



**NCUA**  
National Credit Union Administration

# Draft NCUA Strategic Plan

---

2022 – 2026

[This page intentionally left blank]





## Table of Contents

---

Message from the Board.....	2
Agency Overview.....	3
The Credit Union Difference .....	4
Mission Statement .....	5
Vision Statement .....	5
Values .....	5
Economic Outlook.....	6
Credit Union System Risks.....	7
Agency Programs .....	14
Stakeholder Engagement .....	16
Cross-Agency Collaboration.....	16
Strategic Goals and Objectives .....	17
Strategic Goal 1.....	18
Strategic Goal 2.....	23
Strategic Goal 3.....	26
Enterprise Risk Management.....	31
Program Evaluation.....	32





## Message from the Board

---

[Placeholder]



## Agency Overview

---

Created by the U.S. Congress in 1970, the National Credit Union Administration is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions, charters and regulates federal credit unions, and promotes widespread financial education and consumer financial protection. The NCUA protects the safety and soundness of the credit union system by identifying, monitoring, and reducing risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides up to at least \$250,000 of federal share insurance to nearly 126 million members in all federal credit unions and most state-chartered credit unions. No credit union member has ever lost a penny of deposits insured by the Share Insurance Fund.

The NCUA is responsible for the regulation and supervision of 5,068 federally insured credit unions with more than \$1.95 trillion in assets across all states and U.S. territories.<sup>1</sup>

A three-member Board of Directors oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.<sup>2</sup> Besides the Share Insurance Fund, the NCUA operates three other funds: the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF). The NCUA Operating Fund, with the Share Insurance Fund, finances the agency's operations. The CLF is a contingent federal liquidity source, owned by its member credit unions and administered by the NCUA Board, which serves as a back-up lender to credit unions to meet unexpected liquidity needs when funds are unavailable from standard credit sources. The NCUA's CDRLF provides loans and grants to low-income designated credit unions.

The NCUA also plays a role in helping to ensure broader financial stability as a member of the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee. The NCUA's Chairman is also a voting member of the Financial Stability Oversight Council, an interagency body tasked with identifying and responding to emerging risks and threats to the financial system.

The agency operates its headquarters in Alexandria, Virginia; its Asset Management and Assistance Center in Austin, Texas, which liquidates credit unions and recovers assets; and three regional offices—Eastern, Southern, and Western—which carry out the agency's supervision and examination program. Reporting to these regional offices, the NCUA has credit union examiners

---

<sup>1</sup> Data as of March 31, 2021.

<sup>2</sup> Each Board member is appointed by the President and confirmed by the Senate. The President also designates the Chairman of the NCUA Board. No more than two Board members can be from the same political party, and each member serves a staggered six-year term.



responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

## The Credit Union Difference

---

Credit unions are not-for-profit organizations that exist to serve their members, and are owned and controlled by the people, or members, who use their services. A volunteer board of directors is elected by the members to manage their credit union. Credit unions accept deposits, make loans, and provide a wide array of other financial services. As member-owned and cooperative institutions, credit unions provide a safe place to save and borrow at reasonable rates.

Credit unions operate to promote the well-being of their members. Profits made by credit unions are returned to members in the form of reduced fees, higher savings rates, and lower loan rates. The cooperative structure of credit unions creates a cycle of mutual assistance; one member's savings becomes another member's loan.

Members of a credit union share a common bond, also known as the credit union's "field of membership." Prospective members may be able to join based on their:

- Employer - Many employers sponsor their own credit unions.
- Family - Most credit unions allow members' families to join.
- Geographic Location - Many credit unions serve anyone that lives, works, worships, or attends school in a particular geographic area.
- Membership in a group - such as a place of worship, school, labor union or homeowners' association may qualify you to join.

Members often have shared interests and appreciate participating in an institution designed to help other members. Credit unions may also help improve the communities in which they operate by providing financial education and outreach to consumers, operating credit union branches in convenient locations, and helping members meet their small business needs.



## Mission Statement

---

Protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

## Vision Statement

---

Strengthen communities and protect consumers by ensuring equitable financial inclusion through a robust, safe, sound, and evolving credit union system.

## Values

---

### Integrity

---

Adhere to the highest ethical and professional standards.

### Accountability

---

Accept responsibilities and meet commitments.

### Transparency

---

Be open, direct, and frequent in communications.

### Inclusion

---

Foster a workplace culture that values diverse backgrounds, experience, and perspectives.

### Proficiency

---

Deploy a workforce with a high degree of skill, competence, and expertise to maximize performance.



## Economic Outlook

---

The U.S. economic environment is a key determinant of credit union performance. In early 2020, after several years of solid growth, the economic expansion that began in mid-2009 came to an end, as the COVID-19 pandemic and efforts to slow the spread of the virus led to a dramatic pullback in spending. The economy contracted sharply. Employment fell by 22 million between February and April, and the unemployment rate increased from a post-war low of 3.5 percent to a post-war high of 14.7 percent.

The federal government responded quickly, establishing loan programs for affected businesses, and providing financial relief to households in the form of stimulus payments and enhanced benefit payments to unemployed workers. Federal Reserve policymakers cut short-term interest rates, increased the Federal Reserve's asset holdings, and established several lending programs to support the flow of credit to households, businesses, and state and local governments. Interest rates across the maturity spectrum fell to historically low levels.

Economic activity picked up considerably in mid-2020, in response to these policy measures and the relaxation of restrictions on business and consumer activity put in place by state and local governments in the early days of the pandemic. The availability of a COVID-19 vaccine also provided significant support for economic activity. By the spring of 2021, real GDP returned to its late 2019, pre-pandemic peak, employment increased by 14.7 million from its low point in April 2020, and the unemployment rate fell to 5.8 percent.

The near-term outlook for the U.S. economy is favorable. A consensus of forecasters projects continued strong economic and job growth and declining unemployment over the next two years as the economy continues to heal from the effects of the pandemic. Over the five-year horizon of NCUA's 2022–2026 Strategic Plan, the consensus forecast for the U.S. economy is for solid economic growth and low unemployment and inflation. Interest rates are expected to rise over the next five years, with short-term rates rising more than long-term rates. During the five-year period from 2022 through 2026:

- Real GDP growth is projected to average 2.6 percent per year. This is stronger than the economy's average performance during the five years leading up to the 2020 recession, reflecting the rapid pace of expansion forecast for 2022 as the economy continues to recover from the pandemic. The annual pace of growth is expected to taper to 1.9 percent by 2026, a rate that is consistent with current estimates of the economy's long-run growth potential.





- The unemployment rate is projected to decline to 4.0 percent in 2024 and hold there through 2026. This is roughly consistent with current estimates of the full employment unemployment rate.
- Consumer prices are projected to rise 2¼ percent annually from 2022 through 2026, consistent with the Federal Reserve’s stated objective for inflation to “moderately exceed 2 percent for some time” so that inflation over time averages 2 percent. Consumer price inflation averaged 1.6 percent annually from 2015 through 2019, and core consumer inflation (excluding volatile food and energy prices) averaged 2 percent.
- The 3-month Treasury bill rate is forecast to rise from an average of 0.02 percent in May 2021 to 1.50 percent in 2026. The 10-year Treasury note rate is projected to rise from 1.62 percent in May 2021 to 2.80 percent in 2026.
- The consensus forecast for interest rates implies a 30-basis point decrease in the term spread from 160 basis points in mid-2021 to 130 basis points by the end of the forecast horizon in 2026. During the five years from 2015 through 2019, the term spread narrowed by 186 basis points from 218 basis points in December 2014 to 32 basis points in December 2019.

## Credit Union System Risks

---

### Near-Term Risks

---

Despite the rapid and severe deterioration in economic conditions in the first half of 2020, credit unions overall turned in a relatively solid performance during the year. Even if the economy continues to recover as expected, the operating environment for credit unions could prove to be more difficult in the near term than in prior years. Moreover, there are several risks on the horizon that could impede or stall the economic recovery early in the five-year Strategic Plan horizon. For instance, the emergence of new COVID-19 variants and the slowing pace of vaccination could delay the return to normalcy, potentially triggering new economic dislocations. If the economy’s performance is worse than expected, interest rates may remain low for an extended period.

Alternatively, higher-than-expected inflation for a prolonged period could spur Federal Reserve policymakers to remove monetary policy accommodation earlier and more abruptly than expected, boosting short-term interest rates. Tighter credit conditions typically constrain consumer and business borrowing and spending and cause economic growth to slow. If short-term rates rise more than long-term rates, the yield curve will flatten, putting downward pressure on credit union net interest margins.



Despite the relatively favorable outlook for the economy in the near term and over the next five years, a recession is also possible. Credit unions should plan for a range of economic outcomes that could affect their performance and resource needs.

## Longer-Term Risks

---

### Interest Rate Risk

The ability to manage interest rate risk will remain a crucial component of credit union performance going forward.

On the liability side of the credit union balance sheet, deposit rates have fallen since the start of 2020 and will likely remain low during the early years of the Strategic Plan horizon, given the Federal Reserve's commitment to an accommodative monetary policy. Credit unions will continue to face pressure to offer competitive deposit rates to avoid deposit attrition, as many members have several financial institution alternatives and can move funds quickly across institutions. Of the nearly 20 percent of households using a credit union as their primary financial institution, 56 percent also use a bank for some type of financial service.<sup>3</sup>

The consensus forecast suggests longer-term interest rates will move higher over the next five years but will generally remain lower than in the years leading up to the 2020 recession. A prolonged period of low interest rates also poses risks on the asset side of the credit union balance sheet. Credit unions that rely primarily on investment income may find their net income remaining low or falling. In addition, credit unions could resume their reach for yield by adding longer-term and higher-risk assets to their portfolios.

Credit union net interest margins have been trending down for several years and are likely to remain under pressure going forward, especially considering the consensus expectation of a gradual narrowing in the spread between long- and short-term Treasury securities. The consensus view for inflation over the five-year horizon of the Strategic Plan is relatively benign. If inflation runs higher than currently predicted, interest rates could increase faster and by more than market participants are anticipating. This could cause net interest margins to widen, but it could also produce new challenges for credit unions. For instance, interest rate risk management might be more difficult and mortgage lending could suffer.

In addition to economic risks, the NCUA and credit unions will need to understand and adapt to several technological and structural changes.

---

<sup>3</sup> Source: Federal Reserve Survey of Consumer Finances 2019



## Demographic Challenges and Changing Consumer Preferences

While overall credit union membership continues to grow strongly, about half of federally insured credit unions had fewer members at the end of 2020 than a year earlier. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile. For example, to be effective in some areas, credit unions may need to explore how to meet the needs of an aging population and/or a growing Hispanic population.

The Census Bureau forecasts that the share of the population reaching retirement age in the United States will continue to rise through the Strategic Plan period. As the population ages, credit unions may see shifts in growth trends and members' demand for certain products and services. Demand for savings and interest-bearing accounts could rise and demand for auto and mortgage loans could fall. Some credit unions with small fields of membership could see their membership shrink, limiting their opportunities for growth. Internal credit union management may also be affected. As employees reach retirement age, credit unions stand to lose valuable institutional knowledge.

The U.S. population is also forecast to become more diverse. Data from the 2019 Survey of Consumer Finances shows a low minority penetration at credit unions compared to other financial institutions. Of those who reported that a credit union was their 'primary' financial institution in 2019, 32.5 percent were minorities compared with 34 percent for banks and 69 percent for other institutions. As the population becomes more diverse, credit unions may need to adapt the products and services they offer to ensure they can communicate effectively and serve the needs of potential new members.

Credit unions must also be prepared to address the ongoing generational shift in consumer preferences. An increasing share of the consumer population is more comfortable using digital financial services. This is especially true for younger consumers. In 2019, roughly one-tenth of households between the ages of 15 and 34 relied primarily on a bank teller as their primary method of account access compared with one-quarter of households aged 55 to 64 and two-fifths of households 65 and over. Nearly two-thirds of these younger households relied primarily on mobile banking.<sup>4</sup> If, over time, consumers conduct more of their business through electronic and mobile services, credit unions may need to find alternatives to branch-based, in-person interactions with members to remain competitive.

More generally, it might be noted that credit unions have been losing their competitive advantage in terms of customer satisfaction in recent years. According to the *American Customer Satisfaction Index (ACSI) Finance, Insurance, and Health Care Report 2019-2020*, customer satisfaction with the finance industry deteriorated in 2020, with the pandemic amplifying trends already in place. Member satisfaction with credit unions fell for the third consecutive year and was lower than it was

---

<sup>4</sup> FDIC, 2019 FDIC Survey of Household Use of Banking and Financial Services.



for banks for the second straight year. Notably, the personalized service component that sets credit unions apart from other depository institutions declined for a second year in 2020 to roughly match the score for banks. Credit unions will need to reverse these trends to remain competitive in the financial services marketplace.

Consumers are being served by a growing array of non-traditional competitors. According to the FDIC's *2019 Survey of Household Use of Banking and Financial Services*, 31 percent of households used a peer-to-peer (P2P) payment service in 2019. Younger households were more likely than older households to embrace this non-traditional payment technology. Roughly half of households in the 25-to-34-year-old age group used P2P payment services in 2019 compared with one-quarter of households between 55 and 64 and only 13 percent of households 65 and over. The rising popularity of these non-traditional financial services platforms will put additional pressure on credit unions seeking to retain current members and attract new members.

## Concentration Risks

Credit union performance is frequently tied to the economic health of the community it serves. Even if the national economy is growing, conditions can vary widely between regions and industries. Due to the field of membership structure of credit unions, some credit unions may be particularly vulnerable to local economic conditions. For example, as the value of taxi medallions in New York and other cities has decreased significantly in recent years, credit unions with a large exposure to taxi medallion loans have faced challenges.

## Financial Landscape and Technology

New financial products that mimic deposit and loan accounts, such as mobile payment systems, pre-paid shopping cards, and peer-to-peer lending, pose a competitive challenge to credit unions and banks alike. The increasing popularity and adoption of these products and services could lead to a reduction in financial intermediation. Credit unions also face a range of challenges from financial technology or FinTech companies in lending and other services. For example, underwriting and lending may be automated at a cost below levels associated with more traditional financial institutions, but may not be subject to the same regulations and safeguards that credit unions and other traditional financial institutions face. Banks and/or non-bank financial institutions, including FinTechs, may be more successful at reducing origination costs or innovating in ways that streamline origination and servicing. Lower origination costs, in some cases, may be a function of more modest capital requirements.



The emergence and increasing importance of digital assets, such as cryptocurrencies may pose both risks and opportunities for credit unions. As these institutions and products gain popularity, credit unions may have to be more active in marketing their products and services and rethink their business models to remain competitive.

Technological advances outside the financial sector may also lead to changes in consumer behavior indirectly affecting credit unions. COVID-19 is only accelerating many of these trends, resulting in a profound reshaping of consumer behaviors. For example, the increased use of on-demand auto services and the potential for pay-as-you-go on-demand vehicle rentals could reduce purchases of consumer-owned vehicles. That could lead to a potential slowdown or reduction in the demand for vehicle loans, which comprise slightly more than a third of the credit union system's loan portfolio.

Credit unions' increasing use of technology is making the credit union system more vulnerable to cyber-attacks. The prevalence of ransomware, malware, social engineering, distributed denial of service (DDOS) attacks, and other forms of historical cyber intrusion are creating challenges at credit unions of all sizes. These trends are likely to accelerate in the years ahead.

The benefits and costs of technology dependency have been especially apparent during the COVID-19 pandemic. On the one hand, emerging technologies such as mobile transactions and cloud computing have allowed credit unions to perform their normal business operations more effectively in a time of increased telework for their employees, social distancing by their customers, and offsite examinations from their regulators. On the other hand, COVID-19 has increased opportunities for cyber-enabled fraud. Credit unions will need to put measures in place for rapid detection, protection, response, and recovery.

While traditional core banking and payment systems remain attractive targets to cyber criminals because they provide more direct cash out opportunities and access to personal identifiable information, we have also seen an increase in attacks on the supporting information and operational technologies. Credit unions must take a strategic risk management approach, which includes continual hardening, monitoring, and improving credit union network security, as well as a thorough review and mitigation of risk with their respective supply chains.

## **Management Risks Posed by Industry Consolidation and Membership Trends**

Small credit unions face several challenges, including lower returns on assets, declining membership, relatively high loan delinquency rates, and elevated non-interest expense. These challenges have affected their viability, contributing to the steady downward trend in the number of small, federally insured credit unions in operation over the past five years from 3,682 in the first quarter of 2016 to 2,616 in the first quarter of 2021. In 2016, credit unions holding less than \$50 million in assets represented 62 percent of all credit unions, accounting for 4 percent of all credit



union system assets and 7 percent of credit union system membership. By 2021, credit unions with less than \$50 million in assets represented 52 percent of all credit unions and accounted for only 2 percent of all credit union system assets and only 4 percent of credit union system membership.

If these long-running consolidation trends continue, there will be fewer credit unions in operation in 2026 and those that remain will be considerably larger and more complex. In the first quarter of 2021, there were 677 federally insured credit unions with assets of at least \$500 million, 37 percent more than five years earlier. These 677 credit unions represented just 13 percent of all credit unions but accounted for 78 percent of credit union system membership and 83 percent of credit union system assets. Large credit unions tend to offer more complex products, services, and investments. Increasingly complex institutions will pose management challenges for the institutions themselves as well as the NCUA, as the risks posed by individual, large institutions become more significant to the Share Insurance Fund.

## Climate-Related Financial Risks

Climate change is accelerating and the number – and cost – of climate-related natural disasters is rising. The economic effects of these events are clear. Each year, natural disasters like hurricanes, wildfires, droughts, and floods impose a substantial financial toll on households and businesses alike. The physical effects of climate change along with efforts to address climate change and transition to a low-carbon economy pose significant risks to the U.S. economy and the U.S. financial system.

Credit unions need to consider climate-related financial risks and how they could affect their membership and institutional performance. For instance, a credit union's field of membership is often tied to a particular industry or community. Some industries, like the energy and auto industries, may be disproportionately affected by climate change and the transition away from fossil fuels towards renewable forms of energy. Changing weather patterns will disproportionately affect farming communities. Over time, climate change will likely affect the value of collateral, including homes and vehicles. To remain resilient credit unions may need to consider adjustments to their fields of membership as well as the types of loan products they offer. Efforts to combat climate change will likely give rise to new regulations, potentially increasing costs for credit unions as they adapt and respond.

Climate change presents several complex conceptual and practical challenges not only for credit unions but also for the NCUA. The agency will need to adapt its risk monitoring framework to account for climate-related threats to financial stability, the credit union system, and the Share Insurance Fund.

## Challenges in Critical Lending Markets



Credit unions may also face challenges in critical lending markets. Credit unions have made sizably increased mortgage lending in recent years. As of the first quarter of 2021, credit unions accounted for 5.2 percent of all mortgage loans outstanding in the U.S., up from 4.0 percent five years earlier. Continued growth in market share is not guaranteed, however. If mortgage rates rise, demand for housing could slow, leading to slower growth in mortgage origination volumes. Mortgage refinancing, a significant driver of mortgage activity in 2020, would likely slow as well. Even if mortgage rates remain unchanged, refinancing volume is likely to decline going forward following a surge in activity during 2020, when mortgage rates fell to historically low levels.

Credit unions have also been highly successful in auto lending. In the first quarter of 2021, credit unions accounted for 29 percent of all new and used auto financing, up from 26 percent in early 2017. Going forward, several factors will influence credit unions' ability to retain and grow their presence in the auto financing marketplace. Weaker economic conditions and rising unemployment could cause auto sales and thus auto lending to fall. Increased use of on-demand ride-hailing services and the potential for pay-as-you-go on-demand vehicle rental could also reduce purchases of consumer-owned vehicles. Efforts to address climate change may make driving more expensive, leading consumers to seek alternative means of transportation. Any one of these developments could lead to a slowdown or reduction in the demand for vehicle loans, which are currently one-third of the credit union system loan portfolio.



## Agency Programs

---

The NCUA employs a central office, an Asset Management and Assistance Center (AMAC) to liquidate credit unions and recover assets, and regional offices to perform all the tasks in the agency's major program areas and support functions.

## Supervision

---

The supervision program contributes to the safety and soundness of the credit union system, thereby protecting the interests of all credit union stakeholders.

The NCUA's supervision is driven by identifying and resolving risk in seven primary areas:

- interest rate risk,
- liquidity risk,
- credit risk, including asset concentration risk,
- reputation risk,
- transaction risk,
- compliance risk, and,
- strategic risk, including operational risks such as cybersecurity and fraud.

The NCUA supervises federally insured credit unions through examinations by enforcing regulations, taking administrative actions, and conserving or liquidating severely troubled institutions as necessary to manage risk.

## Insurance

---

The NCUA manages the \$19.8 billion<sup>5</sup> Share Insurance Fund, which provides insurance up to at least \$250,000 per individual depositor for funds held at federally insured credit unions. The Share Insurance Fund is capitalized by credit unions and through retained earnings. The equity ratio is the overall capitalization of the insurance fund to protect against unexpected losses from the failure of credit unions. The normal operating level is the desired equity level for the Share Insurance Fund. In accordance with the Federal Credit Union Act, the NCUA Board sets the normal operating level between 1.20 percent and 1.50 percent.

---

<sup>5</sup> As of March 31, 2021.





## **Asset Management**

---

The NCUA conducts liquidations of failed credit unions and performs management and recovery of assets through the AMAC. The AMAC effectively manages and resolves assets acquired from liquidated credit unions. The AMAC provides specialized resources to the NCUA regional offices with reviews of large, complex loan portfolios and actual or potential bond claims. It also participates in the operational phases of conservatorships and records reconstruction. The purpose of the AMAC is to minimize credit union failure costs to the Share Insurance Fund, credit union member-owners, and other stakeholders.

## **Credit Union Development**

---

Through chartering and field of membership services, training, and resource assistance, the NCUA fosters credit union development for small, minority, newly chartered, and low-income designated credit unions. One source of assistance is the Community Development Revolving Loan Fund, which provides loans and technical assistance grants to credit unions serving low-income members. This support results in improved access to financial services, an opportunity for increased member savings, and improved employment opportunities in low-income communities.

The NCUA charters new federal credit unions, as well as approves modifications to existing charters and fields of membership.

## **Consumer Financial Protection**

---

The NCUA protects consumers through supervision and enforcement of federal consumer financial protection laws, regulations, and requirements. The NCUA also develops financial literacy tools and information for consumers and promotes financial education programs for credit unions to assist members in making more informed financial decisions.

NCUA's consumer financial protection mission goes hand-in-hand with the agency's safety and soundness mission. The agency strives to balance between the oversight needed to ensure consumers are protected and the credit unions' ability to provide service to their member-owners. In addition, the NCUA's Consumer Assistance Center provides an avenue through which credit union members can report and resolve concerns they may have about the products and services they have received from their credit unions.

When it comes to working with credit unions, the NCUA's goal is to facilitate their safe and sound operation while ensuring they fully comply with applicable laws, including fair lending laws. Toward that end, the agency emphasizes a compliance approach over an enforcement approach, providing credit unions with clear guidelines and incentives to ensure they prioritize consumer



protection. When a compliance issue does arise, as is inevitable, we strive to detect and resolve problems in credit unions through supervision and examination procedures before they become insurmountable.

## **ACCESS: Advancing Communities through Credit, Education, Stability, and Support**

---

The NCUA identified a need to foster financial inclusion because of the financial disparities experienced by minority, underserved and unbanked populations. ACCESS considers trends in industry data, economic and socioeconomic challenges experienced by consumers and how NCUA may assist credit unions in addressing them. Through ACCESS, the NCUA will provide resources to assist credit unions with their outreach strategies. Resources will include educational webinars and the identification of grants and other financial sources to support the development and implementation of financial products and services to assist members experiencing financial hardship. The NCUA will also evaluate ways to refresh and modernize regulations, policies, and programs in support of greater financial inclusion within the agency and the credit union system.

## **Stakeholder Engagement**

---

To clearly understand the needs of the credit union system, the NCUA seeks input from its stakeholders, including Congress, State Supervisory Authorities, credit union members, credit unions, and their associations. Input is sought through the examination and supervision process, surveys, public webinars, working groups, rulemakings, requests for information, and public and congressional dialogue. The views and input are assessed and properly considered during the developmental process. For this plan, this collective input may directly or indirectly influence the goals or objectives, the selection of measures of success, and the performance targets.

## **Cross-Agency Collaboration**

---

The NCUA is involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies through several financial councils. Significant councils include the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, and the Financial and Banking Information Infrastructure Committee. These councils and their many associated taskforces and working groups contribute to the success of the NCUA's mission by providing the agency with access to critical financial and market information and opportunities to share information on critical issues and threats to the nation's financial infrastructure, among other benefits.



## Strategic Goals and Objectives

The chart below summarizes the NCUA’s strategic goals and objectives for 2022-2026. The objectives support and complement the strategic goals. Each strategic objective has performance goals with measurable indicators and targets.

Strategic Goals	Strategic Objectives
<p>Goal 1: Ensure a safe, sound, and viable system of cooperative credit that protects consumers.</p>	<ul style="list-style-type: none"> <li>1.1 Maintain a financially sound Share Insurance Fund.</li> <li>1.2 Provide effective and efficient supervision.</li> <li>1.3 Ensure compliance with and enforcement of federal consumer financial protection laws and regulations at credit unions.</li> <li>1.4 Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity, financial technology, digital assets, and climate-related financial risk.</li> </ul>
<p>Goal 2: Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services.</p>	<ul style="list-style-type: none"> <li>2.1 Enhance consumer access to affordable, fair, and federally insured financial products and services.</li> <li>2.2 Support and foster small, minority, low-income, and new credit unions.</li> </ul>
<p>Goal 3: Maximize organizational performance to enable mission success.</p>	<ul style="list-style-type: none"> <li>3.1 Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment.</li> <li>3.2 Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data.</li> <li>3.3 Ensure sound organizational governance.</li> </ul>



## Strategic Goal 1

# Ensure a safe, sound, and viable system of cooperative credit that protects consumers

### Strategic Goal Overview

The Federal Credit Union Act authorizes the NCUA Board to oversee America’s credit union system and administer and manage the Share Insurance Fund. The NCUA also has statutory responsibility for supervising compliance with and enforcing laws and regulations that protect all credit union member-owners. The NCUA’s primary function is to identify and assess credit union system risks, threats, and vulnerabilities, determine the magnitude of such risks, and mitigate unacceptable levels of risk through its examination, supervision, and enforcement programs.

Strategic Goal 1 objectives focus on protecting America’s system of cooperative credit and minimizing unacceptable levels of current and future risk while encouraging stability within the credit union system.

### Strategic Objectives and Example Performance Goals

The four strategic objectives detailed below break down the broader strategic goal to a level that reflects the specific outcome or impact the agency will work to achieve over the strategic plan period. Related performance goals, measures and targets are established in the agency’s Annual Performance Plan and will be pursued to achieve Strategic Goal 1 and its underlying strategic objectives.

Strategic Objective	Strategic Objective Overview	Example Performance Goals
1.1 Maintain a financially sound Share Insurance Fund.	The Share Insurance Fund is a cooperative insurance fund comprised of a one percent capitalization deposit from insured credit unions, income from prudent investment strategies, and premium assessments, when needed. The NCUA must maintain a financially sound Share Insurance Fund to protect credit union member-owners against unexpected losses from failed credit unions	<ul style="list-style-type: none"> <li>Effectively manage losses to the Share Insurance Fund.</li> <li>Assess risks and key trends in the credit union industry and the economy that could impact the Share Insurance Fund.</li> </ul>



Strategic Objective	Strategic Objective Overview	Example Performance Goals
	<p>and to maintain public confidence in federal share insurance. Sound management of the Share Insurance Fund also requires the agency to identify, assess, and respond to current and emerging risks timely, including through robust modeling of future Fund performance and effective execution of the examination program.</p>	
<p>1.2 Provide effective and efficient supervision.</p>	<p>To remain effective, the NCUA’s examination and supervision program must continue to evolve with a growing and changing credit union system while recognizing the fundamental differences that define financial cooperatives. The NCUA must act efficiently, properly allocating examination resources to credit unions of highest risk and expanding its offsite monitoring capabilities. Important components of an effective and efficient examination and supervision program include highly skilled examiners, risk- and compliance-based examination policies, robust quarterly data collection and analyses, reliable technological tools, and a strong quality assurance program.</p>	<ul style="list-style-type: none"> <li>• Execute the requirements of the agency’s examination and supervision program.</li> <li>• Improve examination quality by incorporating relevant feedback from internal and external stakeholders.</li> </ul>
<p>1.3 Ensure compliance with and enforcement of federal consumer financial protection laws and regulations in credit unions.</p>	<p>The NCUA’s assessment of compliance risk considers the federal consumer financial protection laws and regulations the agency enforces, as well as other relevant laws and regulations that govern the operation of credit unions, such as the Bank Secrecy Act, the Flood Disaster Protection Act, the Secure and Fair Enforcement for Mortgage Licensing Act and, more generally, the NCUA’s established regulations. The NCUA’s fair lending examination program is designed to ensure that credit unions comply with the regulations established to protect</p>	<ul style="list-style-type: none"> <li>• Conduct targeted consumer compliance reviews and fair lending examinations.</li> <li>• Improve compliance with consumer protection laws and regulations through effective guidance to the credit union system.</li> </ul>



Strategic Objective	Strategic Objective Overview	Example Performance Goals
	<p>consumers against discriminatory practices. The NCUA also performs targeted consumer compliance reviews during risk-focused examinations.</p>	
<p>1.4 Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity, financial technology, digital assets, and climate-related financial risk.</p>	<p>Credit unions are becoming larger and more complex as they seek to provide their members with more and improved products and services. Growth and innovation raise risks to credit union member-owners and the Share Insurance Fund. The agency must balance responsible oversight with forward-looking policies that promote innovation and respond to potential industry disruptions.</p>	<ul style="list-style-type: none"> <li>• Evaluate and address barriers to credit union adoption of emerging financial technology.</li> <li>• Promote and evaluate effective cybersecurity practices in credit unions.</li> <li>• Identify and mitigate asset concentration risks, including those resulting from climate-related financial risk.</li> </ul>

## Strategies

- Continue implementing a risk-based, flexible examination cycle to address supervision priorities without compromising the safety and soundness and regulatory compliance of credit unions.
- Advance data analytics and remote monitoring capabilities to allow field staff to complete high-quality exam procedures offsite and reduce the NCUA’s presence in lower-risk credit unions.
- Modernize legacy systems to improve examination effectiveness and efficiency.
- Research virtual examination technology, tools and procedures and conduct feasibility testing to advance examination effectiveness.
- Facilitate greater dialog between member-owned credit unions and the agency to accelerate the identification of risks and trends.
- Continue to mature a data-driven supervision model to assess and monitor risks in large and complex credit unions.
- Enhance fraud monitoring tools and detection strategies.



- Protect the Share Insurance Fund by prudently investing the fund, monitoring and responding to changes in the equity ratio, and maintaining a one percent capitalization deposit within the fund balance.
- Promptly pay members' confirmed insured shares upon involuntary liquidation of a credit union.
- Work with state regulators to strengthen and enhance the shared examination and supervision of federally insured, state-chartered credit unions.
- Ensure the quality of examination reports through rigorous quality assurance processes.
- Deliver effective regulations that ensure a safe and sound credit union system and protect consumers, and review them on a regular cycle.
- Collaborate with other federal regulatory agencies and state regulators to maintain a safe, sound, and fair regulatory environment that educates credit unions and consumers about federal consumer financial protection issues.
- Perform fair lending examinations and offsite fair lending supervision contacts.
- Assist consumers in resolving disputes with credit unions and monitor consumer complaints to guide consumer compliance program development.
- Enhance training for examiners, including in areas of emerging risk and opportunity for credit unions.
- Identify and address emerging risks and opportunities in the financial services marketplace that may require regulatory changes, including blockchain technology and digital assets such as cryptocurrencies.
- Promote best practices for credit union cybersecurity and business continuity while informing credit unions about potential cybersecurity threats.
- Strengthen the credit union system's response to cybersecurity risks through supervisory reviews, cybersecurity training for credit union information technology professionals, and targeted CDRLF grants and loans.



## External Factors: Strategic Goal 1

- Changes in economic conditions that cause credit unions to experience unusual financial stresses, including changes in the interest rate environment or the labor market.
- Increasing competitive pressures from other financial service providers, including non-depository institutions and financial technology companies (FinTech).
- Changes in consumer preferences for products and services currently offered by credit unions.
- Increasing complexity of credit union products and services.
- Changes to credit union operations that affect balance sheet structure, credit risk, and asset concentration risk, including increasing reliance on third-party vendors.
- Changes in standards and practices adopted by other regulatory agencies that could affect credit unions.
- Challenges attracting successors for credit union managers and volunteer board members, particularly in small credit unions.
- Changes in Federal and State laws.
- Financial damage to credit union balance sheets or physical damage to credit-union-backed real assets caused by natural disasters such as those arising from a changing climate, pandemic disease, earthquakes, floods, hurricanes, wildfires, or droughts.
- Increasingly sophisticated cyber-attacks that threaten consumers, credit unions, and government operations, and that can damage confidence in the credit union system and national economic security.
- Rapid changes in emerging technologies that are not addressed in a timely manner by the NCUA's examination and supervision programs.





## Strategic Goal 2

# Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services

---

### Strategic Goal Overview

---

The Federal Credit Union Act charges the NCUA with promoting access to safe and affordable credit union services for consumers of all backgrounds and income levels, including those of modest means. To support this effort, the NCUA works to foster the preservation and growth of credit unions in a changing demographic, economic, and technological landscape.

Strategic Goal 2 focuses on the NCUA’s role in ensuring that America’s system of cooperative credit is fair and open to all consumers, and that it can effectively incorporate new and emerging technologies offering affordable and equitable benefits to its member-owners.

### Strategic Objectives and Example Performance Goals

---

The two strategic objectives outlined below break down the broader strategic goal to a level that reflects the specific outcome or impact the agency will work to achieve over the strategic plan period. Related performance goals, measures and targets are established in the agency’s Annual Performance Plan and will be pursued to achieve Strategic Goal 2 and its underlying strategic objectives.

Strategic Objective	Strategic Objective Overview	Example Performance Goals
2.1 Enhance consumer access to fair, affordable, and federally insured financial products and services.	The NCUA will address changes in the economy, demographics, and financial technology to increase financial inclusion for all consumers. The NCUA is committed to up-to-date regulations, policies, and programs that expand consumer access to safe and affordable financial products and services, along with financial education that helps consumers	<ul style="list-style-type: none"><li>• Expand community and individual access to fair and affordable credit union products and services through modernized NCUA regulations, policies, and programs.</li><li>• Empower consumers with</li></ul>



Strategic Objective	Strategic Objective Overview	Example Performance Goals
	<p>understand their choices. Informed consumers who have access to a range of fair and affordable credit union products and services – including from new and emerging technologies – make better financial decisions for themselves and for their communities.</p>	<p>financial education information.</p> <ul style="list-style-type: none"> <li>• Ensure NCUA regulations appropriately address emerging and innovative financial technologies.</li> </ul>
<p>2.2 Support and foster small, minority, low-income, and new credit unions.</p>	<p>The NCUA continues to develop initiatives to foster new and small credit unions, credit unions serving those of modest means, and credit unions designated as minority depository institutions. Such efforts will help provide safe and affordable financial services to traditionally underserved communities. The NCUA will streamline its chartering process for new credit unions while preserving its safety and soundness and consumer protection priorities.</p>	<ul style="list-style-type: none"> <li>• Administer viable credit union charter and low income and CDFI designation requests.</li> <li>• Promote the agency’s grant and loan programs.</li> </ul>

## Strategies

- Raise awareness of issues impacting financially underserved communities.
- Promote the availability of the federal charter for new, or *de novo*, credit unions.
- Increase transparency in the chartering process for new, or *de novo*, credit unions.
- Encourage minority depository institutions and low-income designations for qualifying credit unions.
- Promote the value of fair and affordable financial products and services at credit unions.
- Implement a revised supervision approach for newly chartered credit unions.
- Champion the safe adoption of innovative financial technologies that meet the needs of credit union members.
- Provide comprehensive financial education resources including information about credit unions



as cooperatives, federal share insurance, and federally insured financial products and services.

- Promote diversity and inclusive financial services at credit unions.
- Strengthen the agency’s minority depository institution preservation program.
- Support the success of small, minority, low-income, and new credit unions through training, CDRLF technical assistance grants and loans, and resources.
- Enhance communication with prospective credit union members and credit unions on chartering and field of membership requests.
- Deliver effective regulations that help the credit union system serve both its current and prospective members, and update them on a regular review cycle.

### External Factors: Strategic Goal 2

- Consolidation across the financial services industry that leads to reduced services in diverse communities and greater challenges in reaching unbanked and underbanked populations.
- Competitive pressures from other financial service providers, including non-depository institutions.
- Changes in consumer preferences for products and services currently offered by credit unions.
- Changes in the scope and complexity of products and services credit unions offer.
- Changes in credit union membership growth or fields of membership.
- Shifts in member needs associated with the changing demographics of membership.
- Challenges attracting successors for credit union managers and volunteer board members, particularly in small credit unions.
- Changes in how the public views the benefits of credit union membership.
- Changes in standards and practices adopted by other regulatory agencies that could affect credit unions.
- Credit union consolidation trends that increase the size of the typical credit union.
- Changes in Federal and State laws.



## Strategic Goal 3

### Maximize organizational performance to enable mission success

---

#### Strategic Goal Overview

---

The NCUA’s most important resource is high quality, skilled staff. To maximize employee contributions to the NCUA’s mission, the agency’s staff must be supported by efficient and effective processes, tools, data, and modern technology. The right people equipped with the right tools, supported by sound organizational governance, fulfill the agency’s mission, and deliver organizational excellence.

Achieving the NCUA’s third strategic goal requires effective communication, collaboration, and coordination by all staff across all offices within the agency. To achieve this strategic goal, the agency must be prudent and effective in its administration of human capital, employee and operational security, data, information technology systems and assets, financial management, and employee engagement. This goal emphasizes organizational excellence through effective, efficient, and inclusive recruiting, hiring, training, and career development processes that support and promote diversity within the workplace.

#### Strategic Objectives and Example Performance Goals

---

The three strategic objectives below break down the broader strategic goal to a level that reflects the specific outcome or impact the agency will work to achieve over the strategic plan period. Related performance goals, measures and targets are established in the agency’s Annual Performance Plan and will be pursued to achieve Strategic Goal 3 and its underlying strategic objectives.

Strategic Objective	Strategic Objective Overview	Example Performance Goals
3.1 Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment.	The NCUA aims to foster a professional work environment that attracts and retains innovative, high performing, highly engaged, and inclusive employees. Developing such a workforce begins with recruitment and assessment of candidates. The	<ul style="list-style-type: none"> <li>Deliver timely and relevant training and leadership development programs for all staff.</li> <li>Promote inclusive leadership that values diverse</li> </ul>



Strategic Objective	Strategic Objective Overview	Example Performance Goals
	<p>NCUA also prioritizes diversity and inclusion as a strategic business imperative and seeks to achieve this through workforce diversity and inclusion efforts, support for equal employment opportunity, and supplier diversity initiatives.</p> <p>Workforce engagement is critical to the successful performance of the NCUA because an engaged workforce is more efficient, productive, and accountable to the success and results produced by the agency. An engaged workforce has increased energy, innovation, and drive for personal growth and is more flexible during times of change.</p>	<p>perspectives and maximizes employees' contributions and fosters belonging.</p>
<p>3.2 Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data.</p>	<p>The NCUA is committed to implementing new technology responsibly and delivering secure, reliable, and innovative technological solutions with enhanced business processes that support its mission. The NCUA plans for new and improved approaches to harness emerging data, advance its analytical techniques, deploy innovative technology, and implement improvements in its supervisory approach. A robust and secure information technology infrastructure, combined with effective technological applications, ensure the effectiveness and efficiency of the agency's workforce, particularly in response to crises.</p>	<ul style="list-style-type: none"> <li>• Implement secure, reliable, and innovative technology solutions.</li> <li>• Gain efficiencies through quality processes, systems, and project management.</li> </ul>



Strategic Objective	Strategic Objective Overview	Example Performance Goals
<p>3.3 Ensure sound organizational governance.</p>	<p>Sound organizational governance at the NCUA protects our people; ensures the stability of its four permanent funds; promotes responsible management of its investments, assets, and other financial resources, including its role as a fiduciary; and ensures the agency complies with relevant laws, policies, and standards. To ensure sound organizational governance, the NCUA will implement strategies and initiatives that support the needs of internal and external clients, promote efficient business processes that emphasize continuous innovation, improve internal controls to enhance accountability, and monitor and respond to the agency’s enterprise-level risks.</p>	<ul style="list-style-type: none"> <li>• Foster an effective risk management and internal control environment.</li> <li>• Promote sound financial management and stewardship principles.</li> </ul>

## Strategies

- Ensure human capital processes are timely and consistent to strengthen agency recruitment.
- Ensure diversity, equity, and inclusion principles and practices are modeled in human capital programs and processes.
- Leverage additional hiring authorities to recruit non-traditional candidates.
- Reward and retain employees who contribute to the agency’s success through improved performance measurements and recognition.
- Establish development plans and training curricula that meet emerging mission-related needs to upskill the agency’s workforce.
- Maintain effective strategic workforce plans to ensure continuity throughout all levels of the organization.
- Advance diversity, equity, and inclusion in the NCUA’s workforce and business activities.



- Create a greater sense of belonging within the agency through special emphasis and employee resource group programs.
- Promote the highest standards of ethical behavior and professional integrity among employees.
- Deliver exceptional security and safety training to improve preparedness and safeguard staff.
- Develop and implement agile security countermeasures and emergency procedures to comply with federal standards for protecting the agency's employees, facilities, and assets.
- Strengthen collaboration and effective communication across the agency.
- Implement sound business processes consistent with best practices and applicable standards.
- Modernize and integrate NCUA technologies, systems, and data holdings to supports the agency's real-time examination, data collection, and reporting efforts.
- Improve data integrity and data analytics to identify and better predict credit union risks and vulnerabilities.
- Mature agency cybersecurity programs and protections, consistent with government-wide polices and best practices.
- Achieve favorable financial statement audit results through a robust system of internal controls.
- Promote a risk-awareness culture where risk analysis is formally integrated into our decision-making process.
- Address control deficiencies and open audit recommendations.
- Continue to ensure procurement practices are based on competitive processes and integrate supplier diversity best practices.



## External Factors: Strategic Goal 3

- Changes in economic conditions that affect the availability of qualified candidates or external employment options of current agency staff.
- Changes in workforce preferences, such as aversion to burdensome travel schedules, preferences for improved work-life balance, and interest in more opportunities for rapid career and salary growth.
- Changes in economic conditions or in credit union products and services that may require rapid adjustment of staff skills and resources.
- An unusually large number of staff retirements or separations without adequate transfer of institutional knowledge.
- Changes in national security conditions that affect the safety and security of the NCUA staff, facilities, or other valuable assets such as data holdings.
- Legislative changes to the NCUA's authorities.
- Rapid obsolescence of technology products that disrupts the NCUA's investment and technology development strategies.
- Rising costs of technology and its ongoing operation and maintenance.





## Enterprise Risk Management

---

Through the NCUA’s enterprise risk management (ERM) program, the agency proactively manages risks to achieving its mission, as well as attempts to maximize opportunities across the agency. Enterprise risk management looks at the full spectrum of the risks related to achieving the NCUA’s strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making. The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. To sustain operational success and business continuity at the NCUA, an effective risk management approach requires a defined framework where specific risks, and broader organizational risks, are identified, measured and monitored by functional owners and consolidated by an independent risk management oversight function.

Working collaboratively with functional owners, the NCUA’s risk management process prioritizes and optimizes risk management and mitigation on a consistent and continuous basis to increase the NCUA’s success at achieving stated strategic goals. Effective internal controls, combined with robust measurement and communication, are central to effective decision making and risk optimization within the NCUA.

The NCUA’s ERM Council provides oversight of the agency’s enterprise risk management activities. The agency’s ERM program promotes awareness of risk, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency. As part of the ERM function, the risk appetite statement articulates the amount of risk the agency is willing to accept in pursuit of its strategic goals and objectives. It serves as the foundation for ERM at the NCUA, defining leadership’s overarching risk management philosophy.

## Enterprise Risk Appetite Statement

---

The NCUA is vigilant and has an overall judicious risk appetite. The NCUA’s primary goal is to ensure the safety and soundness of the nation’s credit union system and the agency recognizes it is not desirable or practical to avoid all risk. Acceptance of some risk is often necessary to foster innovation and agility. This risk appetite will guide the NCUA’s actions to achieve its strategic objectives in support of providing, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

The enterprise risk appetite statement is part of the NCUA’s overall management approach and is supported by detailed risk appetite statements. The agency’s risk appetite will help align risks with opportunities when making decisions and allocating resources to achieve the agency’s strategic goals and objectives.



## Risk Appetite in Practice

---

Risk is unavoidable and sometimes inherent in carrying out the agency's mandate. The NCUA is positioned to accept greater risks in some areas than in others; however, when consolidated, the risk appetite should be within the boundaries established for the entire agency. Cross-collaboration across programs and functions is a fundamental piece of ensuring the agency stays within its risk appetite boundaries. The NCUA will identify, assess, prioritize, respond to and monitor risks to an acceptable level.

## Program Evaluation

---

The NCUA uses program evaluations as an integral part of its effort to continuously improve and enhance mission performance. Both external and internal entities evaluate the NCUA's performance using a variety of tools. The principal external and internal evaluations are listed below.

**Government Accountability Office (GAO)** evaluations are performed as necessary. The GAO conducts program and program support related evaluations of the NCUA.

Financial audits are conducted annually by an outside audit firm contracted by the agency's **Office of the Inspector General (OIG)**. The firm audits the NCUA Operating Fund, National Credit Union Share Insurance Fund, Central Liquidity Facility, and the Community Development Revolving Loan Fund.

**U.S. Office of Government Ethics (OGE)** inspections and/or program reviews are conducted as determined by OGE to ensure NCUA's ethics program compliance with established executive branch ethics laws, regulations, and policies.

The **Federal Information Security Modernization Act** of 2014 requires the ongoing evaluation of the effectiveness of NCUA's information security program. This includes the evaluation of specific IT controls that are also leveraged within the agency's financial and administrative management systems.

The **Federal Managers Financial Integrity Act** of 1950 requires ongoing evaluations and reporting of the adequacy of the systems of internal accounting and administrative control.

OIG evaluations and **Material Loss Reviews** are conducted throughout the year. These independent evaluations are performed in accordance with OIG procedures and include reviews of the NCUA programs and program support operations.



A federal **Employee Viewpoint Survey** is conducted annually by the Office of Personnel Management. The survey measures the opinions of the NCUA staff on a wide range of topics.

The NCUA's **Office of the Chief Economist** is responsible for enhancing the NCUA's understanding of emerging microeconomic and macroeconomic risks by producing meaningful and robust modeling and risk identification tools. Their economists and analysts compile data on the credit union system's financial performance; merger activity, changes in credit union chartering and fields of membership, as well as broader economic trends that can affect the health of credit unions.

The NCUA's **Office of the Chief Financial Officer** is responsible for coordinating the review of the agency's performance framework and focuses on tracking and reporting the most appropriate and meaningful outcomes to show efficiency, effectiveness, and results. The agency uses the results of these data-driven reviews and its annual performance report as data points for future development of strategies, goals, measures, and targets. The NCUA also evaluated the impact of the COVID-19 pandemic on its planned outcomes.