



National Credit Union Administration

Office of the Board

TO: All NCUA Staff

FROM: NCUA Board

SUBJ: NCUA Strategic Plan 2000-2005

DATE: February 24, 2000

Attached is your copy of NCUA's Strategic Plan 2000-2005. A lot of hard work went into the development of this plan, and we are pleased with the results.

The plan sets forth an ambitious, progressive, results-oriented agenda. We are confident in our undertaking because of the dedication and quality of NCUA employees, and recognize our ability to achieve our goals requires your input, support and hard work. We ask you to make time to review the plan so we all have a clear understanding of the goals and direction of the Agency over the next several years.

In order to implement the goals, numerous strategies have been agreed upon. These will be further defined in annual and operating plans along with measures of performance to gauge progress toward achievement of goals. We ask NCUA employees to work together to help us to achieve these Agency goals.

Thank you for your efforts to date. We look forward to working with you, and the cooperative credit union system... "to provide service to all segments of American society and to enable credit union members to thrive in the 21st century."

Attachment

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**Strategic Plan
2000-2005**

National Credit Union Administration

NCUA Strategic Plan 2000-2005

Message from the NCUA Board:

Credit unions are facing a time of change and challenge as we enter the 21st century. NCUA recognizes that a proactive approach to our new environment is essential to prevent being overtaken and controlled by events. With this in mind we have developed a new strategic plan. The previous strategic plan focused our attention on important issues, and we believe we have been successful in achieving the results set out in that plan. However, we believe circumstances compel a new look at NCUA and its responsibility to credit unions and their members. We have documented the results of that new look in this strategic plan.

We are extremely grateful to those of you, and there were many of you, who helped us shape our new vision. We found that NCUA staff and the credit union community share a sincere concern for the well-being of credit unions. For many NCUA employees it is more than just a job. It is clear from our conversations with stakeholders that those things that make credit unions unique, such as a member focus, the cooperative spirit, and a concern for reaching out to the those of modest means, remain front and center priorities.

Keeping in mind traditional credit union values and upcoming challenges NCUA plans to emphasize:

- A financial management view that encourages credit union preparation for the future;
- An aggressive approach to helping to facilitate the successful integration of credit union financial services and technology;
- A safety and soundness view which recognizes the need for credit unions to take reasonable risks in order to meet member service expectations; and,
- A regulatory approach that encourages the credit union community to reach out and provide financial services to all American citizens.

This is an ambitious agenda. We feel confident in our undertaking because of the dedication and quality of NCUA staff. We ask that NCUA employees work together to make this plan a reality. In some cases this means reevaluating skills needed, and training and other resources provided to examiners and others. The NCUA Board is committed to providing the resources needed to implement this plan. However, we will exercise responsible stewardship of credit union funds and will, whenever possible, as the preferred option, reallocate existing resources to undertake agency initiatives.

The importance of “partnering” is a theme that permeates this plan. We are confident that NCUA and the credit union community, working towards common goals, in their respective areas of responsibility, can meet upcoming challenges to enable credit unions to remain viable, thriving institutions that continue to help people help themselves.

I. Introduction

Credit unions have been an important part of American life for much of the 20th century. As reiterated in the Credit Union Membership Access Act of 1998, the American credit union movement began as a cooperative effort to extend credit to meet the productive and provident credit needs of individuals of modest means. Over the years, credit unions have figured prominently in workplaces, communities and associations throughout the country and have been a primary source of financial services for people of modest means and scores of young Americans entering the workplace. Credit unions have maintained their wide appeal because they are democratically controlled and rely heavily on volunteer directors and management professionals dedicated to serving member needs. Not for profit credit unions have been successful in focusing on ways to enhance the financial well-being of all of their members at a reasonable cost.

As with other sectors of the financial services industry, the United States Congress relies on its authorized representative agency, the National Credit Union Administration (NCUA), to oversee, among other things, the safety, soundness, and health of the approximately 11,000 federally insured credit unions in the United States. Of these credit unions approximately one-third are state chartered. Among the many roles NCUA has to play, two primary and distinct roles are, first, the regulator of federal credit unions and second, the insurer of federal and state chartered credit unions. NCUA works closely with state regulators to nurture a partnership in matters pertaining to state chartered credit unions.

NCUA also works with other stakeholders, including credit unions, trade associations, credit union leagues and those that provide services to credit unions. Keeping in mind stakeholder perspective, NCUA strives to maintain a regulatory environment which is hospitable to credit union growth and development. Credit union community initiatives and NCUA regulatory efforts can be successful only if credit unions continue to meet member needs, thereby retaining their trust and confidence. Additionally, credit unions must attract new members to insure long term growth and vitality. Credit union outreach efforts should continue to emphasize reaching out to individuals and communities outside the financial mainstream. In addition to making good business sense, this reflects the traditional credit union commitment to the underserved. Neglecting either a focus on current member needs or an aggressive outreach for new members, would result in potential harm to credit unions and their members.

With this perspective in mind, the NCUA conducted an assessment of issues and challenges facing credit unions as they enter the 21st century. NCUA concluded that several issues, described in the following section, represent significant challenges to credit unions as a whole. While NCUA believes the marketplace will be the ultimate determinant of individual credit unions' survival, NCUA also believes macro

issues must be analyzed and acted upon by credit unions to ensure potentially disruptive external factors are anticipated and met with an appropriate response. The NCUA must create a regulatory environment which fosters such credit union analysis and action.

II. Strategic Situation

Credit unions have maintained their strength and vitality. Although the number of credit unions declined from 12,138 in 1994 to 10,995 in 1998¹, assets increased from \$290 billion to \$388 billion, membership increased from 64 million to 73 million, and share deposits increased from \$258 billion to \$339 billion. Products and services have changed dramatically, both in variety and complexity, from the early years of credit unions. These changes have been necessary to satisfy the increasing needs and demands of members during an era of economic growth and prosperity.

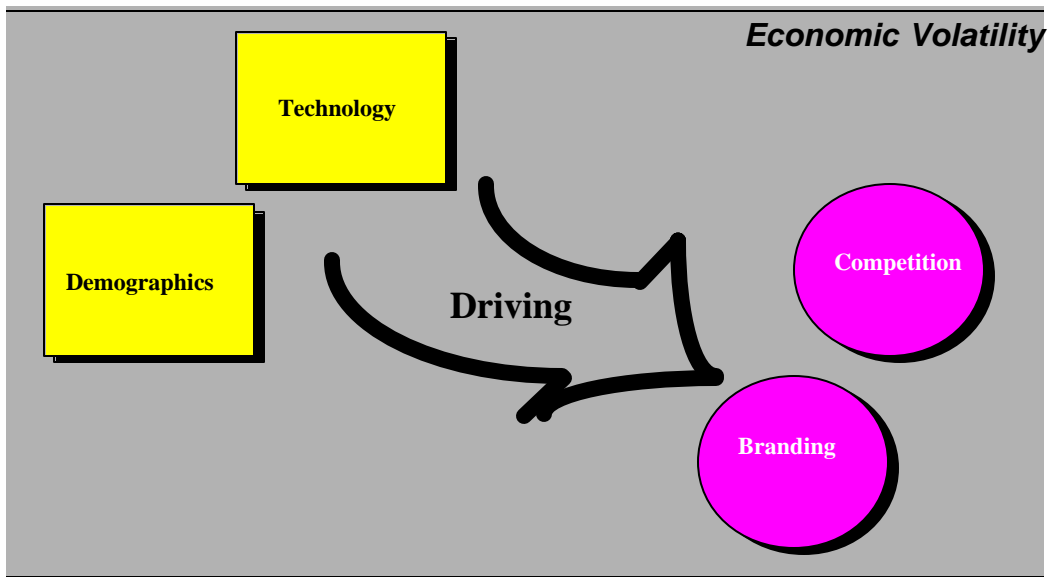
Despite sustained credit union growth and strength, numerous challenges lie ahead which could affect the performance of credit unions. NCUA and the credit union community must act in concert as credit unions strive to meet those challenges, thereby maintaining the public's overall strong confidence in the cooperative credit union system. We believe that together NCUA and credit unions must seek practical and effective solutions to achieve the delicate balance between innovation and safe and sound financial service practices, both of which are necessary to meet member financial needs. Several major issues are discussed below, and in more detail under each strategic goal, to provide a context for our mission, vision, outcome goals and strategies.

1. Credit unions face numerous challenges as they prepare for and enter the next millennium. They include field of membership limitations, and new statutory provisions on capital accumulation. Although credit unions have been effective in dealing with challenging issues in the past, NCUA has become increasingly aware of its responsibility to forecast emerging industry issues and trends with sufficient lead time to react and fulfill its regulatory role.
2. It is clear that electronic commerce will significantly affect the products, services and characteristics of the financial services industry. To maintain a competitive edge, the credit union industry must devote significant resources to prepare for the new technological environment. Credit unions with limited resources may have difficulty keeping up with the technology revolution. Capitalizing on the cooperative aspect of the credit union movement will enable all credit unions to meet member expectations in the new technological service environment.

¹ NCUA 1998 Annual Report, p.50,51.

3. Credit unions are also facing increasing competition from new and unexpected sources. These competitive factors are further complicated by shifting member values and expectations, driven by changing population demographics. Credit unions must be aware of member and potential member expectations and be prepared to meet those expectations by being competitive, without sacrificing the traditional credit union member service focus. Over the coming years, the competitive landscape will continue to change, requiring significant leadership, direction and focus to maintain a healthy, strong credit union system.
4. The hard work and dedication of volunteers have been a critical component of credit union success. Credit unions must continue to attract volunteers and other well qualified staff to ensure that talented, skilled leaders continue to participate in and guide credit union activities.

As the following diagram illustrates, changes in technology and demographics are shaping the financial services marketplace. Competition from non-traditional financial service providers is increasing; differences between services offered and approach of traditional financial services providers is decreasing, and the impact of any future economic downturn must always be a consideration. These issues pose key strategic threats and opportunities that require careful discussion, analysis, and response.



Credit Union Response

Many credit unions have planned for the changes taking place. Others may not have the technical skills or operational tools to adapt. However, the cooperative nature of the credit union system provides the impetus for the credit union community and

NCUA, as its regulator, to continue to work together to ensure there is opportunity for all credit unions to flourish. NCUA can and should facilitate such cooperation through a visionary regulatory approach that recognizes both the strengths of the cooperative credit union movement and the individuality of each credit union within that movement. The challenges of the changing environment have sparked renewed interest in these cooperative efforts which, in turn, promote the health and stability of the entire credit union system.

Although there are many approaches to dealing with these issues, it is clear credit unions must:

- Work together to maintain technological advantages and to facilitate access by all credit unions within the credit unions system to technology in order to meet the changing financial service needs of current and potential members;
- Adjust their products and services to ensure they meet the needs of the next generation of credit union members, including young persons and underserved populations (minorities, immigrants, and others that have less access to financial services);
- Strengthen the knowledge, skills, and abilities of their workforce and volunteers to ensure they effectively manage more complex operations; and,
- Capitalize on credit union traditions and high trust factors in developing sound business strategies that position all credit unions, whether small, medium, or large, to survive and flourish.

The credit union cooperative idea of people banding together to make loans to each other for provident and productive purposes has helped change the face of consumer financial services in the United States. To continue this legacy, credit unions must align themselves, starting in the very short term, to meet these strategic challenges. The challenges facing credit unions are multifaceted and require well thought out solutions. Clearly, NCUA has a critical role to play in enabling credit unions to meet the challenges of the new millennium.

Areas of Priority Emphasis for NCUA

This assessment provides a clear basis for NCUA to take a proactive role in ensuring the continued health of the credit union industry. NCUA has concluded we must develop strategies to address several key areas in the next six years. Specific strategic goals and outcomes are described in the following pages. In general, NCUA will:

- Continue to focus on examination and supervision programs geared to its statutory responsibility to ensure safe and sound credit unions.

- Strengthen long-range forecasting capabilities to better understand the “macro view” of the industry. Improved forecasting capability will enable NCUA to identify issues sufficiently in advance to take action where necessary and to provide timely, cost effective solutions where warranted.
- Address emerging technology issues first, by making certain that NCUA, itself, keeps pace with changing technology and its impact on credit union products; and, second, by assisting credit unions to meet challenges through facilitating partnerships, providing regulatory guidance and ensuring adequate training.
- Reexamine its regulatory approach and examination process to identify ways to facilitate entrepreneurial activities of credit unions and examine credit union operations in a more efficient and less labor intensive manner.
- Encourage credit union management to develop plans to face challenges related to technological change or increasing operational complexity, now and in the future.
- Revitalize outreach efforts by facilitating credit union community initiatives to provide financial service to the American public, with a recognition of credit union special emphasis on the underserved.

NCUA must act to enable credit unions to develop and perfect varied types and levels of products, services, and approaches required to serve their members and potential members. Credit union responsiveness to member needs should ensure that members, once attracted to credit unions, remain life-long members because of the distinct approach and product and service variety that credit unions offer. NCUA’s approach should help position credit unions to remain safe and sound, in a changing competitive environment, even if economic conditions change.

Results Oriented Measures Will be Used to Evaluate Progress

NCUA will measure the impact of its efforts using the performance measures included with each outcome goal. The performance measures mentioned in this strategic plan are general statements of the measures that will be described more specifically in the annual plan.

For example, this strategic plan includes **Outcome Goal 1.1**: “Ensure that federally insured credit unions are financially healthy,” and indicates that “ratios indicating credit union financial health, e.g. solvency ratios...net income/total assets,” will be used as performance measures. Annual Plans will include measurable performance goals, for this outcome goal, such as, “Reduce the

percentage of federally insured credit unions with net worth of less than 6% to 2.95% of federally insured operating credit unions.”

Efforts Will Be Coordinated with other Financial Regulatory Agencies

NCUA recognizes the other financial institution regulators have similar oversight responsibilities and face similar strategic challenges, particularly in regard to technology, long-range forecasting and a minimally intrusive regulatory approach. Where appropriate, we will learn from what they have done, share resources, and use the Federal Financial Institutions Examination Council as a point of coordination. We have asterisked crosscutting strategies and have indicated points of coordination in the action plan for each outcome goal.

III. Mission and Vision

NCUA Mission

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

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

NCUA Vision

NCUA---Working with the cooperative credit union system to provide service to all segments of American society and to enable credit union members to thrive in the 21st century.

VI. Strategic Goals

The development of sound strategic goals requires considering varied views and perspectives. Accordingly, we interviewed many individuals from the credit union community, including individuals from small, medium and large credit unions, academia, trade associations, organizations providing services to credit unions, and other credit union experts. We also surveyed all NCUA staff to get their perspective on strategic issues.

Using this information, NCUA's senior executive team, with the support, participation, and encouragement of the NCUA Board, had numerous discussions related to issues facing credit unions and NCUA's responsibility, as regulator and insurer, to address those issues. The NCUA Board and senior staff conclude that NCUA, working cooperatively with the credit union community, must broaden its view of safety and soundness to include issues related to credit union development, competitiveness, and ability to serve members. This strategic initiative will be reflected in regulatory policy, examination programs and other NCUA activities.

We recognize we have a distinct role to play, and we do not intend to abandon that role. As a regulator, credit union safety and soundness are primary concerns. Others in the credit union community focus on innovation and responsiveness to members. NCUA also has a critical responsibility to encourage and facilitate innovation and member responsiveness by means of the regulatory environment

and framework we establish. Keeping in mind our mission and vision, we intend to work with the credit union community to ensure healthy credit unions remain an attractive financial services option for credit union members and the American public. Based on this, we have developed the following goals:

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

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

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

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

Strategic Goal 5: Enhance NCUA's ability to serve as a proactive partner with the credit union community in addressing the challenges of the 21st century.

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

NCUA must look further ahead to help credit unions plan for economic volatility.

While overall the United States economy has been strong and growing for the past 30 years, there have been periods of inflation and high interest rates. NCUA and credit unions weathered these periods well, for the most part. However, a good proportion of current NCUA and credit union employees have never dealt with the challenges of an economic downturn. To some extent credit union problems can be masked by a good economy and a relatively stable lower interest rate environment. If this changes, problems may surface. The more competitive environment, lower margins, increasingly rate sensitive members and the new competition from non-financial entities make the potential effect of economic volatility more pronounced.

The majority of NCUA resources have historically been devoted to safety and soundness activities involving on-site examination or the off-site evaluation of financial data through periodic call reports. This will continue. Additionally, NCUA's focus must include broader issues related to credit union preparation for the future.

In line with authority granted by Title I of the Federal Credit Union Act, NCUA protects the safety and soundness of credit unions and the National Credit Union Administration Share Insurance Fund through risk-based examinations and on-going supervision, including close working relationships with state credit union supervisors. Through its examination and supervision program NCUA works with credit union boards and managers to identify weaknesses and to develop effective solutions. NCUA will consistently provide regulatory guidance on emerging financial trends to continue to foster a more forward looking view that encourages credit unions to start planning to align their balance sheets to meet the threat of economic volatility and thrive during those times.

The prompt corrective action requirements included in *The Credit Union Membership Access Act* were put in place to require credit unions to maintain adequate capital levels and to require NCUA to deal promptly with credit unions that do not maintain adequate capital levels. In implementing prompt corrective action rules and new supervision policy, NCUA must guard against an approach which would result in an over-emphasis on financial soundness at the expense of reasonable credit union risk-taking and innovative practices. (See strategic goal 3.)

Credit unions must have volunteers and paid staff with the knowledge, skills and abilities to plan for increasingly complex operations and the challenges of a volatile economic environment. This critical need comes at a time when volunteers are sometimes difficult to find, keep current, and retain, and skilled labor is equally hard to attract and retain. Without the appropriate expertise, credit unions may see their competitive edge slip and their ability to serve their members deteriorate. For an industry with some resource limitations, obtaining this human capital while maintaining positive earning levels will be an important strategic issue. NCUA will work with credit unions, trade associations, and leagues to help ensure a competent, prepared credit union workforce and well-informed, up to date volunteers.

Outcome Goals:

- Ensure federally insured credit unions are financially healthy.
- Ensure credit union management is aware of and prepared to meet potential financial challenges.
- Maintain the healthy performance of the NCUA Share Insurance Fund.

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

* **Strategies:**

* Strategies A,B, C and D are crosscutting.

- A. Emphasize risk based reviews and flexible scope examinations in NCUA training programs, supervisory approach, and when implementing the new Automated Integrated Regulatory Examination System (AIRES).
- B. Develop programs to better identify and meet the needs of increasingly complex credit unions, including the development of specialized examiners for areas of critical risk.
- C. Develop a special approach and continue to devote increased supervisory attention to federally insured credit unions, (including corporates) that either have negative earnings or are undercapitalized.
- D. Ensure consistency of approach and a healthy balance between a concern for regulatory directives and business risk-taking when training examiners on regulatory requirements, including prompt corrective action.
- E. Continue to enhance the targeted risk approach to the examination and supervision of corporate credit unions to ensure they remain safe and strong liquidity and service providers, as well as an appropriate investment option, for credit unions.
- F. Encourage the credit union system to explore (in ways that do not undermine the non-profit, member-owned status of credit unions) methods to provide start-up capital for new credit unions during their first 10 years of operation.

Outcome Goal 1.1 Action Plan

Strategies	Time frames	Resources	Points of Coordination (crosscutting)
A. Emphasize risk based reviews	Year one, on-going	Existing resources, training required	Consult with other regulators
B. Programs to meet needs of complex credit unions	Year one, on-going	Reallocation or additional resources, training required	Consult with state and federal regulators
C. Develop a special approach	Begin immediately and on-going	Existing or reallocation of resources, training required	Consult with state regulators, leagues and trades
D. Consistency of approach and balance between regulation and risk-taking	Year one, on-going	Existing resources, training required	Consult with state regulators, leagues and trades
E. Targeted risk approach to corporates	On-going	Existing resources	Discuss with corporate cu's
F. Provide start-up capital	Begin year one	Existing or additional resources	Consult with cu's, leagues and trades

Performance Measures:

1. Ratio's indicating credit union financial health, e.g. solvency ratios (net economic value), net income/total assets. This data will come from NCUA's 5300 Financial and Statistical Report. The 5300 Report is filed at least

semi-annually by all federally insured credit unions and most state chartered, non federally insured credit unions.

2. Number of credit unions required to have capital restoration plans. This data will be collected by examiners as a part of their supervisory responsibility.

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

*** Strategies:**

- A. Develop NCUA training and supervisory approaches which promote a flexible examination program, consideration of the “bigger picture”, and a more forward-looking outlook.
- B. Use time savings gained by off-site monitoring of examination data to address, on-site, future risks and challenges.
- C. Modify examination program to include, in CAMEL, an evaluation of the adequacy of credit union management’s ability to assess future risk.
- D. Provide better information to credit union managers related to local, regional, and national economic trends and potential problem areas.
- E. Use examination and supervision efforts to encourage credit unions to have long term strategic plans to address and mitigate the impact of potential financial challenges.
- F. Encourage training for credit union boards and staff so they can respond in a safe and sound manner to the financial needs of their members and operate within an acceptable level of market risk on their balance sheets.
- G. Encourage NCUA programs and credit union initiatives to help credit unions attract and retain volunteers.

Outcome Goal 1.2 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Promote flexible exam	Year one, continuing	Existing resources,	
B. Use time savings to address future risk and challenges	Begin in year one; continuing	Existing resources	
C. Modify exam program	Begin year one, in place year two	Existing resources, training	Consult with other regulators
D. Provide better information	Year two	Organizational changes and reallocation of or additional staff	Consult with other regulators
E. Encourage cu’s to have strategic plans	Year three	Existing resources	
F. Training for credit union boards and staff	Year two	Some reallocation of resources	Work with trades, leagues
G. Encourage programs to attract volunteers	Year two	Existing resources	Work with trades leagues, SSA

* Strategies C and D are crosscutting.

Performance Measures:

1. Monitor CAMEL component problem resolution trends on a macro basis. This information will come from NCUA's examination data base.
2. Evidence that credit unions have business plans, strategic plans, measures and controls in place. This information will be collected by NCUA examiners.
3. Adequacy of credit union ALM policies, procedures, measures and analysis. This information will be collected by NCUA examiners.

Outcome Goal 1.3: Maintain the healthy performance of the insurance fund.

*** Strategies:**

- A. Continue to manage NCUA's examination and supervision programs so that federally insured credit union problems are recognized and resolved promptly (suggesting other options before merger, whenever feasible.)
- B. Strive to preserve credit union service to members by exploring all options.
- C. Continue to complete examinations promptly and maintain examination quality.
- D. Increase emphasis on Asset Liability Management (balance sheet risk management.)
- E. Focus on Net Economic Value (NEV) as a measure of risk in corporate credit unions.
- F. In cooperation and in coordination with state supervisory authorities, maintain a level of joint examinations and random risk reviews sufficient to evaluate the safety and soundness of federally insured state chartered credit unions.
- G. Work with state regulators to ensure that insurance fund concerns are addressed during state supervision contacts with federally insured state chartered credit unions.
- H. Continue to provide resources such as training, personal computers, software, etc. to state supervisory authorities.

Outcome Goal 1.3 Action Plan

* Strategies A,C,D, E, F, and G are crosscutting.

Strategies	Time Frames	Resources	Crosscutting
A. Credit union problems resolved promptly	On-going	Existing ,increase, or reallocation staff	Work with state regulators (SSA's)
B. Strive to preserve credit union service	Continuing	Existing staff	
C. Complete exams promptly	On-going	Existing staff	Consult with SSA's
D. Increase ALM emphasis	Continuing	Reallocation of or additional staff	Consult with regulators, leagues and trades
E. Focus on NEV (corporates).	Year one and on-going	Existing staff	Consult with states and corporates
F. Coordinate sufficient exam reviews to maintain FISCU safety and soundness	Year one	Existing staff	Work with state regulators
G. Work with state regulators	Year one and on-going	Existing staff	
H. Provide resources to state supervisory authorities	On-going	Reallocation of resources	Consult with SSA's and NASCUS

Performance Measures:

1. NCUA insurance fund equity ratio. This data comes from 5300 Reports and the Share Insurance Report prepared by the Office of the Chief Financial Officer.
2. NCUA charges to provisions for credit union losses (reserves). This data comes from the Office of the Chief Financial Officer Share Insurance Fund Report.
3. Interest rate sensitivity in stress scenarios. This data is not yet available.

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

Technology will dramatically change the way we obtain financial services

Financial service institutions have recognized the benefits of emerging technology and are integrating it into their operations as an important element of their business model. Internet based services increase convenience for members, enable credit unions to offer better products and services, and create opportunities to serve more members than ever before. Electronic consumer services are flourishing, and credit union members may find alternative providers if credit unions cannot keep pace and offer contemporary services at a reasonable price.

Some credit unions are making substantial progress in integrating financial services and technology. Others face impediments, such as lack of managerial technical expertise or financial resource limitations which may prevent them from keeping pace. Consequently, many credit unions rely on information service vendors and

credit union service organizations to pool expertise and resources. Currently, credit unions differentiate themselves through personalized, face-to-face interaction with members. The extent to which they can both foster personal interaction and offer state-of-the art services will likely be a determining factor in the long-term health of the industry.

In order to carry out its responsibilities for ensuring the safety and soundness of credit unions, NCUA believes it must be an active participant in evaluating the effectiveness of credit union technology integration. In addition to modifying aspects of its examination program to promote strong technology management and practices, NCUA will implement a Credit Union Information Technology Review Program that concentrates in four areas: emerging technology and services, electronic security and safeguards, compliance, and privacy.

Outcome Goals:

- Ensure that credit unions have access to information and training about emerging financial service technology and use this information to integrate innovative technology planning, contracting, deployment, and support within the credit union framework.
- Ensure that credit unions understand emerging security threats and are prepared to deal with them.
- Promote public trust in credit union deployment of emerging technology.

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

*** Strategies:**

- A. Improve NCUA staff understanding of how technology can be used to enhance financial service products, member services and operations by encouraging staff to participate in technology focused conferences and by assigning staff to work with forward-looking credit unions, credit union service organizations, vendors, etc.
- B. Develop improved ways, e.g. web pages, to share information regarding best practices, contact points, resources, etc. with examiners and credit unions.
- C. Work with the credit union community to ensure that technology training is adequate, effective and available.

* Strategies A, B,C,D, and E are crosscutting.

- D. Encourage credit union mentoring and partnership arrangements to share best practices, resources and other information. Emphasize providing such arrangements to small and low-income designated credit unions.
- E. Encourage credit unions to develop and implement technology plans.

Outcome Goal 2.1 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Improve NCUA staff understanding of technology	Year two	Some reallocation of resources and additional resources	Consult with other regulators and private sector
B. Share information with examiners and credit unions	Year two	Additional resource reallocation	Consult with other regulators, trades, and private sector
C. Ensure technology training available and effective	Year two	Existing staff and outside consultants	Consult with leagues, trades and state regulators
D. Encourage mentoring and partnerships	On-going	Existing staff	Consult with leagues, trades, SSA's
E. Encourage cu's to develop technology plans	Year two	Existing staff and consultants	Work with state regulators

Performance Measures:

1. E-commerce services offered as reported in NCUA Technology survey or NCUA 5300 report.
2. Adequate credit union technical plans in place. This data will be collected as a part of the examination process.
3. Number of credit unions offering bill payment and bill presentment services.

Outcome Goal 2.2: Ensure that credit unions understand emerging security threats and are prepared to deal with them.

*** Strategies:**

- A. Develop information technology control guidelines for credit unions.
- B. Assess adequacy of credit union controls and security both in individual credit unions and the industry as a whole. Provide feedback to credit unions.
- C. Work with the Federal Financial Institutions Examination Council to conduct research and analysis to understand emerging security threats.
- D. Work with law enforcement agencies to understand the nature of emerging threats and vulnerabilities and coordinate with the Federal Financial Institutions Examination Council agencies to develop common approaches to dealing with security threats.

* Strategies A, B, C, D, and E are crosscutting.

- E. Develop a system for communicating threats, issues, and vulnerabilities to credit unions.

Outcome Goal 2.2 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Develop IT control guidelines	Year two	Existing staff with outside consultants	Other federal and state regulators
B. Assess adequacy of cu security and internal controls	Year three and ongoing	Existing staff, specialist staff, with outside consultants.	Other federal and state regulators
C. Work with Exam Council to understand emerging threats	On-going	Existing staff with outside consultants	Other federal and state regulators
D. Work with law enforcement agencies and Exam Council	Year one and ongoing	Existing specialist staff with outside consultants	State regulators
E. Develop system for communicating threats	Year two and ongoing	Existing specialist staff	Other federal and state regulators

Performance Measures:

1. Examination results related to adequacy of credit union security policies and practices.
2. Number of bond claims filed involving E-Commerce.

Outcome Goal 2.3: Promote public trust in credit union deployment of emerging technology.

*** Strategies:**

- A. Seek permanent supervisory authority over credit union information technology service providers.
- B. Acquire the expertise to guide and evaluate credit union E-Commerce programs.
- C. Develop a comprehensive and detailed examination program to evaluate the electronic financial services area, including security risk, privacy, and compliance issues, etc. Use Federal Financial Institutions Examination Council agencies as a resource.
- D. Develop training programs for examiners to keep them abreast of new and emerging electronic financial services and the means by which they will be evaluated. Fully utilize NCUA's relationship with other Federal Financial Institutions Examination Council agencies to train examiners, share resources, and learn from each other.
- E. Provide training opportunities to specialized corporate examiners who review automated services in corporate credit unions.

* Strategies A, C, D, and E are crosscutting.

Outcome Goal 2.3 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Seek supervisory authority	Year two	Existing staff	Other federal regulators
B. Acquire expertise	Year one through three	Reallocation of staff, training or additional staff	
C. Develop examination program to include privacy and compliance	Year one and ongoing	Existing staff	Trades, state regulators, federal regulators
D. Develop training programs	Year one and ongoing	Existing staff	Federal regulators and state regulators
E. Train corporate examiners	Year one and ongoing	Existing staff	Federal and state regulators

Performance Measures:

1. Examination results indicate credit unions are pursuing technological initiatives in a manner that promotes public trust.

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

The Changing Face of America Requires New Products and Delivery Systems

The financial service preferences, expectations and needs of the U.S. population are changing dramatically. Younger generations have embraced technology and will make service choices based on the ease and rapidity of transactions. Baby Boomers are moving toward technology, but in some cases, like the World War II generation, still prefer a personalized service, “high touch” approach to delivery systems.

Increasingly, members will not hesitate to go elsewhere for what they might perceive as better service. Credit unions could once count on member loyalty. However, the notion of loyalty to a particular credit union is fading along with loyalty to a single employer.

An excellent opportunity for credit union growth resides with the booming minority and immigrant population. These growing populations have their own cultural views

of financial services and their own expectations and requirements for service delivery. For some, digital service may be a future vision, but not practical today.

It is critical that credit unions recognize these demographic changes and the impact such changes may have on their membership bases. They must consider changing financial service expectations and provide services necessary to meet them. Excluding any one segment could have adverse ramifications. Likewise, trying to serve all segments, without careful business planning, could be troublesome.

Although many credit unions are complimentary of NCUA's approach, some believe NCUA micro-manages credit unions at a time when credit unions must become more entrepreneurial if they are to survive. NCUA recognizes that each credit union is unique and must, in a highly individualized way, be flexible, innovative, and responsive to its members. NCUA will strive to provide the regulatory framework to support all credit unions in their efforts to be both safe and sound and highly member focused. NCUA interests and responsibilities go beyond a narrowly defined view of the "financials" to a regulatory approach which supports credit unions in their attempts to compete in the market place, serve their members and attract new members, including the underserved.

New Players Will Compete for Credit Union Business

Credit unions have grown and prospered over the past 30 years for many reasons. They have provided high quality, friendly, face-to-face service and high quality products, at competitive rates, keeping the risks and costs to members low.

Regulation of the United States financial services industry resulted in market segmentation by product type, geographic location, and/or service provider. Deregulation means that new players will compete for traditional credit union business. The low cost generic loan product, long the mainstay of the credit union market, is going to be a highly competitive market segment. Community banks will seek to look like credit unions, with an increased emphasis on customer service. Insurance companies and brokerage houses, as well as non-traditional financial service providers, such as technology companies, will offer a full range of financial products and services. While these competitors may have a difficult time matching the credit union face-to-face customer service model, they have financial resources, technology, expertise, and the variety of services aimed at successfully getting their share of a consumer's business.

Credit unions will increasingly be competing for position in a market that includes large conglomerates and their substantial resources. While some credit unions believe that significant competition comes from other credit unions, they can hold their own by leveraging their cooperative efforts to work together to achieve economies of scale. Credit unions may also partner with other financial service

providers to package products and services to help them to retain members and attract new members for the 21st century.

NCUA must work with the credit union community to facilitate and encourage innovation, partnerships and mentoring. In short, the regulator will support and work with credit unions to leverage the cooperative nature of the credit union movement to produce a dynamic, healthy credit union industry able to compete with other forms of financial service providers.

Outcome Goals:

- Assist credit unions in understanding the impact of changing membership and in positioning themselves to address changing member expectations.
- Enable credit unions their members to succeed by ensuring that neither examination focus nor regulatory approach impose unreasonable impediments.
- Facilitate credit unions partnering with each other and other financial service providers in order to meet member service expectations.

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

*** Strategies:**

- A. Encourage all credit unions to have business plans that focus on meeting member needs and expectations
- B. Through economic analysis, examination program, supervisory activities, and various NCUA publications, assist credit unions in understanding the impact of increasing competition and demographic changes and possible ways they might consider to position themselves to address these challenges.
- C. Facilitate the efforts of credit union who choose to expand their product offerings, consistent with safe and sound business practices, to meet the changing needs of their various market segments.
- D. Use information technology to facilitate the exchange of information regarding lessons learned and best practices among the credit union community, state supervisory authorities and NCUA staff.

Outcome Goal 3.1 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Encourage cu's to have	Year one and ongoing	Existing staff	Trades

* Strategy D is crosscutting

business plans			
B. Assist cu's in understanding impact of demographic changes	Year two and ongoing	Reallocation of staff, training, or some additional staff	Trades
C. Facilitate efforts to expand product offerings	Year three and ongoing	Existing staff	Trades and private sector
D. Use Information technology to facilitate information exchange	Year three and ongoing	Existing staff	Trades, state regulators, private sector

Performance Measures:

1. Number and utilization rate of key credit union products or services. Data for this measure not currently available.
2. Per cent of credit unions with members that have share draft accounts with the credit union. This data comes from the NCUA 5300 Report.

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

Strategies:

- A. Ensure that NCUA's examination and supervision view of safety and soundness is in balance with the need for a successful credit union to take reasonable risks.
- B. Actively publicize regulatory approach at the meetings regularly attended by NCUA board members, managers, and examiners with various segments of credit union community.
- C. Encourage the credit union community to provide NCUA staff with better information about innovative programs.
- D. Encourage credit union innovation through various means, including the expedited approval of pilot projects initiated by credit unions.
- E. Ensure that examiner training is supplemented with training on credit union philosophy and history to include more on the role of credit unions and their impact on financial services and the American consumer.
- F. Continue to analyze the need for new or revised regulations, keeping in mind the cost to comply, impact on innovative attempts to meet member expectations, as well as more traditional safety and soundness concerns, and whether the repeal of certain regulations is warranted.
- G. Encourage dialogue with a broader spectrum of the credit union system on regulatory issues by making it easier to comment through such methods as surveys, focus groups, town meetings, use of the NCUA web-site, etc.
- H. Encourage NCUA staff (at all levels) to attend and participate in conferences/meetings in order to facilitate more networking between NCUA staff, vendors, and credit union staff.

Outcome Goal 3.2 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Balanced view of safety and soundness	Ongoing	Existing staff	
B. Actively publicize new emphasis	Year one and ongoing	Existing staff	Trades
C. Encourage better information about innovative programs	Year one and ongoing	Existing staff	Trades, leagues
D. Encourage credit union innovation	Year two and ongoing	Existing staff	Trades
E. Supplement examiner training	Year two and ongoing	Existing staff	
F. Analyze regulation	Ongoing	Existing staff	
G. Encourage dialogue with broader spectrum	Year two and ongoing	Existing staff	Trades
H. Facilitate more networking	Ongoing	Reallocation of staff	Trades

Performance Measures:

1. Credit union response to specific, relevant questions on Examination Survey.
Overall response to Examination Survey.
2. Surveys from sources within and outside the credit union community.
3. Analysis of comments received in response to proposed rules.

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

Strategies:

- A. Encourage credit union partnerships via credit union service organizations (CUSOs) and expand the role CUSOs can play in meeting member expectations.
- B. Encourage credit unions to partner with each other to share knowledge and expertise and form alliances, such as CUSOs in order to achieve economies of scale. Facilitate meetings between credit unions willing to partner and

able to provide excellent service, in one particular area, and credit unions in need of partners.

- C. Encourage credit unions to partner with other organizations or companies providing financial services, such as technology vendors and non-traditional financial service providers.
- D. Work closely with credit union (including corporate) groups and associations to address common issues for the mutual good.

Outcome Goal 3.3 Action Plan

Strategies	Time frames	Resources	Points of coordination (crosscutting)
A. Expand CUSO role	Year one and ongoing	Reallocation of staff time or some additional staff	Trade associations
B. Encourage cu's to partner with org's providing financial services	Year two and ongoing	Reallocation of staff time or some additional staff	Trade associations, financial services sector
C. Encourage cu's to partner with each other.	Year two and ongoing	Reallocation of staff time or some additional staff	Trade associations
D. Work closely with cu groups	Year one and ongoing	Reallocation of staff time or some additional staff	Trade associations

Performance Measures:

1. Number of new products or services offered by credit unions as a result of partnering arrangement. Information not currently available.
2. NCUA Call Report and other available survey data on credit union usage of credit union service organizations and vendors.

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

Credit unions need to emphasize their role as a trusted financial services advisor.

With the incredible variety of financial services and delivery options available to financial service consumers, trust will be a major factor in helping the consumer make a selection from a bewildering array of choices. Credit unions, with their positive image and their historically high level of member satisfaction, must continue to focus on the principles that have produced member trust and satisfaction and capitalize on these perceptions to attract new members.

Despite the growth in credit union assets and shares, credit unions remain unknown or misunderstood entities. While the publicity of the Credit Union Membership Access Act increased the recognition factor, clear, distinct branding is needed for credit unions to stand out in the changing financial services arena.

There is a need for synergy between credit unions, trade groups and both state and federal regulators to ensure that both the structure and the “trust” commodities which differentiate credit unions from other financial institutions remain preeminent credit union values. This will happen if:

- consumers understand the uniqueness and benefits of democratically controlled, not for profit credit unions; and,
- credit unions stand out in the financial services community as the provider members can rely on to help maintain financial well-being.

Although NCUA is clearly a supporting player in the efforts of credit unions to increase public awareness of the distinctiveness of credit unions, NCUA is uniquely responsible for establishing a regulatory environment which encourages innovative programs promoting traditional credit union values.

A Healthy Credit Union System is Growing, Dynamic and Reaching Out to the Underserved.

Another important distinguishing characteristic of credit unions is their commitment to serve individuals of modest means who may be overlooked by other financial service providers. The introduction to the Federal Credit Union Act states that its purpose is, “...to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States.” With this in mind, NCUA will devote special support to all credit unions that serve the underserved, regardless of size. NCUA will encourage the credit union community to do the same. NCUA will work with credit unions to help them better provide service to those not being targeted by others, e.g. minority populations, those relying on pawnshops, check cashing stores, etc. NCUA’s regulatory, supervisory and examination policy and its approach in implementing these policies will work in concert to achieve these objectives, recognizing that regulatory impediments could make such extension of service to underserved groups more difficult.

The credit union community includes both large and small credit unions. In fact, credit unions under 10 million represent 60% of all credit unions. One of the most telling indicators of the cooperative nature of the credit union system is the willingness of larger credit unions, with more resources, to support smaller credit unions. Likewise, one of NCUA's priorities has been and remains the health and viability of these credit unions. Although growth is a goal for all credit unions, NCUA recognizes some will choose to serve a niche market and remain small. Regulatory burden most negatively impacts smaller institutions whose resources and personnel are most strained by compliance costs and efforts. Their limited resources are also strained by pressures related to technology and the need to provide new services. Many of these smaller institutions will continue to need help from trade groups or from larger credit unions to meet the challenges of the new millennium. NCUA's regulatory approach must recognize these differences in individual credit union needs.

Outcome Goals:

- Increase the number of credit union members.
- Increase credit union service to underserved areas.

Outcome Goal 4:1: Increase the number of credit union members.

*** Strategies:**

- A. Explore regulatory ways (including an *Express Charter process*) to help credit unions increase the number of members.
- B. Encourage new charters.
- C. Apply existing chartering and field of membership expansion policies more efficiently and consistently.
- D. Work with the credit union community to increase public awareness of credit unions ideals related to cooperative credit, democratic control of a financial entity, the financial welfare of all segments of American society, as well as credit union safety and soundness.
- E. Support credit union community efforts to pass on traditions and values to the next generation of credit union management and officials so that they can understand and better leverage the differences of cooperative, non-profit financial institutions.
- F. Facilitate credit union efforts to differentiate themselves by supporting and encouraging credit union programs that focus on the value of personal financial planning and the use of credit unions to achieve financial well-being.

Outcome Goal 4.1 Action Plan

* Strategies E and F are crosscutting

Strategies	Time frames	Resources	Crosscutting
A. Explore regulatory methods	Year one and ongoing	Reallocation of, or additional staff	
B. Encourage new charters	Year one and ongoing	Existing staff	
C. Apply existing policies more consistently	Year one and ongoing	Existing staff	
D. Increase public awareness	Year two and ongoing	Reallocation of or additional staff	
E. Assist in education of cu staff	Year two and ongoing	Reallocation of or additional staff	Trade associations and State Regulators
F. Facilitate cu efforts to differentiate	Year two and ongoing	Reallocation of or additional staff	Trade associations and State Regulators

Performance Measures:

1. Increase in number of credit union members. Data source 5300 Report.
2. Number of new accounts. Data source 5300 Report.
3. Number of new credit unions. Data source 5300 Report

Outcome Goal 4.2: Increase credit union service low-income or underserved areas.

*** Strategies:**

- A. Facilitate and encourage credit union partnerships with community organizations in low-income and underserved areas.
- B. Increase collaboration between NCUA and other federal and state agencies working to meet needs of low-income people.
- C. Encourage credit unions to expand into low-income or underserved communities.
- D. Work with credit union officials to develop methods for all existing credit unions to expand fields of membership or service operations to serve in underserved or low-income areas.
- E. Track available data regarding the expansion of credit union services in low-income and underserved areas.
- F. Encourage eligible credit unions to apply for low-income designation.
- G. Encourage new credit unions and the expansion of credit union services in low-income and underserved areas.
- H. Provide incentives to those credit unions who mentor the development of newly chartered credit unions and to those who make extra efforts to reach out to the underserved
- I. Devise programs to facilitate making credit union service available to those for whom language may be a barrier.

Outcome Goal 4.2 Action Plan

* Strategy B is crosscutting.

Strategies	Time frames	Resources	Crosscutting
A. Encourage partnerships with community organizations	Year two and ongoing	Reallocation of staff	Trades, local organizations
B. Increase federal/state collaboration	Year one and ongoing	Reallocation of staff	Other federal and state agencies
C. Encourage expansion	Year one and ongoing	Existing staff	
D. Develop methods to serve underserved areas	Year one and ongoing	Existing staff	
E. Track available data	Year one and ongoing	Existing staff	
F. Encourage low-income designations	Year one and ongoing	Existing staff	
G. Encourage new credit unions	Year one and ongoing	Existing staff	Trades, local organizations
H. Provide incentives to mentor	Year two	Reallocation of staff	
I. Deal with language barriers	Year two	Some additional resources	

Performance Measures:

1. Increase in the total number of low-income designated credit unions. The Management Information System database includes a field for low income designations.
2. Increase in credit union membership from low-income and underserved communities. NCUA 5300 Report, regional reports, Office of Community Development Credit Unions reports.
3. Increase number of low-income and underserved areas added to existing credit unions. NCUA 5300 Report, regional reports and Office of Community Development Credit Union designed reports.

Strategic Goal # 5: Enhance NCUA’s organizational ability to serve as a proactive partner with the credit union community in addressing the challenges of the 21st century.

NCUA, like other progressive organizations, must periodically evaluate its approach to all aspects of its operation and make adjustments in order to be appropriately aligned to meet the challenges facing its constituency, in NCUA’s case, the credit union community. NCUA has outlined an ambitious agenda for the next several years. As mentioned at the outset, there are steps that must be taken, internally, in order to have the desired impact on the credit union system.

NCUA has been extremely action oriented with a strong problem solving thrust. Without becoming a “think tank,” NCUA recognizes a need to become more contemplative, that is, to be more forward looking with a stronger policy and trend analysis focus. As a result NCUA will:

- enhance its ability to identify and deal with emerging issues;
- more rapidly adjust regulatory approach to account for external factors and changing credit union needs; and,
- more critically assess NCUA program effectiveness.

One of the first, and one of the most critical, policy issues to be addressed in light of changing trends, is the NCUA examination program. In general, NCUA understands the safety and soundness examination must go beyond the traditional financial ratios to focus on issues related to a credit union’s ability to successfully meet member needs in today’s challenging market place. The point has been made that the examination process must not be a stumbling block to credit union innovation. The examination program and the way it is implemented must be clearly focused to deal with this challenge.

The vast majority of NCUA’s resources are currently devoted to credit union financial safety and soundness. This primary emphasis remains under this strategic plan. However, this plan calls for some additional areas of reasonably related focus, particularly proactive supervisory assistance to credit unions and a reinvigoration of NCUA’s long standing efforts to charter new credit unions.

The reinvigorated credit union chartering program represents a return to traditional values for NCUA. One of NCUA’s primary roles, at its inception, was credit union development. At one time, this was a major agency and examiner responsibility. Over the years, NCUA has moved away from the that kind of role and much of the credit union development work fell to the trade associations and leagues. NCUA recognizes that our job is to ensure that developmental efforts are taken in line with regulatory policy, to facilitate credit union community efforts, and, where appropriate, to supplement those efforts. NCUA’s outreach role is outlined under strategic goal 4. In order to ensure the proper emphasis, a coordinated approach, and sufficient allocation or reallocation of resources to make an impact, NCUA must be certain that the outreach efforts are supported with appropriate organizational underpinnings.

Outcome Goals:

- Ensure that NCUA has the ability to identify issues and trends and implement timely solutions before issues become critical.
- Ensure that NCUA’s examination and supervision program incorporates a view of safety and soundness which empowers the examiner to focus on risk evaluation and problem resolution.

- Ensure that NCUA has the organization in place with sufficient staff to support a renewed emphasis on credit union growth, development and membership access for all Americans.

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

*** Strategies:**

A. Create a Strategic Management Council to:

1. Explore the options for methods to assess financial and industry trends.
2. Bring policy issues from the Board to senior staff.
3. Bring issues from senior staff to the Board.

B. Create an economist position and provide sufficient infrastructure support to ensure that:

1. The NCUA Board receives timely information related to risk identification indicators (to enable the Board to better gauge credit union vulnerability).
2. Credit unions receive information regarding best practices related to adjusting to economic fluctuations, are aware they are likely to occur before they do, and have contingency plans in place to deal with them when they do.

Strategies	Time frames	Resources	Points of Coordination (crosscutting)
A. Create a Strategic Management Council	Year one	Existing staff	
B. Create an economist position	Year two	Additional staff	

Performance Measures:

1. Survey of NCUA.

Outcome Goal 5.2: Ensure that NCUA’s examination and supervision program incorporates a broader view of safety and soundness and empowers the examiner to focus on risk evaluation and problem resolution.

*** Strategies:**

* Strategy A is crosscutting.

- A. Convene an evaluation committee to review the current examination process.
- B. Review the current process to adjust it to meet the direction set by new strategic emphases.
- C. Use a best practices approach to the evaluation of the examination program by consulting with the Examination Council and state regulatory agencies.
- D. Modify the examination program and train examiners on the new program.
- E. Publicize new areas of emphasis within the credit union community.
- F. Evaluate effectiveness of the modified examination program.

Outcome Goal 5.2 Action Plan

Strategies	Time frames	Resources	Crosscutting
A. Convene and evaluation committee	Year one	Existing staff	
B. Review current process	Year one	Existing staff	
C. Use best practices approach	Year one	Existing staff	Federal and SSAs
D. Modify exam program, train examiners	Year two and three	Existing staff	
E. Publicize new areas of emphasis	Year two and three	Existing staff	
F. Evaluate effectiveness of revised program	Year four and five	Reallocation of or additional staff	State regulators

Performance Measures:

- 1. Survey of examiner staff.

Outcome Goal 5.3: Ensure that NCUA has the organization in place to support a renewed emphasis on credit union growth and development.

Strategies:

- A. Analyze resources and organization currently in place to support outreach efforts. Determine adequacy of the same.
- B. If appropriate, establish a central office organization which provides national oversight for chartering, field of membership expansions, mergers, and spin-offs.

Outcome Goal 5.3 Action Plan

Strategies	Time frames	Resources	Points of Coordination (crosscutting)
A. Analyze what's in place now	Year 1	Existing Staff	
B. Establish central office organization	Year 1 and 2	Reallocate existing resources or some	

* Strategy C is crosscutting.

		additional staff	
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Performance Measures:

1. Strategic Management Council presents to Board recommendations for consideration in advance of the 2001 budget.

PROGRAM EVALUATION

Current Program

NCUA program evaluation is approached in several different ways:

- Office of Inspector General program evaluations;
- Credit union postmortems; and,
- Special studies.

Office of Inspector General Program Evaluations

The Office of the Inspector General focuses on strategic issues which are of the greatest importance to NCUA. During the time frame of the previous strategic plan, 1997-1999, the Office of the Inspector General completed several reviews that directly relate to strategic goals. They were:

- **Credit Union Examination Flexibility.** This report included recommendations for improving the cost effectiveness of NCUA's examination of credit unions. The Office of Examination and Insurance will complete an examination cycle cost benefit analysis in line with the report's recommendation.
- **Training Audit.** This report recommended a greater emphasis on better cyber-financial services training to prepare examiners to deal with credit union technology issues. The report also recommended that regional specialist positions be established to deal with emerging technology issues and that these specialists be provided leading edge training. These recommendations are being implemented.
- **Y2K reviews.** This was a major focus of 1999 reviews. Recommendations were implemented.

The Office of the Inspector General plans reviews on:

- **Performance Measures.** The Office of the Inspector General, each year, will review a different performance measure for reliability and validity.

- **NCUA 5300 Financial and Statistical Report.** The NCUA 5300 Report is the data source for many of NCUA's performance goals. The Office of the Inspector General will validate the reliability of the information provided.
- **Cyberfinancial services.**
- **NCUA information system security.**
- **Federally insured state chartered credit unions.**

Credit Union Postmortems

A postmortem is an examination and analysis of a failed credit union, most often one that caused significant loss the National Credit Union Administration Share Insurance Fund. Recommendations for improving the examination and supervision process are a key components of postmortem analysis.

Special Studies

Work groups of NCUA staff members are often used to evaluate existing programs and make recommendations for change. **The Future Examination Process Committee** is an example of this type of effort.

The committee's charge is to review all aspects of the current examination process and determine the most efficient way to examine credit unions to help ensure their safety and soundness in an increasingly competitive environment. This is directly related to issues surfaced by the strategic planning process. That is, the agency must reexamine its examination program to "identify ways to promote entrepreneurial activities of credit unions and evaluate credit union operations in an efficient and less labor intensive manner."

As NCUA's examination program is the foundation for all other activities, this committee's recommendations are likely to have a major impact on how NCUA does business. The committee will complete its work during 2000. Implementation of its recommendations will be on-going for at least the next several years.

Future Program Evaluation

Strategic goal #5 addresses the need to become more forward looking with a stronger policy and trend analysis focus, i.e., to identify credit union issues and trends and implement timely solutions. Although this has an external thrust, primarily, there may be an impact on NCUA, internally, as well. An analysis of current program evaluation activity will determine if more resources or a different approach would make the program more effective.