific tabulation, calculation, characteristic or value used to measure output or outcome.

Program Activity – a specific activity or project as listed in the program and financing schedules of the annual budget.

Program Evaluation – an assessment, through objective measurement and systematic analysis, of the manner and extent to which programs achieve intended objectives.

Strategic Goal – a broad definition of what an agency wants to achieve both organizationally and/or

programmatically over a period of time. It should allow for a future assessment to be made of whether the goal was or is being achieved.

Strategic Plan – the framework an organization uses to articulate priorities, to manage for results, and to tie results to the customer/member/beneficiary. The strategic plan is a comprehensive plan that includes the delimitation of strategic objectives and a description of how resources will be deployed to accomplish them.

Strategic Picture – the articulation of a forward-looking image based on the intelligent projection of trends that represent one or more probable scenarios over the time period covered by the plan. It identifies the environmental and operational factors that are relevant to the accomplishment of the major functions and operations of the agency.

Value Statement – the articulation of those defining characteristics or values that guide an organization’s members as they pursue the mission.

Vision Statement – the articulation of the mental image that represents the successful accomplishment of the mission.

Work Force Plan – the framework an organization uses to articulate human capital priorities, to manage for results, and to align the organizational structure with the efficient accomplishment of its mission. The work force plan is a comprehensive plan that includes the delimitation of specific human capital objectives designed to enhance effectiveness and a description of how resources will be deployed to accomplish them.