2021 ANNUAL REPORT

NATIONAL CREDIT UNION ADMINISTRATION

WWW.NCUA.GOV

INDUSTRY AT A GLANCE

Prepared by the Office of External Affairs and Communications
For the quarter ending December 31, 2021

National Credit Union Administration
1775 Duke St., Alexandria, VA 22314-3418
Phone | (703) 518-6300 Website | www.ncua.gov
Consumer Website | www.MyCreditUnion.gov

General Industry Statistics

Federally Insured Credit Unions:	4,942
Members:	129.6 million
Total Assets:	$2.06 trillion
Average Credit Union Assets:	$417 million
Return on Average Assets:	107 basis points
Total Insured Shares and Deposits:	$1.63 trillion
Net Income (Year-to-Date, Annualized):	$20.9 billion
Net Worth Ratio:	10.26%
Average Shares per Member:	$13,803

Loans

Total Loans:	$1.26 trillion
Average Loan Balance:	$16,109
Loan-to-Share Ratio:	70.2%
Mortgages/Real Estate:	52.3%
Auto Loans:	32.2%
Unsecured Credit Cards:	5.1%
Delinquency Rate:	49 basis points

The NCUA makes the complete details of its quarterly Call Report data available online in an Aggregate Financial Performance Report, as well as a Call Report Data Summary at: https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data

National Credit Union Share Insurance Fund

Member deposits insured up to $250,000

Total Share Insurance Fund Assets:	$20.7 billion
NCUSIF Reserves:	$162.0 million
Equity Ratio:	1.26%
Insurance Loss Expense:	($143.0) million
Net Income:	$184.5 million
Failed Federally Insured Credit Unions: (year-to-date)	7

NCUA's 2018–2022 Strategic Goals

- Ensuring a safe and sound credit union system.
- Providing a regulatory framework that is transparent, efficient, and improves consumer access.
- Maximizing organizational performance to enable mission success.

NCUA Facts

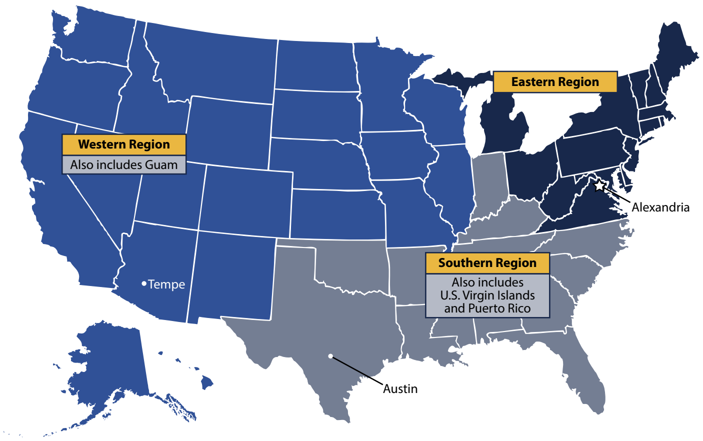
Chairman: Todd M. Harper
Vice Chairman: Kyle S. Hauptman
Board Member: Rodney E. Hood

2021 Operating Budget: $314.6 million

- **Eastern Region**
  CT, DE, DC, ME, MD, MA, MI, NH, NJ, NY, OH, PA, RI, VT, VA, WV
  Director: John Kutchey, (703) 519-4600

- **Southern Region**
  AL, AR, FL, GA, IN, KY, LA, MS, NC, OK, PR, SC, TN, TX, VI
  Director: C. Keith Morton, (512) 342-5600

- **Western Region**
  AK, AZ, CA, CO, GU, HI, ID, IL, IA, KS, MN, MO, MT, NE, NV, NM, ND, OR, SD, UT, WA, WI, WY
  Director: Cherie Freed, (602) 302-6000



MAP KEY ● Eastern Region ● Southern Region ● Western Region ☆ Central Office

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the United States, The NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. At MyCreditUnion.gov, the NCUA also educates the public on consumer protection and financial literacy issues.

"Protecting credit unions and the consumers who own them through effective regulation."

NCUA National Credit Union Administration

www.facebook.com/NCUAgov
www.linkedin.com/company/ncua
www.twitter.com/theNCUA

About this Report

The National Credit Union Administration's *2021 Annual Report* (also referred to as the Performance and Accountability Report) provides financial and high-level performance results for the agency and demonstrates to the President, Congress, and the public the agency's commitment to its mission and accountability over the resources entrusted to it.

The *2021 Annual Report* focuses on the NCUA's strategic goals and performance results and details the agency's major regulatory and policy initiatives, activities, and accomplishments during the January 1, 2021, through December 31, 2021, reporting period. It also contains financial statements and audit information for the four funds the NCUA administers: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

This report and prior NCUA annual reports are available on the NCUA's website at https://www.ncua.gov/news/annual-reports.

To comment on this report, email oeacmail@ncua.gov.

Certificate of Excellence in Accountability Reporting

The NCUA won the prestigious Certificate of Excellence in Accountability Reporting award from the Association of Government Accountants for its 2020 Annual Report.

How this Report is Organized

The *2021 Annual Report* begins with a message from the NCUA Chairman. This introduction is then followed by six main sections:

Management's Discussion and Analysis

The Management's Discussion and Analysis section provides an overview of the NCUA's performance and financial information. It includes a brief summary of the agency's mission and describes the agency's organizational structure and office functions. This section highlights challenges, accomplishments, and results in key performance programs in 2021. It offers forward-looking information on trends and issues that will affect the credit union system and the NCUA in the coming years. The section also highlights the agency's financial results and provides management's assurances on the NCUA's internal controls.

Performance Results

The Performance Results section contains information on the agency's strategic and priority goals, and it details the NCUA's performance results and challenges during the calendar year.

Financial Information

The Financial Information section begins with a message from the Chief Financial Officer, and details the agency's finances, including the NCUA's four funds. It also includes the audit transmittal letter and management challenges from the Inspector General, the independent auditor's reports, and the audited financial statements and notes.

Other Information

The Other Information section includes an assessment of management and performance challenges, a summary of the results of the agency's financial statement audit and management assurances, payment integrity reporting details, and information on its civil monetary penalties.

Statistical Data

The Statistical Data section contains an overview of the credit union system's financial performance in 2021, as well as data on trends affecting the National Credit Union Share Insurance Fund and all federally insured credit unions.

Appendix

The Appendix contains biographic information for the agency's senior leadership and information about the functions of each NCUA office and region. In addition, you will find a glossary of key terms and acronyms, as well as a list of hyperlinks to additional information that appears in this report.

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Message from the Chairman

Todd M. Harper

Chairman

February 15, 2022

On behalf of the National Credit Union Administration, I am pleased to present the NCUA's *2021 Annual Report*.

Required by the Federal Credit Union Act, this report reviews the agency's performance in 2021 and includes the audited financial statements for the NCUA's four funds: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.[1] Each of these funds received an unmodified or "clean," audit opinion and reported no material weaknesses. The financial and performance data contained in this report are reliable, complete, and consistent with applicable Office of Management and Budget circulars.[2]

The NCUA's mission is to ensure, through regulation and supervision, a safe and sound credit union system where credit union members are protected. This work, in turn, promotes confidence in the national system of cooperative credit. Further, the agency insures members' share deposits at federally insured credit unions and safeguards the National Credit Union Share Insurance Fund from losses.

This report details the NCUA's activities to further its strategic goals in 2021 and address the COVID-19 pandemic's economic fallout on credit unions and their members. Despite these and

Mission

Provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

1 12 U.S.C. 1752a(d)
2 See OMB Circulars A-11, A-123, and A-136

other challenges, the credit union system, as a whole, continued to perform well, remaining well capitalized with sufficient levels of liquidity throughout the year.

Responding to the Evolving COVID-19 Pandemic

In 2021, the NCUA worked to ensure that the credit union system and the Share Insurance Fund were prepared to weather any economic fallout related to the pandemic. To protect the Share Insurance Fund, the agency actively monitored certain segments of the system, including credit unions closely connected to the oil and gas, travel and leisure, and agricultural sectors, among others. The agency also focused on credit unions with elevated risks, such as those with large concentrations of commercial real estate loans relative to assets.

Additionally, the agency continued its remote operating posture to protect NCUA employees, contractors, and the employees of federally insured credit unions as COVID-19 cases spiked at various times throughout the country. The agency's examiners also continued to work closely with credit unions to complete examination procedures offsite. And, the NCUA provided temporary, tailored, and targeted regulatory flexibility to enable federally insured credit unions to manage their operational and financial risks while meeting their members' needs and adapting to social distancing measures within their communities.

Continuing to Support Consumers and Communities Affected by the Pandemic

Throughout 2021, the agency also paid close attention to the financial health of credit union member households. The pandemic-induced recession hit our nation's poorest households the hardest, and for these individuals and families, the recovery will take much longer. Improving labor market conditions have helped many to make ends meet once again. Pandemic-relief efforts like forbearance programs, eviction and foreclosure moratoriums, and supplemental unemployment insurance payments also provided critical support.

Nevertheless, the expiration of these support programs, along with increasing prices for essential items like food, energy, transportation, and housing will likely lead to financial stress for many households in 2022. With the potential for consumer financial stress, financial institutions of all sizes need to be prepared for increased credit risks and greater loan defaults. As such, the NCUA continues to encourage credit unions to work with members experiencing financial difficulties.

To support credit union efforts to prevent members from falling between the cracks, the NCUA has instructed its examiners to refrain from criticizing a credit union's efforts to provide prudent relief for members when conducted in a reasonable manner with proper controls and management oversight.

For consumers experiencing financial hardship, prudently underwritten and appropriately managed loan modifications, consistent with consumer financial protection laws and safe-and-sound lending practices, are often a win for the consumer, a win for the financial institutions, and a win for communities and our economy.

> ### Vision
>
> Protecting credit unions and the consumers who own them through effective supervision, regulation and insurance.

During 2021, the agency also provided support to small, low-income, and minority depository institutions, which are often the only federally insured financial providers in underserved areas, rural districts, and communities of color. In total, the NCUA awarded $1.6 million in Community Development Revolving Loan Fund grants to help 109 low-income credit unions expand their outreach to underserved communities and improve their digital services and security. Though relatively small in amounts, these grants play a vital role in boosting credit unions' ability to support their local communities, which is why the agency has asked Congress for additional funding for these grants — NCUA's only taxpayer-funded program.

Modernizing Rules to Strengthening the System and Safeguard Consumers

Over the last year, the NCUA Board also finalized several rulemakings. For example, we adopted a capitalization of interest final rule to give credit unions another tool to aid borrowers facing financial difficulty. And, we finalized a rule permitting federal credit unions to purchase mortgage servicing assets.

Additionally, we created a simplified measure of capital adequacy for credit unions with more than $500 million in assets, thus allowing the agency's 2015 risk-based capital regulation to take effect at the start of 2022. And, we approved the addition of the "S" component to the CAMEL system to better measure a credit union's sensitivity to market risk and align the NCUA's ratings with our sister agencies, including several state regulators.

Together, these and many other regulatory actions last year helped members in need, opened new avenues for credit union growth, and strengthened the system's overall stability.

Implementing New Systems to Support Our Examination Program in the Future

In August 2021, the NCUA began deployment of the new Modern Examination and Risk Identification Tool, or MERIT, and its supporting systems to our examiners and the examiners of most state supervisory agencies. Developed as part of the agency's Enterprise Solution Modernization Program, these systems will replace several tools, such as the Automated Integrated Regulatory Examination System (AIRES), which have outlived their service lives.

Much has changed within the credit union system and technologically since the NCUA last introduced a new examination system more than 25 years ago, and MERIT reflects these changes. It streamlines the examination process from how NCUA examiners manage workflow and request documents to how they evaluate a credit union's performance and prepare and deliver exam reports. MERIT also provides new analytical capabilities for both examiners and credit unions. The implementation of this new system will help the NCUA better protect credit union members and ensure the continued safety and soundness of the credit union system for years to come.

Looking Ahead

Although 2021 was a strong year in terms of credit union performance, there are several challenges ahead for which credit unions and the NCUA must prepare. From an economic perspective, the unemployment rate was 4.0 percent at the beginning of 2022, a low level by historical standards. Yet, there were 3.3 million fewer workers employed at the end of last year than at the start of the pandemic. Supply chain disruptions also will likely last well into 2022, placing additional stress on consumers and businesses. And, the ongoing pandemic could slow progress in the labor market and intensify supply-chain disruptions throughout the coming year.

Additionally, Americans must contend with higher inflation for the first time in more than 40 years. This is especially true for our nation's poorest households, who are now disproportionately experiencing increasing prices for essential goods and services. Higher inflation has led the Federal Reserve's Federal Open Market Committee to announce that it will remove its monetary policy accommodation, boosting short-term interest rates. Together, these economic challenges will place additional stress on household finances, and that stress could lead to rising delinquencies and charge-offs at credit unions in the coming months.

With such uncertainty, the Share Insurance Fund must be strong and prepared. Although the Share Insurance Fund continued to show solid performance throughout 2021, the equity ratio stood at 1.26 percent at the end of the year, seven basis points below the Board-established normal operating level of 1.33 percent. Additionally, the stresses on the equity ratio from continued share growth, a relatively low interest-rate environment, and insurance losses remain constant. As a result, the NCUA Board will need to continue to analyze the Fund's risk exposure and remain prepared to act to ensure the continued stability of the Share Insurance Fund.

Cybersecurity also remains a major concern. All credit unions, regardless of size, are vulnerable to potential cyberattacks. The NCUA is committed to strengthening the readiness of the credit union system to respond to these risks through our supervisory program, tools like the

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

Automated Cybersecurity Evaluation Toolbox, training, and grant and loan programs to eligible low-income designated credit unions.

Even with these measures in place, the credit union system remains vulnerable because the NCUA lacks vendor authority — a stark contrast to our banking agency counterparts. Without this authority, the NCUA cannot accurately assess the actual risk present in the credit union system or determine if the risk-mitigation strategies of credit union service organizations and third-party vendors, which provide much of the industry's information technology infrastructure, are adequate and can effectively protect the system from potential attacks.

This growing regulatory blind spot leaves thousands of credit unions, millions of credit union members, and billions of dollars in assets potentially exposed to unnecessary risks. As such, the NCUA continues to request comparable authority as our counterparts on the Federal Financial Institutions Examination Council to examine credit union service organizations and third-party vendors.

Closing Thoughts on Another Challenging Year

In closing, the COVID-19 pandemic and its economic fallout have had far-reaching implications, from how we live, work, and socialize, to how we think about, and plan for, the future. It has also changed the way in which credit unions provide financial services and products to their members and the way in which the NCUA conducts examinations and thinks about risk.

Unquestionably, the last two years have been an unusual period in which the many participants within the credit union system rose to numerous challenges. In that regard, I would like to express my deep gratitude and appreciation to the NCUA's employees and my fellow Board members for their tremendous work and deep dedication to the agency's mission throughout 2021.

As we continue to smartly and safely navigate through the pandemic and plan for the future, the NCUA will stay focused on addressing the needs and best interests of credit union members, while also ensuring the safety and soundness of credit unions and protecting the Share Insurance Fund from losses. By staying focused on these issues, the agency will ensure that the cooperative credit union movement achieves its full potential and addresses the long-standing issues of economic equity and justice.

Todd M. Harper
Chairman
National Credit Union Administration
1775 Duke Street | Alexandria, VA 22314

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Management's Discussion and Analysis

About The Management's Discussion and Analysis Section

The National Credit Union Administration enhanced the content quality, report layout, and public accessibility of the *2021 Annual Report* by improving graphics and providing more useful and easily understood information about the NCUA's programs, financial condition, and performance. Hyperlinks to relevant web content are embedded in the body of the report to provide additional information about the NCUA's programs. To take advantage of these links, the NCUA recommends accessing this report through the agency's website.

This section highlights information on the NCUA's performance, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address select challenges.

The NCUA in Brief

The NCUA in Brief provides information about the NCUA's mission, an overview of its history, and describes the agency's organizational structure. The full list of offices with a description by function can be found in the Appendix of this report.

Year in Review

The Year in Review highlights challenges, accomplishments, and performance results in key programs in 2021.

Looking Forward

The Looking Forward section describes the trends and issues that will affect the credit union system and the NCUA in the coming years, as well as actions taken by the NCUA to address any risks or uncertainties.

Performance Highlights

The Performance Highlights section provides a brief summary of the NCUA's performance goals and results for 2021. Additional information can be found in the Performance Results section of the report.

Financial Highlights

The Financial Highlights section provides a high-level perspective of the NCUA's financial results, position, and condition. Additional information for the NCUA's four funds can be found in the Financial Information section of the report.

Management Assurances and Compliance with Laws

The Management Assurances and Compliance with Laws section provides management assurances related to the Federal Managers' Financial Integrity Act. The NCUA's internal control framework and its assessment of controls, in accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, provide assurance to NCUA leadership and external stakeholders that financial data produced by the NCUA's business and financial processes and systems are complete, accurate, and reliable.

The NCUA in Brief

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 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 $250,000 of federal share insurance to more than 129 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. No credit union member has ever lost a penny of share deposits insured by the Share Insurance Fund.

A three-member Board of Directors oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.[1] 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. The NCUA Operating Fund, in conjunction 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.

As detailed in the *2018–2022 Strategic Plan*, NCUA's strategic goals in 2021 were to:

- Ensure a safe and sound credit union system
- Provide a regulatory framework that is transparent, efficient and improves consumer access
- Maximize organizational performance to enable mission success

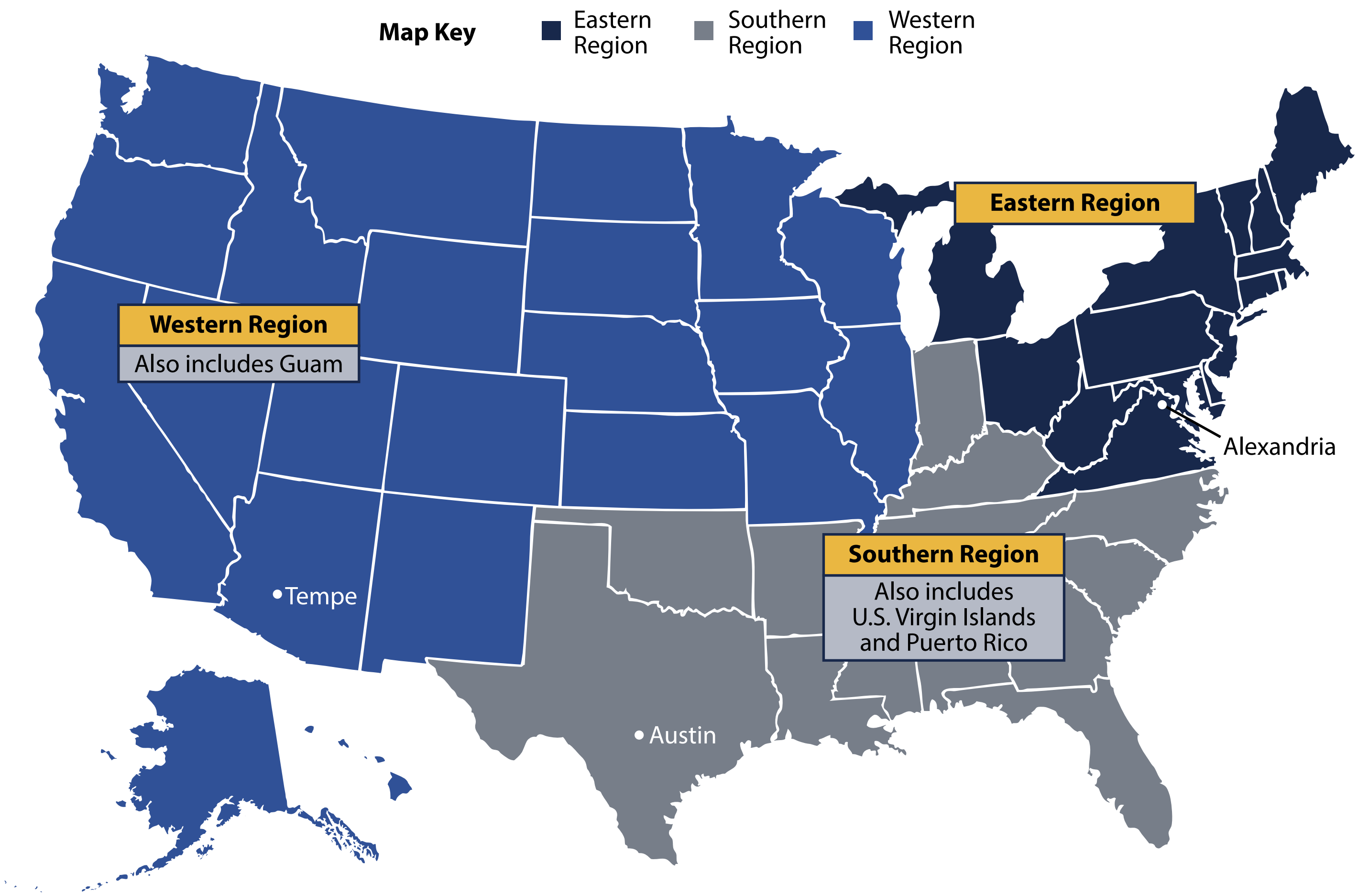
The NCUA also plays a role in helping to ensure broader financial stability as a member of the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee. The NCUA's Chairman is also a voting member of the Financial Stability Oversight Council,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

1 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.

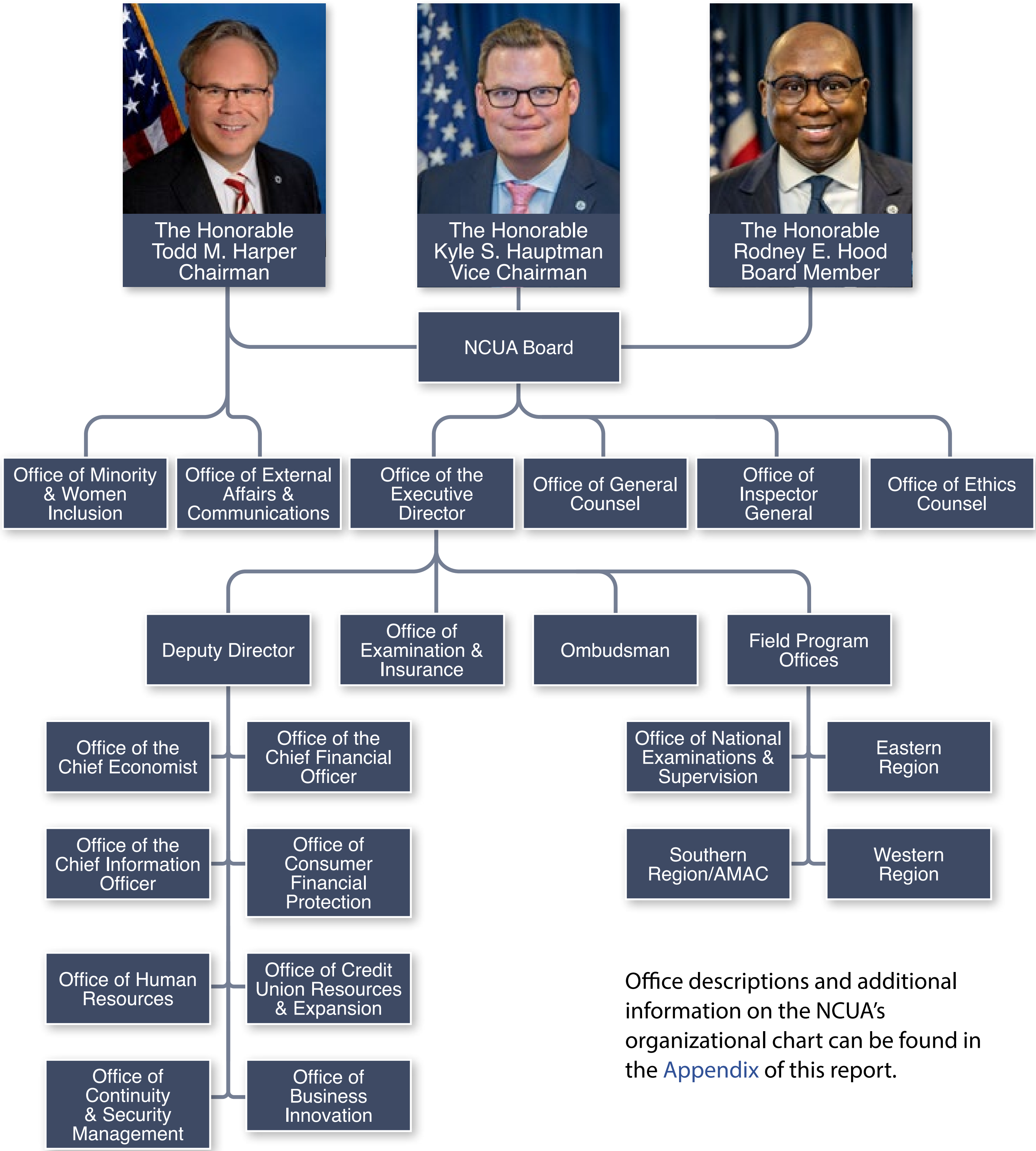
The agency operates its headquarters in Alexandria, Virginia; its Asset Management and Assistance Center in Austin, Texas, which liquidates credit unions and recovers assets; and three regional offices—Eastern, Southern, and Western—which carry out the agency's supervision and examination program. Reporting to these regional offices, the NCUA has credit union examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

NCUA's Regional Offices

NCUA Regional Structure



National Credit Union Administration
Organizational Chart



Office descriptions and additional information on the NCUA's organizational chart can be found in the Appendix of this report.

NCUA's Response to the COVID-19 Pandemic

For more than 100 years, credit unions have provided financial services to their members in the United States. Credit unions are unique depository institutions created not for profit, but to serve their members as cooperatives. Since the U.S. Department of Health and Human Services declared a public healthy emergency on January 27, 2020, and throughout the COVID-19 pandemic, the NCUA has focused on three priorities:

- Protecting the health and safety of NCUA staff and contractors so the agency can continue to perform its mission;
- Assessing the impact of COVID-19 on credit union members and operations; and
- Analyzing how the pandemic will affect the future financial condition of credit unions and the Share Insurance Fund.

Timeline of NCUA's Key Actions during the COVID-19 Pandemic

2020

January

Jan. 27, 2020 – The U.S. Department of Health and Human Services declares a public health emergency for the entire United States to aid the nation's healthcare community in responding to the COVID-19 pandemic.

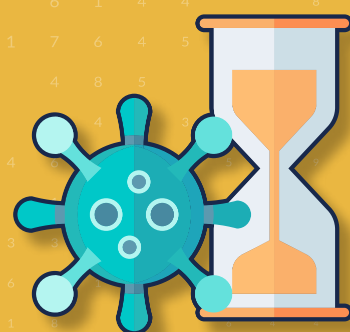
February

March

March 9, 2020 – The NCUA and other federal financial regulators issue a joint statement encouraging credit unions and other financial institutions to work with customers and members affected by financial and economic disruptions resulting from the COVID-19 pandemic.

March 16, 2020 – The NCUA issues a Letter to Credit Unions that outlines several strategies credit unions may consider when determining how to address the challenges associated with COVID-19.

March 25, 2020 – The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is signed into law in response to the COVID-19 pandemic. This law temporarily provides the NCUA Board with the power to expand access to and increase the borrowing authority for the Central Liquidity Facility and allows credit unions to provide guaranteed loans to businesses and self-employed individuals through the U.S. Small Business Administration's paycheck protection program, among other relief measures.



April 13, 2020 – The NCUA Board approves changes to the Central Liquidity Facility to supplement the legislative changes resulting from the CARES Act while adding even greater flexibility and relief for member credit unions.

April 24, 2020 – The Paycheck Protection Program and Health Care Enhancement Act is signed into law that provides about $484 billion in additional funding for coronavirus relief. The additional funding includes an additional $310 billion for the Paycheck Protection Program, as well as a provision for credit unions, small banks, and community lenders that serve businesses in minority, underserved, and rural communities. Specifically, $30 billion is allocated to community lenders, small banks, and credit unions with consolidated assets of less than $10 billion and $30 billion allocated specifically to medium-sized banks and credit unions with consolidated assets between $10 billion and $50 billion.

June 9, 2020 – The NCUA and the Export-Import Bank (EXIM) of the United States launch a three-year collaborative effort to expand awareness about EXIM's programs.

July 30, 2020 – The NCUA Board approves a final rule that would help facilitate greater access to safe and affordable financial services by changing the agency's chartering and field-of-membership regulations for community charter approvals, expansions, or conversions.

Oct. 19, 2020 – The NCUA launches its financial inclusion initiative, ACCESS, or Advancing Communities through Credit, Education, Stability, and Support.

Dec. 17, 2020 – The NCUA Board approves a final rule that permits low-income designated credit unions, complex credit unions, and new credit unions to issue subordinated debt for purposes of regulatory capital treatment.

Dec. 27, 2020 – The Consolidated Appropriations Act is signed into law and extends several provisions of the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act. The extension continues providing the Central Liquidity Facility with increased flexibility and borrowing authority to support the liquidity needs of the system and the Share Insurance Fund through Dec. 31, 2021. The act also extends, and provides additional support for, the Paycheck Protection Program through March 31, 2021.

2021: January | February | March | April | May | June | July | August

March 18, 2021 – The performance of the asset management estates that comprise the agency's Corporate System Resolution Program means that the liquidating agent for U.S. Central Federal Credit Union, Members United Corporate Federal Credit Union, and Southwest Corporate Federal Credit Union the NCUA will be able to distribute $368 million to member capital account holders. Approximately 2,000 credit unions received a distribution in April 2021.

May 31, 2021 – The SBA's Paycheck Protection Program, a COVID-related response program designed to support small business during the pandemic expires.

June 24, 2021 – The Board approves a final rule that removes the prohibition on the capitalization of interest in connection with loan workouts and modifications.

June 24, 2021 – The NCUA Board approves a final rule that phases-in the day-one adverse effects on regulatory capital that may result from fully implementing the current expected credit losses (CECL) accounting methodology

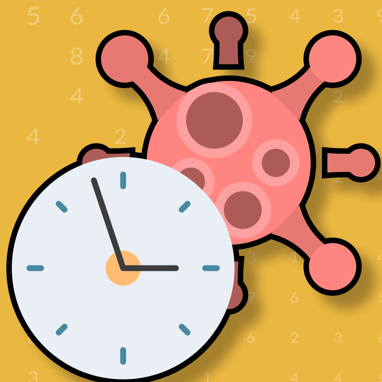
Aug. 12, 2021 – The NCUA begins industry-wide transition to using NCUA Connect, Admin Portal, Modern Examination and Risk Identification Tool (MERIT), and Data Exchange Application applications. The agency facilitates and completes all internal and external user training sessions between August 18, and December 14, 2021.

September 2021

Sept. 8, 2021 – The NCUA hosts a webinar for credit unions about the modernized examination tools and provides an overview of how the modernization streamlines the examination process by allowing credit unions to securely transmit requested information, provide status updates on examination findings, and retrieve completed examination reports.

October 2021

Oct. 25, 2021 – The NCUA launches the Automated Cybersecurity Evaluation Toolbox, or ACET, application that provides credit unions the capability to conduct a maturity assessment aligned with the Federal Financial Institutions Examination Council's Cybersecurity Assessment Tool. Using the assessment within the toolbox allows institutions of all sizes to easily determine and measure their own cybersecurity preparedness over time.



November 2021

Nov. 29, 2021 – The NCUA Board issues a joint letter requesting that Congress make permanent the enhancements to the Central Liquidity Facility contained in the CARES Act.

December 2021

Dec. 16, 2021 – The NCUA Board approves a final rule that simplifies the risk-based capital requirements for eligible complex credit unions. Under the final rule, a complex credit union that maintains a minimum net worth ratio that meets other qualifying criteria is eligible to opt into the complex credit union leverage ratio framework if they have a minimum net worth ratio of 9 percent.

Dec. 21, 2021 – The NCUA Board approved an extension of the effective date of its temporary final rule that modified certain regulatory requirements to help ensure that federally insured credit unions remain operational and can address economic conditions caused by the COVID–19 pandemic. These temporary modifications will remain effective until Dec. 31, 2022.

Dec. 31, 2021 – The Consolidated Appropriations Act, 2021, which extended several pandemic-related relief measures originated in the CARES Act, expires.

Year in Review

Since confirmation of the first official COVID-19 case in the United States, our country has faced extraordinary challenges resulting in unprecedented economic harm to our nation's citizens and businesses. The NCUA's monitoring and response to these events resulted in regulatory actions and industry guidance which allowed credit unions to focus on assisting their member-owners during this time of economic uncertainty. Federally insured credit unions worked throughout 2021 to assist members affected by the financial and economic disruptions of the pandemic. For example, credit unions worked with borrowers to extend the terms of repayment or otherwise restructure the borrower's debt obligations. Such efforts ease pressures on troubled borrowers, improve their capacities to service debt, and strengthen a credit union's ability to collect loans.

The nation's credit union system was well-capitalized at the pandemic's start, with high levels of net worth and ample liquidity. Although the pandemic and its associated contraction in economic activity influenced credit union performance throughout 2021, the credit union system, as a whole, has adapted to the operational challenges resulting from the pandemic and social distancing measures while still providing needed credit to members, businesses, and communities. By December 2021, credit union membership grew to more than 129.6 million members, assets in the credit union system increased to $2.06 trillion, and the system's aggregate net worth ratio stood at 10.26 percent, well above the 7-percent statutory level for being considered well-capitalized.

Despite the many ways the pandemic has upended everyday life, the NCUA and its workforce successfully executed its congressionally mandated mission to provide safety and soundness to the credit union system. The following is a discussion of the NCUA's significant activities in 2021, as outlined in the *2018–2022 Strategic Plan*, as well as some of the challenges facing the credit union system and the NCUA in the near future. This report's Performance Results section provides additional information about how the agency met its strategic goals and objectives.

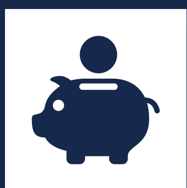
Ensuring a Safe and Sound Credit Union System

The NCUA's primary mission is to ensure that the nation's system of cooperative credit remains safe and sound. To achieve this mission, the NCUA's examination program focuses on the areas that pose the highest risk to the credit union system and the National Credit Union Share Insurance Fund.

For most small federal credit unions with less than $50 million in total assets and CAMEL ratings of 1, 2, or 3, the NCUA follows its Small Credit Union Examination Program. This streamlined examination program focuses on the most pertinent areas of risk in these types of institutions. The agency typically provides oversight to small credit unions with a CAMEL rating of 4 or 5 using risk-focused examinations. The NCUA's three regional offices oversee and examine consumer credit unions with less than $10 billion in assets. For larger credit unions with assets less than $10 billion, the agency conducts risk-focused examinations that review areas with the highest potential risks, new products and services, and compliance with federal regulations.

What is the CAMEL Rating System?

The CAMEL rating system is based on an evaluation of five critical elements of a credit union's operations. It takes into account and reflects all significant financial, operational, and management factors examiners assess in their evaluation of a credit union's performance and risk profile. Examiners assign a numeric rating between 1 (strongest) and 5 (weakest) to each of the CAMEL components based on his or her evaluation of five critical elements of a credit union's operations over the course of an exam:



Capital – A credit union is expected to maintain capital commensurate with the nature and extent of risk to the institution and the ability of management to identify, measure, monitor, and control these risks. The effect of credit, market, and other risks on the credit union's financial condition is considered when evaluating capital adequacy.

Asset Quality – The asset quality rating reflects the quantity of existing and potential credit risks associated with the loan and investment portfolios, other real estate owned, and other assets, as well as off-balancesheet transactions. The ability of management to identify, measure, monitor, and control credit risk is also reflected here.

Management – The capabilities of the board of directors and management, in their respective roles, to identify, measure, monitor, and control the risks of a credit union's activities and to ensure a credit union's safe, sound, and efficient operation in compliance with applicable laws and regulations, including consumer financial protection, is reflected in this rating.

Earnings – This rating reflects the adequacy of current and future earnings to fund capital commensurate with the credit union's current and prospective financial and operational risk exposure, potential changes in economic climate, and strategic plans.

Liquidity/Asset-Liability Management – This rating considers current and prospective sources of liquidity compared to funding needs and the adequacy of asset-liability management practices relative to the credit union's size, complexity, and risk profile.

In 2021, the NCUA Board approved a final rule that adds the sensitivity to market risk or "S" component to the existing CAMEL rating system and redefines the liquity risk or "L" component. Separating the liquidity and market sensitivity components will allow the NCUA to better monitor these risks within the credit union system, better communicate specific concerns to individual credit unions, and better allocate resources. The effective date of the CAMELS transition will be for examinations starting after April 1, 2022.

The agency's Office of National Examinations and Supervision (ONES) oversees and examines consumer credit unions with $10 billion or more in assets. The large credit union program includes a continuous supervision model, including enhanced offsite monitoring and data analysis. During these examinations, field staff focus on interest rate risk; evaluate lending and credit practices; and assess information technology, cybersecurity, and payment system risks. In addition, these institutions undergo annual stress tests to assess their capital levels under a series of adverse financial and economic scenarios. The examinations conducted in large consumer credit unions are also subject to heightened quality control, which is conducted by the NCUA's Office of Examination and Insurance (E&I).

ONES also supervises 11 corporate credit unions, ranging in size between $225.2 million and $7.1 billion in assets. Each of these institutions acts as a "credit union for credit unions" by providing several critical financial services for consumer credit unions, including payment processing. The NCUA assesses these institutions' capital levels, interest rate risk, cybersecurity preparedness, and other critical areas.

The NCUA annually outlines its primary areas of focus for its risk-focused examination program. Recognizing the continued challenges credit unions face due to the pandemic's economic fallout, in 2021, the NCUA updated its supervisory priorities to focus its examination activities on areas that pose an elevated risk to the credit union industry and the Share Insurance Fund. The agency's supervisory priorities were:

- **Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) Compliance**— The NCUA remains vigilant in ensuring the credit union system is not used to launder money or finance criminal or terrorist activity. Examiners reviewed credit unions' compliance with the Bank Secrecy Act and completed related examination questionnaires during every examination. The NCUA meets regularly with interagency partners to improve the transparency, efficiency, and effectiveness of BSA/AML regulation and supervision.

- **Coronavirus Aid, Relief and Economic Security Act (CARES Act)**—Signed into law on March 27, 2020, multiple provisions of the CARES Act directly affect credit unions. The Consolidated Appropriations Act, 2021 enacted in December 2020 extended several CARES Act provisions. NCUA examiners reviewed credit unions' compliance with the CARES Act and Consolidated Appropriations Act, 2021, including requirements for financial institutions related to the administrative provisions for the additional 2020 recovery rebates for individuals.

- **Consumer Financial Protection**— The COVID-19 pandemic continues to affect consumers and could result in increased consumer compliance risk in certain areas. Consumer financial protection, therefore, remained an NCUA supervisory priority during 2021. NCUA examiners continued to review compliance with applicable consumer financial protection regulations during every federal credit union examination and assess a credit union's Fair Lending Compliance Management System.

- **Credit Risk Management**—In response to the economic impact of the COVID-19 pandemic and subsequent regulatory and statutory changes, the NCUA shifted its emphasis to reviewing actions taken by credit unions to assist borrowers facing financial hardship. NCUA examiners continued to place emphasis on the review of credit unions' loan underwriting standards and credit risk management practices. NCUA examiners focused on any adjustments credit unions made to lending programs to address borrowers facing financial hardship because of the COVID-19 pandemic. NCUA examiners also verified that credit unions evaluated the potential impact their COVID-19 response and relief efforts will have on their capital position and financial stability.

- **Information Systems and Assurance (Cybersecurity)**— The security, confidentiality, and integrity of credit union member information remains a key supervisory priority for the NCUA. The NCUA continues to promote cybersecurity hygiene in credit unions, and reviews of credit union information systems and assurance programs remain a supervisory priority for the agency. Building upon its outreach efforts to the industry in 2020, the NCUA continued to provide guidance and resources to assist credit unions with this critical threat in 2021.

- **London InterBank Offered Rate (LIBOR) Transition Planning**— The United Kingdom's Financial Conduct Authority has announced that it cannot guarantee LIBOR's availability beyond the end of 2021. LIBOR is a reference rate commonly used in setting the interest rate for many adjustable- or variable-rate financial products. Credit unions offer, own, and are counterparties to LIBOR-based products and contracts, including loans, investments, derivatives, deposits, and borrowings. These may be subject to increased legal, financial, and operational risks once the reference rate is no longer available. Examiners continued to educate credit unions on the transition in 2021, particularly those with significant LIBOR exposure or less-developed transition processes. For these credit unions, examiners assessed exposures to LIBOR and the safety and soundness of the credit unions' preparation plans to transition to an alternative reference rate.

- **Liquidity and Interest Rate Risks**—An effective liquidity and interest-rate risk management program is a crucial component of a credit union's safety and soundness. The economic impact of the COVID-19 pandemic resulted in additional stress on credit union balance sheets, requiring robust liquidity management throughout 2021 and into 2022. As a result, examiners continued to evaluate the suitability and scope of a credit union's scenario analysis for liquidity risk management.

In 2021, our field staff completed 5,244 supervisory contacts and reported 523,938 examination hours, compared to 4,176 supervisory contacts and 554,596 examination hours in 2020. The increase in contacts was primarily due to an increase in offsite contacts to facilitate data transfer to MERIT.

Resolving Troubled Credit Unions

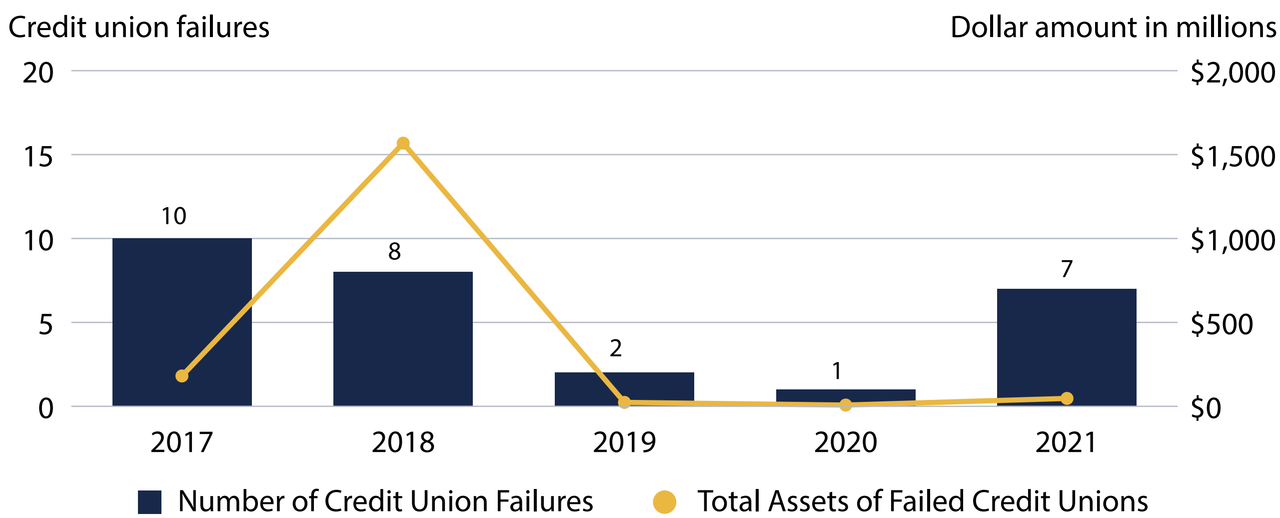
When prudent, the NCUA uses its conservatorship authority provided in the Federal Credit Union Act to resolve operational problems that could affect a credit union's safety and soundness. During a conservatorship, the credit union remains open; members may transact business; and accounts remain insured by the Share Insurance Fund. The NCUA was the conservator of three credit unions placed into conservatorship in 2021. As of December 31, 2021, there were five credit unions operating under the NCUA's conservatorship.[1]

Protecting Member Deposits

In 2021, there were seven credit union failures compared to the one failure in 2020. The Share Insurance Fund insures member deposits at all federally insured credit unions up to $250,000. As a result, the members of the federally insured credit union that failed in 2021 suffered no losses on their insured deposits. Verified shares were paid out within five days of a closure.

The cost to the Share Insurance Fund of these failures was $5.6 million, an increase from $1.6 million in 2020. The loss figure will change depending on the performance of the remaining assets of the liquidated credit unions. The NCUA continues to evaluate all courses of action that will maximize potential recoveries from the assets of the liquidated credit unions and minimize losses to the Share Insurance Fund. The fund remains financially strong and has sufficient equity and reserves to cover anticipated losses.

Number of Credit Union Failures to Total Assets (2017–2021)



Source: NCUA Annual Reports and Audited Financials Statements of the Share Insurance Fund

1 As of December 31, 2021 the NCUA was the conservator of Edinburg Teachers Credit Union, located in Edinburg, Texas; Empire Financial Federal Credit Union, located in Jackson, New Jersey; Pomona Postal Federal Credit Union, located in Pomona, California; Southern Pine Credit Union, located in Valdosta, Georgia; and Municipal Credit Union, Located in New York City, New York.

Gross assets managed by the NCUA's Asset Management and Assistance Center (AMAC), which are comprised primarily of loans, were approximately $337.1 million at the end of 2021, a decrease from $410.4 million at the end of 2020. The decrease in gross assets managed was due to the resolution of loans and real estate owned assets.

Providing High-Quality and Efficient Supervision

Since March 2020, the NCUA staff has conducted the majority of its examination work while fully offsite, with only a few exceptions for the most problematic and challenging cases. Originally approved in 2017, the Virtual Examination project, explores methods to conduct more examination work offsite. By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to significantly reduce the frequency and scope of onsite examinations. Effective virtual examinations will lead to greater use of standardized interaction protocols, advanced analytical capabilities, and better-informed subject matter experts. This should result in more consistent and accurate supervisory determinations, provide greater clarity and consistency with respect to how the agency conducts supervisory oversight, and reduce coordination challenges between agency and credit union staff. The agency is studying longer-term strategies to institutionalize the lessons learned during the pandemic for future changes within the virtual examination program.

The agency is assessing emerging risks, including the likelihood of elevated liquidity and credit risk, and the risk exposure to individual credit unions, the system as a whole, and the Share Insurance Fund. The agency also enhanced its data collection efforts and supervisory oversight to assess the pandemic's effects on the system's liquidity levels. These efforts include updating procedures used by examiners to analyze funding sources, using those funds, and liquidity modeling to better understand credit unions' funding options, including current and contingent sources.

Cyberattacks and cybersecurity vulnerabilities pose significant risks to the financial system. Because of vulnerabilities within the credit union industry and the broader financial system to potential cyberattacks, cybersecurity is one of the NCUA's top supervisory priorities and a top-tier risk under the agency's enterprise risk management program. In October 2021, the NCUA released the Automated Cybersecurity Evaluation Toolbox (ACET) application, which provides credit unions the capability to conduct a maturity assessment aligned with the Federal Financial Institutions Examination Council (FFIEC) Cybersecurity Assessment Tool. Using the assessment within the ACET allows institutions of all sizes to determine and measure their cybersecurity preparedness. The ACET is entirely voluntary and does not introduce any new requirements or expectations on credit unions.

The NCUA is also examining ways to strengthen cybersecurity reviews during regular examinations of credit unions. In 2021, the agency began integrating the Information Technology Risk Examination for Credit Unions (InTREx-CU) into its cybersecurity reviews. InTREx-CU harmonizes the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve System, and many state financial regulators, thereby generating a consistent approach across all community-based financial institutions. The InTREx-CU pilot concluded in 2021 and the lessons learned were integrated into the revised information security examination program. This program is being tested with the goal of having the updated procedures finalized by the end of 2022.

Using Supervisory Tools to Address Compliance Concerns

To protect the credit union system and the Share Insurance Fund from losses, the NCUA employs several supervisory tools and enforcement actions depending on the severity of the situation. The number of total outstanding enforcement actions for federally insured credit unions decreased from 175 at the end of 2020, to 166 at the end of 2021.

Outstanding Enforcement Actions at Year-end (2017-2021)

		2017	2018	2019	2020	2021
	Federal Credit Unions					
	Preliminary Warning Letters	51	47	38	30	25
	Unpublished Letters of Understanding and Agreement	145	142	119	84	76
	Published Letters of Understanding and Agreement	0	0	0	0	0
	Cease-and-Desist Orders	0	0	2	3	3
	Conservatorship	1	0	1	0	2
Increasing Severity	**Federal Credit Union Totals**	**197**	**189**	**160**	**117**	**106**
	Federally Insured, State-Chartered Credit Unions					
	Preliminary Warning Letters	13	14	6	4	5
	Unpublished Letters of Understanding and Agreement	77	69	54	48	46
	Cease-and-Desist Orders	7	5	6	4	6
	Conservatorship	2	0	1	2	3
Increasing Severity	**Federally Insured, State-Chartered Credit Union Totals**	**99**	**88**	**67**	**58**	**60**
	Federally Insured Credit Unions Totals	**296**	**277**	**227**	**175**	**166**

Source: NCUA Examination Data

In addition, the NCUA assesses civil monetary penalties against credit unions that fail to file a Call Report on time. No late filer civil monetary penalties were assessed in 2021 or 2020, primarily due to the impact of COVID-19 on federally insured credit union operations. As required by law, the NCUA remits all funds collected from late filers to the United States Treasury. For more information on the civil monetary penalties the NCUA can impose, please see the Other Information section of this report.

In 2021, the NCUA issued administrative actions prohibiting 25 individuals from participating in the affairs of any federally insured financial institution, compared to 35 issued in 2020.

Providing a Regulatory Framework that is Transparent, Efficient, and Improves Consumer Access

As a prudential regulator, the NCUA's goal is to issue balanced, clear, and straightforward regulations while addressing emerging adverse trends in a timely manner. The agency plays a critical role in ensuring that credit unions comply with all federal consumer financial protection laws and regulations. The NCUA promotes the importance of financial literacy through its consumer website, MyCreditUnion.gov and participates in national financial literacy initiatives and programs. The NCUA helps increase access to affordable financial services through its chartering and field-of-membership initiatives, especially to individuals and communities in rural and underserved areas.

Delivering an Effective and Transparent Regulatory Framework

The NCUA is striving to reduce the regulatory, reporting, and examination burdens facing credit unions without sacrificing the safety and soundness of the credit union system and, in turn, the Share Insurance Fund. COVID-19 has forced the agency to recognize the way credit unions are doing business has changed, and some of the changes are likely permanent. It is therefore critical that the agency's regulations, including field of membership, reflect this reality. In 2021, the NCUA completed five substantive changes to the NCUA's regulatory structure to help credit unions stay competitive in the changing environment and continue to provide financial services to their members and communities.

- **Final Rule on the Capitalization of Interest** —In February, the NCUA Board approved a final rule that removes the prohibition on the capitalization of interest in connection with loan workouts and modifications. The Board determined that the current prohibition on authorizing additional advances to finance unpaid interest might be overly burdensome and, in some cases, hamper a federally insured credit union's good-faith efforts to engage in loan workouts with borrowers facing difficulty because of the economic disruption caused by the COVID-19 pandemic. Advancing interest may avert the need for alternative actions that would be more harmful to borrowers. The final rule establishes documentation requirements to help ensure that the addition of unpaid interest to the principal balance of a mortgage loan does not hinder the borrower's ability to become current on the loan.

- **Final Rule on Joint-Ownership Share Account** — In February, the NCUA Board approved a final rule that amends the NCUA's regulation governing the requirements for a share account to be separately insured as a joint account. The final rule provides federally insured credit unions with an alternative method to satisfy the membership card or account signature card requirement. For example, under the final rule, the signature card requirement can be satisfied by the credit union having issued a mechanism for accessing the account, such as a debit card, to each co-owner or evidence of usage of the joint share account by each co-owner.

- **Final Rule on Subordinated Debt** — The NCUA Board approved a final rule that amends various parts of the NCUA's regulations to permit low-income designated credit unions, complex credit unions, and new credit unions to issue subordinated debt for purposes of regulatory capital treatment. This rule is effective January 1, 2022. Additionally, a final rule amending NCUA's subordinated debt rules was passed to facilitate investments from the U.S. Treasury's Emergency Capital Investment Program. The Emergency Capital Investment Program was created as part of the Consolidated Appropriations Act, 2021, to help community-based financial institutions support consumers and local small businesses in low-income and underserved communities disproportionately affected by the economic effects of the COVID-19 pandemic.

- **Final Rule Adding Interest Rate Sensitivity or "S" to the CAMEL Rating System** — In October, the NCUA Board approved a final rule that adds the "S" (Sensitivity to market risk) component to the existing CAMEL rating system, thus updating the rating system from CAMEL to CAMELS, and redefines the "L" (Liquidity risk) component. The benefits of adding the "S" component are to enhance transparency and allow the NCUA and federally insured consumer and corporate credit unions to better distinguish between liquidity risk ("L") and sensitivity to market risk ("S"). The addition of "S" also enhances consistency between the supervision of credit unions and financial institutions supervised by the other banking agencies. The effective date of the CAMELS transition will be for examinations starting after April 1, 2022.

- **Final Rule on Mortgage Servicing Assets (MSAs)** — In December, the NCUA Board approved a final rule that amends the NCUA's investment regulation to permit federal credit unions to purchase mortgage servicing assets from other federally insured credit unions subject to specific requirements. Additionally, the final rule relocates the current authority for a federal credit union to provide mortgage servicing to its members engaged in the mortgage lending business from the investment regulation to the incidental powers rule.

Besides these final actions, in 2021 the NCUA Board:

- Issued a final rule revising the definition of a service facility for multiple common-bond federal credit unions;
- Issued a final rule that amends the NCUA's credit union service organization (CUSO) regulation. The final rule expands the list of permissible activities and services for CUSOs to include originating any type of loan that a federal credit union may originate; and grants the Board additional flexibility to approve permissible activities and services outside of notice-and-comment rulemaking.
- Issued a final rule that amends the NCUA's capital adequacy regulation to provide a simplified measure of capital adequacy for federally insured credit unions that are classified as "complex" (those with total assets greater than $500 million).

- Issued a final rule that would phase-in the day-one adverse effects on regulatory capital that may result from the adoption of the current expected credit losses accounting methodology over a three-year period.

A full listing and description of the final and proposed rules approved by the NCUA Board in 2021 is available on the NCUA's website.

Collaborating With Other Agencies

The NCUA is involved in numerous cross-agency initiatives and collaborates with other financial regulatory agencies through participation in several councils, including the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, and Financial and Banking Information Infrastructure Committee. In 2021, the NCUA Chairman was named Chairman of the FFIEC.[2] 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.

In 2021, the new Administration announced an interagency initiative to address inequity in home appraisals. The NCUA, as a member of the multi-agency Property Appraisal and Valuation Equity Task Force, is committed to combatting any form of discrimination in appraisals by ensuring that government oversight and industry practices advance equity in real estate valuations, tackling valuation bias through consumer education and practitioner training, ensuring equity in valuation by making available high-quality data, and creating a comprehensive approach to combating valuation bias through enforcement and other efforts.

The NCUA worked in partnership with other federal agencies to raise awareness of the importance of financial education. The agency cohosted webinars with the Consumer Financial Protection Bureau (CFPB), Internal Revenue Service, and the FDIC on such topics as financial readiness for servicemembers, veterans and their families; the Earned Income Tax Credit and Voluntary Income Tax Assistance program; and access to federally insured accounts at banks and credit unions for young people.

Enforcing Federal Consumer Financial Protection Laws and Regulations

Equally vital to the members of credit unions is consumer financial protection and fair and equitable access to credit. To that end, the NCUA is working to strengthen its consumer financial protection program to ensure that all consumers receive the same level of protection, regardless of their financial provider of choice. The agency can do more to protect consumers' interests and ensure that the credit union system lives up to its commitment to serve members.

Specifically, the agency is developing a proposal to enhance consumer compliance examination procedures for the largest credit unions that are not primarily examined for consumer financial

2 The Chairman's two-year term runs from April 1, 2021, through March 31, 2023.

protection by the CFPB, performing targeted consumer compliance examination procedures in every federal credit union exam, and developing consumer compliance training materials for examiners and credit unions. The agency is also placing an increased emphasis on fair lending compliance.

In 2021, the NCUA's Office of Consumer Financial Protection spent 5,136 hours examining 29 credit unions for compliance with fair lending laws and regulations. Agency staff spent an additional 994 hours performing 39 offsite supervision contacts to review credit unions' loan policies and, if necessary, provide recommendations to bring them into compliance with fair lending laws. During the year, the NCUA also resolved violations involving 64,000 credit union members subjected to unfair practices, leading to approximately $185,000 in restitution and remediation.

Another part of the NCUA's enforcement of consumer financial protection laws and regulations is our Consumer Assistance Center, which receives and handles consumer complaints and does its own investigation to determine compliance with applicable federal consumer financial protection laws and regulations. During the year, the Consumer Assistance Center handled more than 36,900 written complaints, inquiries, and telephone calls from consumers and recorded nearly $1.7 million in monetary benefits for complainants.[3]

Empowering Consumers with Information to Make Independent and Informed Financial Decisions

While credit unions serve the needs of their members and promote financial literacy within the communities they serve, the NCUA reinforces credit union efforts and raises consumer awareness about the importance of saving and having a strong understanding of the concepts of financial literacy and personal finance.

The NCUA developed materials for its public-facing websites, MyCreditUnion.gov and NCUA.gov, to provide information about the agency's national COVID-19 response. The outreach included frequently asked questions for consumers, links to COVID-19 responses for other federal agencies, and other related webinars and social media. In 2021, MyCreditUnion.gov received over 1.3 million pageviews (up 16 percent from 2020). The top pageview categories were credit union support, savings/financial literacy concepts, share insurance, consumer protection, and consumer credit.

The NCUA conducted a variety of virtual broadcasts in 2021, including four webinars, to maintain industry and consumer awareness of important consumer financial protection matters. These broadcasts addressed issues such as COVID-19's impact on consumers; mortgage relief; economic equity and justice; share insurance program education; and a range of other topics and issues. These efforts collectively reached over 8,000 stakeholders nationwide.

3 This figure includes restitution by the credit union, relief from an alleged monetary obligation imposed by the credit union, and access to disputed credit or financial services products otherwise not available to the member by the credit union.

Expanding Access to Affordable Financial Services

Generally, federal credit unions can only grant loans and provide services to persons who have joined the credit union. The field of membership defines those persons and entities eligible for membership to a credit union. The table below shows the number of applications to modify federal credit union fields of membership that were approved by the NCUA during the year. This will provide consumers and businesses with greater access to the national system of cooperative credit.

Expansion of Credit Union Eligible Members (2017–2021)

Type	2017	2018	2019	2020	2021
Multiple Common-Bond Expansion	9,632	9,732	7,171	8,329	8,681
Community Expansion	52	53	52	42	50
Community Charter Conversion	21	18	24	10	7
Underserved Area Expansion	20	16	43	25	54

The NCUA issued four new federal credit union charters in 2021, to Maun Federal Credit Union in Kendall Park, New Jersey; Community First Fund Federal Credit Union in Lancaster, Pennsylvania; Capital Federal Credit Union in Lubbock, Texas; and Unity of Eatonville Federal Credit Union in Eatonville, Florida.

Facilitating Access to Federally Insured Credit Union Financial Services

Small credit unions, low-income designated credit unions, and minority depository institutions (MDIs) play a critical role in providing affordable financial services to millions of Americans. Often, these credit unions are the only federally insured financial institutions in underserved communities. Yet, they face the challenges of increased competition, stagnant membership growth, and lagging earnings.

Small credit unions, defined as those with less than $100 million in assets, made up 64.1 percent of all federally insured credit unions. These 3,169 credit unions had 8.5 million members and held more than $91.5 billion in assets at year-end 2021.

A critical component of the NCUA's efforts to support these credit unions is the low-income designation. To qualify as a low-income designated credit union, the majority of a credit union's membership must meet certain low-income thresholds based on data available from the American Community Survey done by the U.S. Census Bureau.

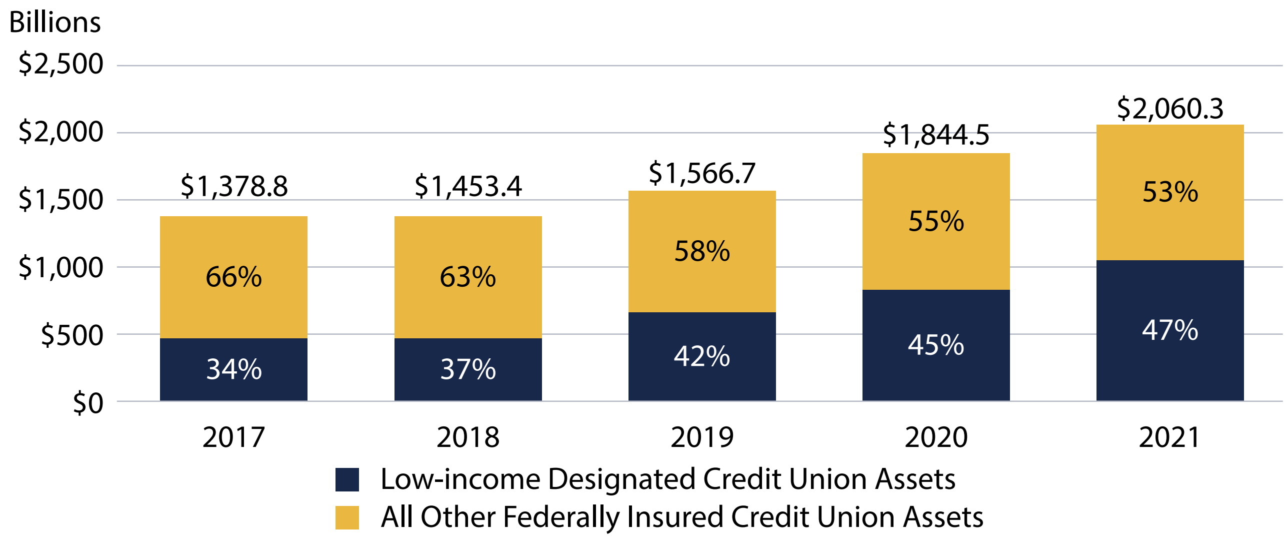
There are several benefits for credit unions that carry a low-income designation, including:

- An exemption from the statutory cap on member business lending, which expands access to capital for small businesses and helps credit unions diversify their portfolios;

- Eligibility for grants and low-interest loans from the Community Development Revolving Loan Fund (CDRLF);
- Ability to accept deposits from non-members; and
- An authorization to obtain supplemental capital.

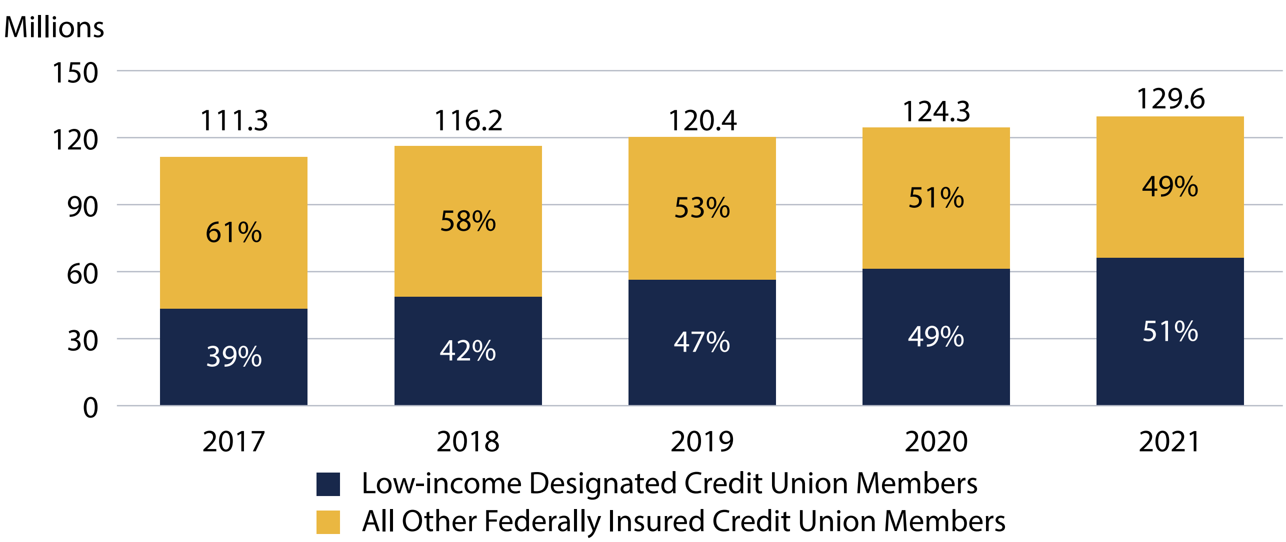
By the end of 2021, there were 2,627 low-income credit unions, down from 2,642 at the end of 2020. This means 53.2 percent of all federally insured credit unions have a low-income designation. Together, low-income credit unions had 65.5 million members and $964.9 billion in assets at the end of 2021, compared to 61.2 million members and $830.3 billion in assets at the end of 2020.

Distribution of Credit Union Assets by Income Designation (2017–2021)



Source: NCUA Call Report Data

Distribution of Credit Union Members by Income Designation (2017–2021)



Source: NCUA Call Report Data

Another initiative the NCUA uses to support credit unions is its MDI preservation program. These credit unions play an important role in serving the financial needs of historically underserved populations such as African Americans, Hispanic Americans, Native Americans, and Asian Americans. In October 2020, the NCUA launched its Advancing Communities through Credit, Education, Stability, and Support (ACCESS) initiative. The ACCESS initiative is intended to foster financial inclusion and address the financial disparities experienced by minority, underserved, and unbanked populations. Through ACCESS, the NCUA provides resources to assist credit unions with their outreach strategies. Resources include educational webinars and the identification of grants and other financial resources to support the development and implementation of financial products and services to assist members experiencing financial hardship. By building on the NCUA's past and current financial inclusion initiatives, ACCESS focuses on meeting the financial services and financial literacy needs of underserved and diverse communities and expanding their employment opportunities.

The NCUA further supported these credit unions by:

- Offering technical assistance grants and training sessions;
- Facilitating mentor relationships between credit unions;
- Negotiating financial support to sustain MDIs;
- Delivering guidance to groups establishing new MDIs; and
- Approving new charter conversions and field-of-membership expansions to facilitate new opportunities for growth, among other forms of support

By the end of 2021, 509 federally insured credit unions had self-certified as MDIs. These credit unions served 4.5 million members, held more than $58.8 billion in assets and represented 10.2 percent of all federally insured credit unions.

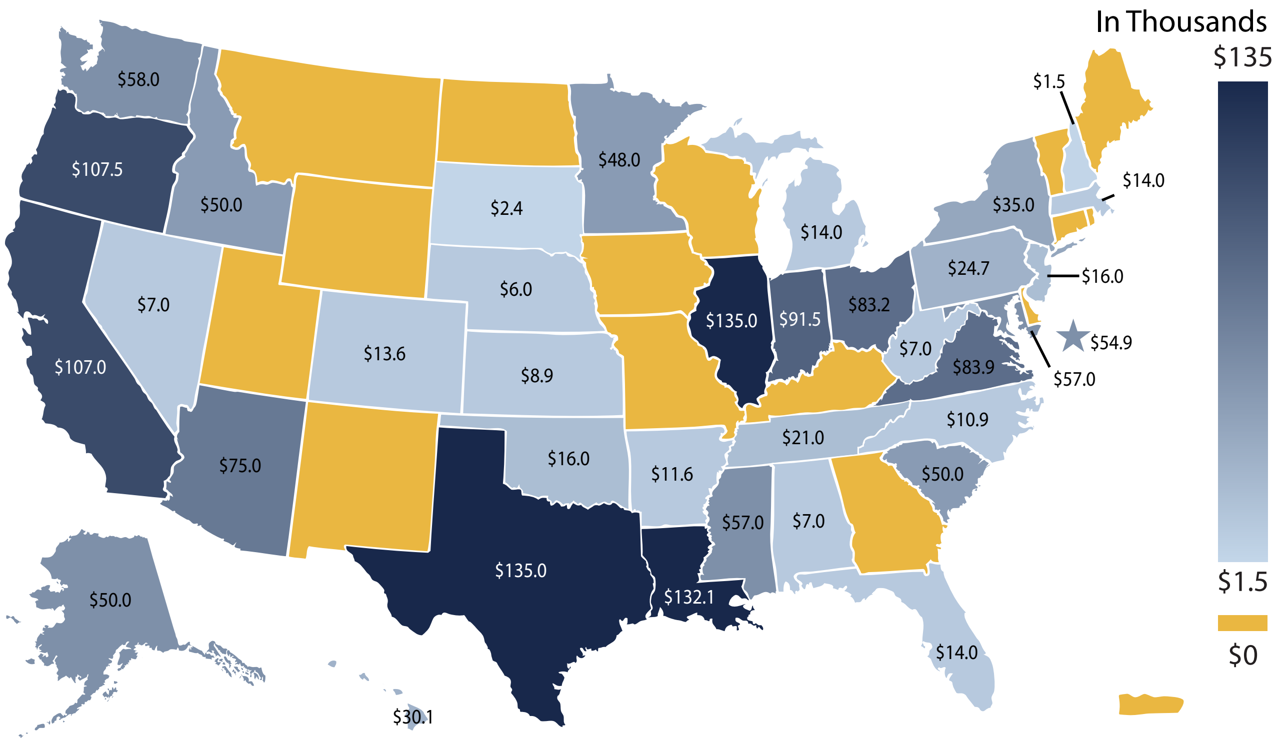
The NCUA also supports credit union growth by assisting with certifications for community development financial institutions, or CDFIs. CDFI-certified credit unions are eligible to apply for multiple funding programs offered by the U.S. Treasury, including grants and bond guarantees. This funding can lay the foundation for greater access to affordable financial services and more investment in local communities, especially in areas with limited options. During 2021, the NCUA cohosted a webinar with the CDFI to describe the program and discuss eligibility and permissible uses of the funds. In 2021, staff helped 51 credit unions become qualified to use the CDFI Fund's streamlined application process.

The NCUA also provides technical assistance grants and low-interest loans to support credit union growth through the CDRLF. In 2021, three NCUA grant initiatives focused on supporting small, low-income and minority credit unions working to provide greater access to safe and affordable financial services in urban, rural, and other underserved areas.

- Underserved Outreach (maximum award of $50,000);
- Minority Depository Institution Mentoring (maximum award of $25,000); and
- Digital Services and Cybersecurity (maximum award of $7,000).

In 2021, the NCUA awarded more than $1.6 million in grants to 109 low-income designated credit unions.

Map of Technical Assistance Grants Funding by Dollar Amount (in thousands)]



Maximizing Organizational Performance to Enable Mission Success

The NCUA's most important resource is a highly qualified and skilled staff. To maximize staff contributions to the agency's mission, the NCUA's operations must be supported by efficient processes, effective tools, and leading-edge technology. Throughout 2021, the agency took several steps to develop its human capital and improve its systems and processes.

Attracting, Engaging, and Retaining a Diverse Workforce and Cultivating an Inclusive Environment

As a financial services regulator, the NCUA requires not only employees with expertise in accounting and finance but also those who understand commercial and residential lending, consumer financial protection laws and regulations, payment systems, and cybersecurity trends and risks.

The NCUA prioritizes diversity and inclusion as a strategic business imperative. The NCUA outlined its commitment to diversity and inclusion in its *2018 – 2022 Diversity and Inclusion Strategic Plan*. In 2021, the NCUA worked to reach a diverse pool of job candidates by conducting virtual outreach through online recruitment events offered by career-oriented organizations.

Promoting diversity of backgrounds and experiences within the agency's staff helps leverage each employee's unique skillset while empowering them to pursue development and growth opportunities. Creating an inclusive work environment ensures that each employee is able to contribute to the NCUA's mission and helps drive innovation and collaboration. A diverse workforce and inclusive work environment also build a stronger agency.

NCUA's Employee Resource Groups

To promote an inclusive work environment, which is critical to the recruitment and retention of the agency's workforce, the agency chartered Employee Resource Groups (ERGs). These resource groups facilitate the creation and maintenance of a work culture and environment that recognizes, appreciates, and effectively encourages the use of the talents, skills, and perspectives of all employees in the achievement of the NCUA's mission.

CULTURA (Creating Unity, Learning To Understand, Recognizing All) is the Hispanic employee resource group. CULTURA's goals include: fostering a diverse and inclusive workforce by developing Latino leadership; bridging the connection between field and support staff; providing professional and career development opportunities; building cultural awareness; and supporting retention of Latino employees.

NCUA PRIDE (People Recognizing Individual Differences Equally) is the agency's group supporting the LGBTQ+ community. This resource group is committed to providing a safe and supportive environment for members, providing LGBTQ+-relevant informational resources, supporting members' career development, serving as an advocate to help the NCUA become more LGBTQ+-inclusive, and supporting outreach efforts both within and outside the agency.

APIC (Asian Pacific Islander Connection) is an NCUA employee resource group for employees that would like to support efforts and initiatives focused on the growth of the Asian American and Pacific Islander community. The mission of APIC is to promote Asian Pacific Islander culture awareness at the NCUA, which will foster a sense of community among Asian Pacific Islander employees and an understanding and appreciation of the Asian Pacific Islander culture for all NCUA colleagues.

MPower's mission is to recognize and increase awareness and acceptance of NCUA's employees who have a disability and those who have a family member or other loved one who has a disability (temporary or permanent). NCUA MPower promotes a supportive and accepting environment; provides assistance to achieve and celebrate full inclusion of all employees; and enhances understanding and awareness of the benefits that diversity brings to build and sustain a strong and thriving workforce.

NCUA's Employee Resource Groups (continued)

VANS (Veterans at NCUA Serving) is the agency's group for employees who have served in the military or those who support our nation's veterans. The group's main purpose is to foster a diverse and inclusive workforce, provide professional and career development opportunities, build cultural awareness, and support retention of veteran employees.

Umoja, which means "unity" in Swahili, is the Black employee resource group. Umoja's primary purpose is to be an ongoing, reliable resource to the NCUA for talent, innovation, and insight in support of the agency's goals for building and sustaining a diverse and inclusive environment in all aspects of agency business.

SWAN (Supporting Women at NCUA) is the agency's group to support and expand network, education, and outreach programs that primarily emphasize women's personal and professional development.

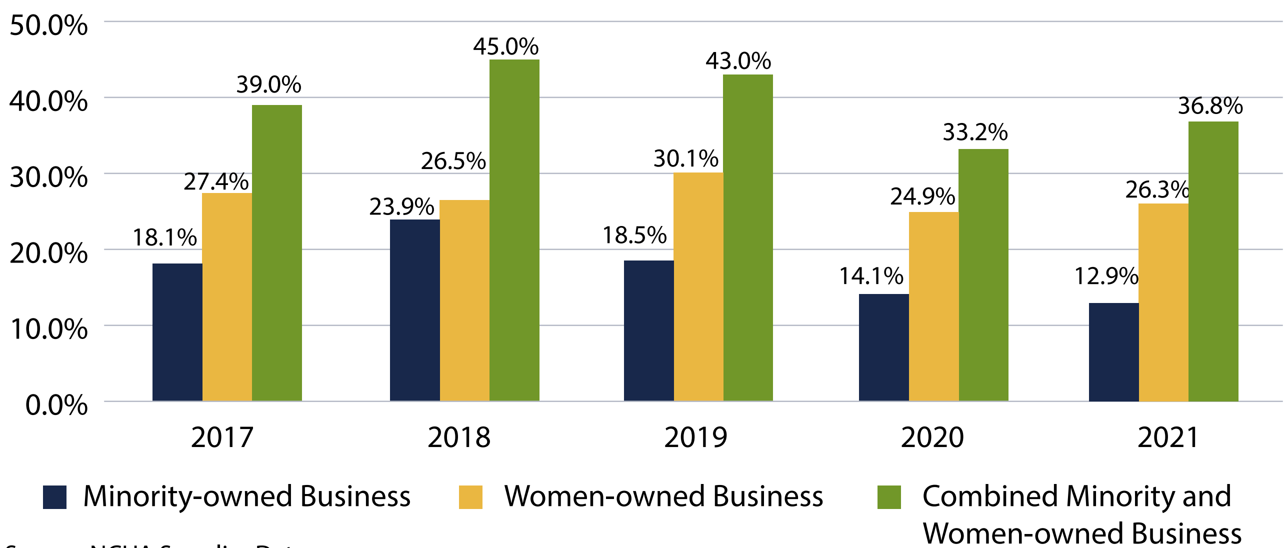
In 2021, the NCUA experienced a decrease in the percentage of women in senior staff positions. The number of women decreased from 2020, by 3.2 percentage points (46.8 percent in 2021 compared to 50.0 percent in 2020), and minorities in the senior staff ranks had a slight decrease of 0.7 percentage points (21.3 percent in 2021 compared to 22.0 percent in 2020). Overall, the participation rate for minorities in the NCUA workforce was 31.2 percent in 2021, a slight increase from the 30.5 percent participation rate reported in 2020. None of these changes are statistically significant and reflect minor staff changes.

Self-reported rates of NCUA employees with disabilities exceeded the federal goals in 2021 as well. The federal goal is 12.0 percent for people with disabilities and 2.0 percent for targeted disabilities. The NCUA continues to exceed those goals, 17.4 percent and 4.5 percent of employees have self-reported as having a disability or targeted disability, respectively.

The NCUA's Culture, Diversity, and Inclusion Council continued its work to help shape the agency's culture and shared commitment to diversity and inclusion. This work included launching an employee climate survey and focus group process to gauge the NCUA's existing agency culture and create a path to making it more inclusive. In November, the NCUA hosted the 2021 Diversity, Equity, and Inclusion Summit for credit union system stakeholders. The 2021 Summit provided credit union industry professionals who are committed to advancing diversity, equity, and inclusion a forum to share best practices, address challenges to advancing diversity, and learn how the NCUA can support the industry in its efforts. More than 800 people participated in the virtual event.

The NCUA also understands the importance of developing and maintaining a base of suppliers and contractors where a diverse group of businesses is well-represented. The agency's supplier diversity efforts promote the inclusion of minority- and women-owned businesses in the NCUA's contracting opportunities. The chart below shows the NCUA's progress over the last five years.

Supplier Diversity as a Percentage of Total Awards (2017–2021)



Source: NCUA Supplier Data

In 2021, 36.8 percent of the agency's reportable contracting dollars were awarded to minority and women-owned businesses, a decrease of 3.6 percentage points from 33.2 percent in 2020. This performance represents a strong, sustained showing for the NCUA and keeps us in the company of top performers among federal financial regulatory agencies.

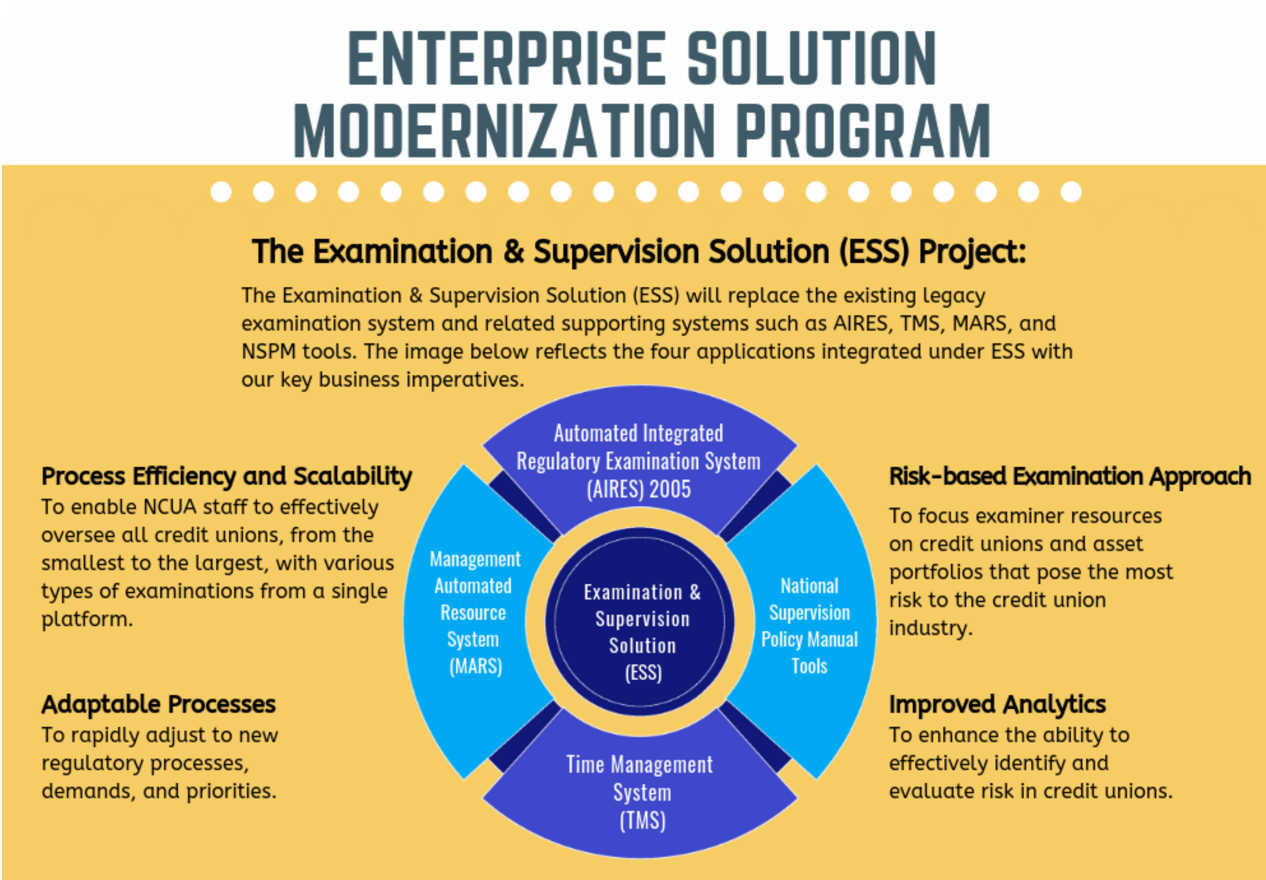
Implementing Secure, Reliable and Innovative Technology Solutions

In 2021, the NCUA continued its efforts to modernize its technology solutions through our Enterprise Solution Modernization Program (ESM), which supports examination, data collection, and reporting functions with a goal to improve key, integrated business processes. Modernizing the NCUA's technology will facilitate greater collaboration and enhance the exchange of information between credit unions, credit union service organizations, state supervisory authorities, and the NCUA. It will also allow the NCUA to more proactively manage risks to the credit union system, adapt to changes in the financial services environment, and create a more effective, less burdensome examination process.

To better manage the ESM Program's complexity, the NCUA established three sub programs to modernize the NCUA's technology solutions and create an integrated examination and data environment that facilitates a safe and sound credit union system.

- Examination & Supervision Solution (ESS) – replace the existing legacy examination system and related supporting systems.

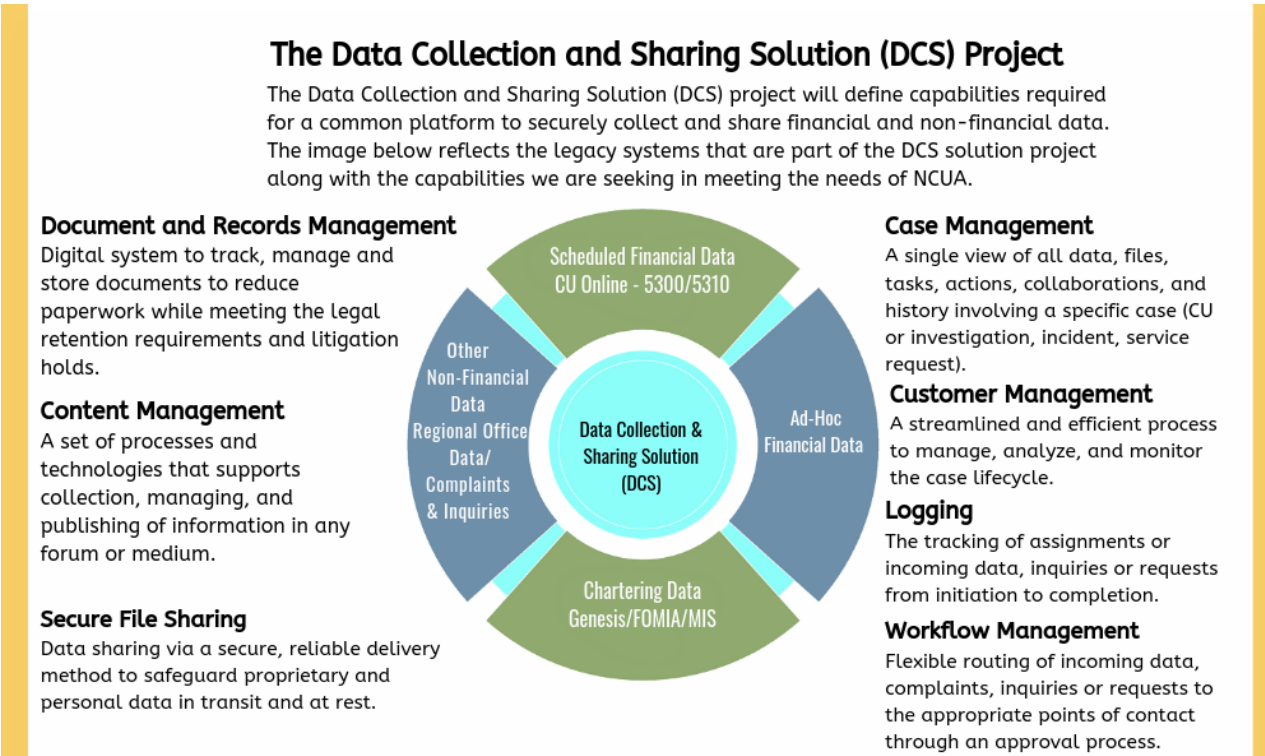
- Data Collection & Sharing (DCS) – define capabilities required for a common platform to securely collect and share financial and non-financial data.
- Enterprise Data Reporting Solution (DRS) – implement business intelligence tools and establish a data warehouse to enhance analytics and provide more robust data reporting.



The purpose of the Examination and Supervision Solution and Infrastructure Hosting (ESS&IH) project is to deliver a new, flexible, technical foundation to enable current and future NCUA business process modernization initiatives. ESS&IH replaces the NCUA's legacy examination system, Automated Integrated Regulatory Examination System (AIRES), with the new Modern Examination and Risk Identification Tool (MERIT) system. In 2021, the NCUA trained all NCUA and state regulator users on MERIT and associated systems. MERIT was fully deployed to all NCUA examiners in the fall of 2021 and will provide important benefits to the NCUA and credit unions.

Though not originally included as part of the initial ESM plan, the agency has incorporated a robust business intelligence solution into the MERIT deployment, which advances the agency's analytic capabilities during this phase. The need for better analytics is central to the strategy to shift more exam work offsite. In addition to better data analytics, MERIT provides numerous improvements over the legacy AIRES examination system, including:

- Better controlled access to examination data across the organization;
- Faster and well-organized ability to request and submit items for the examination;
- Collaboration and real-time information for examiners, team members, and supervisors, including state supervisory authorities on joint exams;
- Opportunities for credit union users to manage examination findings and view completed examination reports; and
- Business process improvements to achieve exam efficiencies, including less data redundancy, and relational support between scope tasks, questionnaires, and findings.



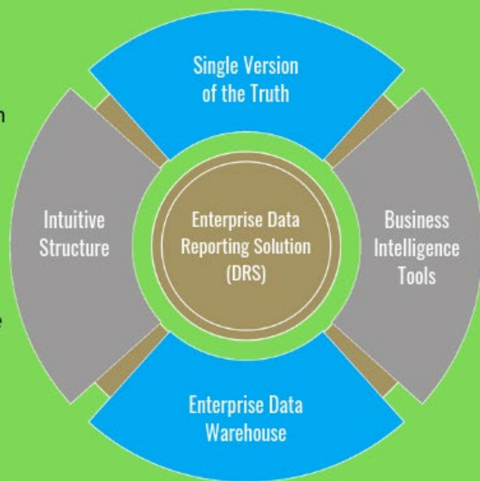
The DRS is part of the overarching ESM program, and focused on implementing a business intelligence solution for enhanced data access, integrity, analytics and reporting. DRS will provide a modern self-service business intelligence tool for the enterprise, as well as access to data to enable staff to efficiently and effectively utilize the tool. DRS leverages other key modernization initiatives: the Enterprise Central Data Repository, the new enterprise data integration point and platform to support data and analytic initiatives, as well as expanded examination data in MERIT.

The Enterprise Data Reporting Solution (DRS)

The Enterprise Data Reporting Solution (DRS) will evaluate and implement business intelligence tools and establish a data warehouse to enhance analytics and to improve data reporting. The image below reflects enhanced functionality and analytic capabilities the NCUA will realize by transitioning to an Enterprise Central Data Repository.

Security
Consolidated infrastructure with less access points to improve security and controls.

Analytics
Structured data to facilitate the use of more powerful business intelligence tools and implementation of enhanced analytics.



Data Integration
A centralized location to integrate disparate data sets and support robust reporting capabilities.

Data Architechture
Enterprise data architecture and data marts to help data users locate and utilize NCUA data sets.

Ensuring Sound Corporate Governance

Sound corporate governance requires integrity in financial management and appropriate stewardship of the fees paid by the credit union system to finance the NCUA's operations. It also implements efficient and effective business processes to accomplish the agency's mission and to achieve its strategic goals. The NCUA works to maximize its resources by continually improving its operations and strengthening its internal controls.

A foundation of sound corporate governance is the awareness of risks and the appropriate planning and investment to address those challenges or opportunities. The NCUA employs an enterprise risk management (ERM) program to inform executive leadership of various factors that can affect the agency's performance relative to its mission, vision, and performance outcomes. The NCUA's ERM Council provides oversight of the agency's enterprise risk management activities. Overall, the NCUA'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.

The NCUA's budget formulation starts with reviewing the agency's goals and objectives outlined in the strategic plan with the actions planned to address risks identified through the ERM program. The strategic plan is a framework that sets the agency's direction and guides resource requests. The ERM process helps senior executives identify priority investments necessary to ensure strategic goals and objectives are met. Budget submissions from individual offices are structured to align resources and the workforce to the agency's priorities and initiatives. In

2021, the budget included funding for the NCUA to provide greater assistance to small credit unions, resources for the NCUA's ACCESS initiative, expanding ongoing efforts to ensure robust cybersecurity in the credit union system and at the agency, the use of data analytics through the Virtual Examination project, and critical investments in new information technology systems and infrastructure.

Given the agency's unique financing authorities, the NCUA Board considers both the resources required for the agency to achieve its goals and the impact that these expenditures will have on the credit union system that pays for the agency's operations. The Board balances the needs for robust and effective supervision and insurance operations with the responsibility to be good stewards of fees collected from the credit union system and ultimately paid by credit union members.

As required by law, the NCUA has made draft budgets available for public comment in the *Federal Register* and on the NCUA's website to solicit public comments before presenting final budget recommendations for the Board's approval. The NCUA is the only Financial Institutions Reform, Recovery, and Enforcement Act agency that publishes such a detailed draft budget and solicits public comments at a meeting with its Board or other agency leadership.

Annually, the NCUA assesses the effectiveness of its internal controls, noting areas of specific improvement since the previous study and areas that require future focus to preclude negative results. The Office of the Chief Financial Officer partners with leadership across the agency to improve the quality of controls and encourages risk self-identification and resolution when improvement opportunities are identified. This enterprise-focused approach to internal controls ensures that all offices within the NCUA are responsible for ensuring sound management practices.

Looking Forward

The economic environment is a key contributor to credit union performance. In addition to the risks associated with movement in the general economy, the NCUA and credit unions need to understand and adapt to technological and structural changes facing the credit union system. The following areas of concern will continue to shape the environment facing credit unions and will determine the resource needs of the NCUA.

Growing Cyber Threats

Technologies such as mobile transactions and cloud computing allow credit unions to more effectively perform their normal business operations in a time of increased telework for their employees, social distancing measures by their members, and offsite examinations from their regulators. Credit unions' growing reliance on technology exposes the credit union system to escalating cyberattacks, however. Malware, ransomware, distributed denial of service attacks, and other forms of cyber intrusion affect credit unions of all sizes and will require ongoing measures for containment. These trends are likely to continue, and even accelerate, over the next two years.

The electronic payment systems remain attractive targets to cyber criminals and COVID-19 has increased opportunities for cyber-enabled fraud. As such, credit unions should take a strategic risk management approach, including continually hardening, monitoring, and improving the security of their networks, as well as reviewing and mitigating risk within their respective supply chains. Fintech and credit union reliance on third-party vendors increases systemic cybersecurity risks across the financial services landscape. With this in mind, the NCUA will continue to work with credit unions and fintech companies to harness the opportunities that innovation provides to support financial inclusion efforts and make financial services more accessible to underserved communities.

The Financial Stability Oversight Council (FSOC), of which the NCUA Chairman is a member, continues to highlight the importance of improving cybersecurity to combat the growing risks to individual institutions, financial market infrastructure, and the overall financial ecosystem. The FSOC recognizes that a cyber-attack on an important financial market utility, or a sensitive data breach at a large financial institution, could pose an acute threat to U.S. financial stability.

In FSOC's *2021 Annual Report*, the Council once again emphasized the ongoing threat to the financial system posed by cybersecurity incidents, including ransomware and malware attacks. Such attacks have continued to rise throughout the COVID-19 pandemic, with cyber criminals targeting critical infrastructure, small businesses, hospitals, and schools. A cyberattack would be particularly disruptive if it targeted a key financial service or utility for which there is no readily available substitute. This could include attacks on central banks, exchanges, or payment clearing and settlement systems. The Council highlights the continued importance of cooperation across government agencies and private firms to improve cybersecurity and operational resilience.

The FSOC's annual report also notes that financial institutions are rapidly adopting new technologies, including cloud computing and artificial intelligence. In light of this, the Council is supporting the efforts of the Financial and Banking Information Infrastructure Committee (FBIIC). The FBIIC's Technology Working Group is examining the extent to which financial services firms using emerging technologies introduce new cyber vulnerabilities into the financial services system.

The agency's focus is to advance consistency, transparency and accountability within its cybersecurity examination program. An updated examination program has been developed based on lessons learned from the InTREx-CU pilot, the Automated Cybersecurity Evaluation Tool rollout and information security examination practices both within the NCUA and best practices identified from outside the agency. The updated information security examination program contains updated procedures that are tailored to institutions of varying size and complexity. This program is being tested with the goal of having the updated procedures finalized by the end of 2022. Concurrently, credit unions now have the option of a self-assessment tool for their information security programs as opposed to a facilitated NCUA activity.

The NCUA Cyber Threat Working Group is improving its coordination of cybersecurity initiatives. The NCUA will continue to work with the other federal financial institutions regulators to develop and issue updated guidance and information on emerging cyber threats and how best to address them.

Adapting to Technology-driven Changes to the Financial Landscape

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. Credit unions 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. The emergence and increasing importance of digital currencies 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. Finally, the NCUA will continue to provide technical assistance programs that low-income credit unions can use to support the acquisition and development of additional digital services.

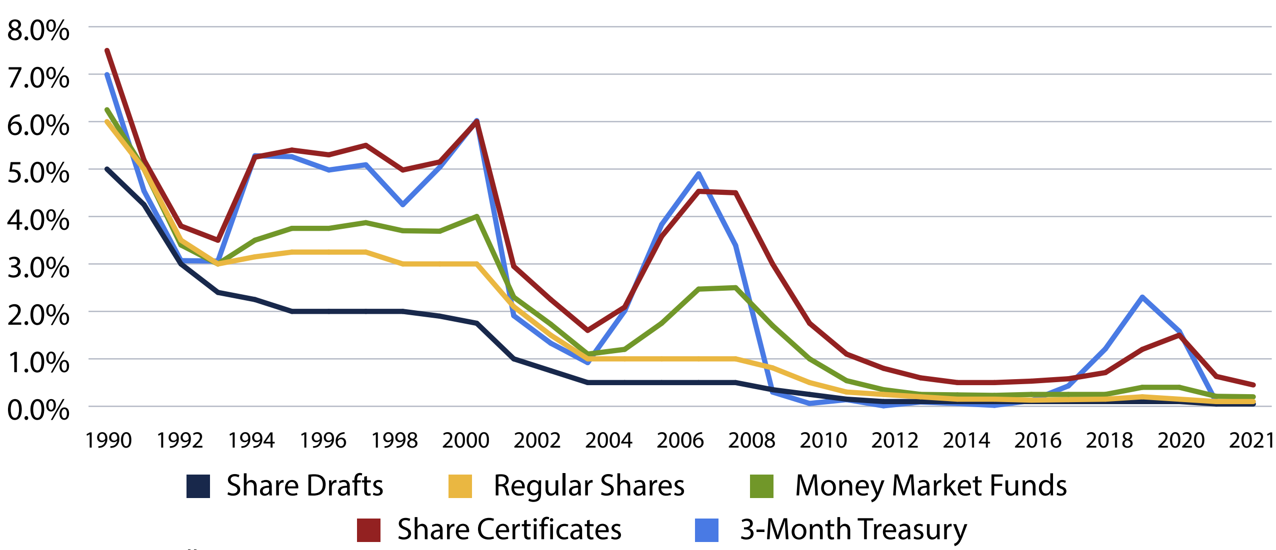
Technological advances outside the financial sector may also lead to changes in consumer behavior indirectly affecting credit unions. COVID-19 is only accelerating many of these trends, resulting in a profound reshaping of consumer behaviors. For example, the increased use of on-demand auto services 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.

Factoring the Near-Term Economic Outlook

After several years of solid growth, the economy entered into recession at the start of 2020. The COVID-19 pandemic, which began in early 2020, plunged the U.S. economy into the deepest recession on record. In the span of two months, the U.S. lost nearly 22 million jobs and the unemployment rate spiked to a post-war high of 14.7 percent. Thanks to swift intervention by the federal government and the Federal Reserve, the downturn was short-lived. By mid-2020 the economy was once again growing and the unemployment rate began to decline. The development and distribution of effective vaccines starting in late 2020 also provided significant support for economic activity. By January 2022, 19.1 million jobs had been added back to nonfarm payrolls and the unemployment rate had fallen to 4.0 percent.

Absent external shocks, a consensus of forecasters expects continued strong economic and job growth and declining unemployment over the next two years as the economy continues to recover from the effects of the pandemic. The unemployment rate is projected to return to its pre-pandemic level of 3.5 percent in early 2023 and hold there through the end of the year. Inflation reached a four-decade high in late 2021 and will likely remain elevated in the months ahead; however, rising interest rates and easing supply chain bottlenecks should alleviate price pressures later this year. Consumer price inflation is projected to decline from 7.0 percent over the year ending in December 2021 to 2.4 percent in late 2022 and hold near that level through 2023.[1]

Credit Union Deposit Rates and 3-Month Treasury Bill Rate (1990–2021)



Source: NCUA Call Report Data

Interest rates are expected to rise as the Federal Reserve removes monetary accommodation and economic conditions strengthen further. In late 2021, the Federal Reserve began to taper

1 Blue Chip Economic Indicators, January 2022.

large-scale asset purchases and is on track to cease those purchases altogether in March 2022. Federal Reserve policymakers have indicated that it will likely be appropriate to raise the federal funds target rate at that time, given the high level of inflation and strength of the labor market. The federal funds target rate has held steady between 0 and 0.25 percent since mid-March 2020. Policymaker projections made in December 2021 suggest the federal funds rate could reach 0.9 percent by the end of 2022 and rise to 1.6 percent by late 2023.[2] Analysts expect other short-term interest rates, which largely determine the interest payments credit unions make, to increase over the next two years. Longer-term rates, which largely determine the interest payments credit unions receive, are also expected to rise. Private-sector forecasters expect the 10-year Treasury rate to rise from 1.76 percent in January 2022 to 2.5 percent by the end of 2023.[3]

While the near-term outlook for the U.S. economy is generally positive, there are several risks on the horizon that could impede or stall the economy's forward momentum. COVID-19 remains the biggest risk. While the ongoing pandemic is not expected to derail the economy, it will continue to influence all aspects of economic activity. Each successive surge in infections has been less disruptive to the economy thanks to the availability of vaccines, medications, and therapies, and activity has been quick to rebound once case numbers have peaked. This will likely remain true going forward, but every new wave of positive COVID cases threatens to stall the recovery in labor force participation and prolong the supply chain disruptions that are hindering production, contributing to inventory shortages, and boosting prices across a wide range of goods.

Persistently high inflation also poses a significant risk to the economy in the near term. Higher-than-expected inflation for a prolonged period could spur Federal Reserve policymakers to raise the federal funds target rate more aggressively than currently expected. 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.

Managing Interest Rate Risk and Liquidity Risk

Although the pandemic continues to impact credit union performance, the credit union system remained on a solid footing in 2021. Improving economic conditions and low interest rates contributed to increased loan growth and helped bolster loan performance. Loan forbearance programs and income support from federal stimulus payments and extended unemployment insurance benefits also helped maintain low credit union delinquency rates. Share growth moderated as the year progressed but remained elevated relative to pre-pandemic levels, reflecting the boost to household income from federal relief payments earlier in the year. The surge in shares since early 2020 has weighed on the net worth ratio but credit unions, as a whole, remained well-capitalized.

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2 *Federal Reserve Board Summary of Economic Projections*, December 15, 2021.
3 Blue Chip Economic Indicators, January 2022.

Credit unions' ability to manage and mitigate interest rate risk will continue to be important to their success. On the liability side of the credit union balance sheet, deposit rates have fallen since the start of 2020 but are poised to rise over the next two years as the Federal Reserve removes monetary accommodation. 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. The consensus forecast suggests longer-term interest rates will also rise over the next two years. In the near term, however, they will generally remain lower than in the years leading up to the 2020 recession. A prolonged period of relatively 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. To address this concern, credit unions could add longer-term and higher-risk assets to their portfolios.

Even if the economy continues to recover as anticipated, the operating environment for credit unions over the next two years could prove to be more difficult than in prior years. The end of forbearance programs, moratoriums on eviction and foreclosure, and other COVID-related support is generating financial stress in many households, particularly those at the bottom of the income distribution who were hit particularly hard by the recession. System-wide delinquency rates, which remained low through the fourth quarter of 2021, could begin to rise. Credit union shares could remain elevated for some time, reflecting the high level of savings accrued early in the pandemic and slow recovery in consumer spending on services. The interest rate environment is set to change as the Federal Reserve unwinds policies put in place earlier in the pandemic to stimulate the flow of credit to households and businesses. Current forecasts point to a slight widening of the term spread, but credit unions will need to remain flexible and prepare for a variety of outcomes as they navigate the year ahead.

Declining Membership in Small Credit Unions

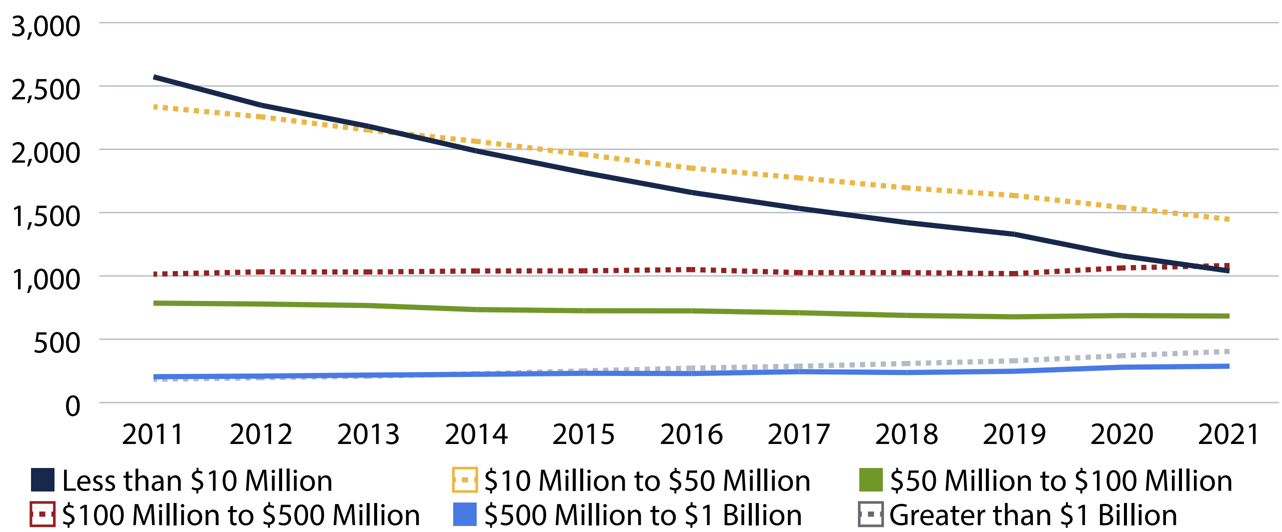
While overall credit union membership continues to experience strong growth, about half of federally insured credit unions had fewer members at the end of 2021 than a year earlier. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile. For example, in some areas, to be effective, credit unions may need to explore how to meet the needs of an aging population, a growing Hispanic population, or an increasing consumer population more comfortable with utilizing digital services.

The NCUA seeks to promote financial inclusion to better serve a changing population and economy. The Office of Credit Union Resources and Expansion provides an array of technical assistance to credit unions, including chartering and field-of-membership expansions, grants and loans training, and a preservation program for minority credit unions. In 2022, the NCUA will continue to develop initiatives to create opportunities to promote financial education and financial inclusion, and foster an environment where those with low-to-moderate incomes, people with disabilities, and the otherwise underserved have access to affordable financial services.

Small Credit Unions Challenges and Industry Consolidation

Small credit unions face challenges to their long-term viability for a variety of reasons, including lower returns on assets, declining membership, high loan delinquencies, increasing non-interest expenses, and a lack of succession planning for credit union boards and key personnel. If current consolidation trends persist, there will be fewer credit unions in operation and those that remain will be considerably larger and more complex. In the fourth quarter of 2021, there were 691 federally insured credit unions with assets of at least $500 million, 37.9 percent more than five years earlier. These 691 credit unions accounted for 79.6 percent of credit union members and 83.6 percent of credit union assets. Large credit unions tend to offer more complex products and services and make more capital investments.

Number of Credit Unions by Asset Class at Year-end (2011–2021)



Source: NCUA Call Report Data

Increasingly complex institutions will pose management challenges for the institutions and the NCUA, since consolidation increases the risks posed by individual institutions to the Share Insurance Fund.

Monitoring the Share Insurance Fund's Equity Ratio

The Share Insurance Fund is capitalized through a combination of credit union funds held on deposit and retained earnings. During 2021, the credit union system experienced a dramatic rise in assets, falling loan demand, compressed interest rates, decreased earnings, and subdued consumer confidence. The system also saw an unprecedented increase in insured share growth, which caused the Share Insurance Fund's equity ratio to fall to 1.23 percent last June.

Any incident, like a significant credit union failure, that drops the equity ratio below 1.0 percent would result in a direct expense to credit unions through the impairment of the 1.0 percent capital deposit they contribute to the fund, which credit unions have recorded as an asset on their balance sheets. Additionally, if the equity ratio falls below 1.20 percent, or is expected to within six months, the Federal Credit Union Act requires the NCUA Board to assess a premium on federally insured credit unions to restore the fund to at least 1.20 percent or adopt a fund restoration plan.

As with so many things, the COVID-19 pandemic is only accelerating existing economic trends. Since the end of the Great Recession, the Share Insurance Fund's equity ratio has steadily declined overall, primarily from strong growth in insured shares and reduced investment income resulting from a persistent low interest-rate environment. The equity ratio at the end of 2021 was 1.26 percent, less than 6 basis points away from the statutory floor of 1.20 percent. The normal operating level, currently set at 1.33 percent by the NCUA Board, has as its main objectives the ability of the Share Insurance Fund to withstand a moderate recession, retain public confidence in federal share insurance, and prevent impairment of the one percent contributed capital requirement. The Share Insurance Fund is currently operating at 7 basis points below the normal operating level as of December 31, 2021. The agency will continue to analyze the Share Insurance Fund's risk exposure and evaluate the normal operating level based on the relevant data and trends.

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 associated transition costs 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. 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.

Credit unions, not the NCUA, are best positioned to assess various risks and opportunities within their field of membership. Credit unions will need to make their own decisions on diversification and expanded fields of membership. The agency does not intend to micromanage credit union lending decisions for climate financial risk, including lending to family farms and others in the agricultural sector as well as businesses tied to the fossil fuel industry. The NCUA Board underscores that nothing in its Strategic Plan should be construed as discouraging activities related to agriculture or fossil fuels.

Climate change presents several complex conceptual and practical challenges not only for credit unions, but also for the NCUA. Just as credit unions must continue to adapt to account for climate-related financial risks, the NCUA will need to evolve its understanding of the impact on credit unions, credit union members, the credit union system, and the Share Insurance Fund. This work will assist the agency in developing tools that contribute to credit unions' understanding of climate-related financial risks.

Enhancing the Examination Program

The NCUA remains committed to incorporating efficiencies into our supervision program to address the effects of the COVID-19 pandemic on credit unions and their members. Strengthening the agency's data security and IT system safeguards and controls to address emerging threats will continue in 2022 and beyond. In 2021, the NCUA continued to implement future-facing technology solutions for the NCUA's workforce and business processes. In 2022, the NCUA will continue development of the NCUA's Enterprise Data Program, which is intended to enhance how the agency governs and reports on its data.

The NCUA continues working to streamline field operations to ensure the agency's staff carry out their responsibilities in an efficient and effective manner. The NCUA expects that lessons learned from the COVID-19 pandemic will help improve its examination efficiencies through improved examination procedures. As part of the virtual examination program, the agency is researching methods to conduct offsite as many aspects of the examination and supervision processes as possible. The virtual exam project team is exploring ways to harness new and emerging data, advancements in analytical techniques, innovative technology, and improvements in supervisory approaches. By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to reduce the frequency and scope of onsite examinations.

Building the Workforce to Supervise an Evolving Credit Union Environment

Like many agencies in the federal government, the NCUA's workforce is changing and evolving. The NCUA needs more than just examiners; it increasingly needs cybersecurity specialists and experts in capital markets, commercial lending, consumer financial protection, and payment systems. The agency also has a large percentage of employees who have reached, or will soon reach, retirement age, including many in senior levels of management. Finding appropriate successors who can lead the agency and employees who have the requisite skills and expertise is essential to ensuring that the NCUA can continue to achieve its mission effectively.

The NCUA will continue to make critical investments in its human capital. This includes providing the agency's workforce with new training, developing and mentoring the next generation of agency leaders, and continuing to foster a diverse and inclusive environment. To supervise federally insured credit unions properly, all staff must receive the training necessary to develop their skills and abilities for identifying and mitigating risk. The NCUA will continue to review and revise its training curricula to respond to emergent industry trends, highlight regulatory and other changes to business context, and address employee feedback.

Performance Highlights

The performance information contained in this report is organized around the strategic goals and objectives identified in NCUA's *2018–2022 Strategic Plan*. The strategic plan outlines our efforts to provide, through regulation and supervision, a safe-and-sound credit union system, which promotes confidence in the national system of cooperative credit. The strategic goals and objectives outlined below serve as the foundation for all of the agency's operations.

NCUA's 2018–2022 Strategic Plan: Vision, Mission, and Goals

Vision: Protecting credit unions and the consumers who own them through effective supervision, regulation, and insurance.

Mission: Provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

Strategic Goal 1
Ensure a safe and sound credit union system

- **1.1** Maintain a strong Share Insurance Fund.
- **1.2** Provide high-quality and efficient supervision.

Strategic Goal 2
Provide a regulatory framework that is transparent, efficient, and improves consumer access

- **2.1** Deliver an effective and transparent regulatory framework.
- **2.2** Enforce federal consumer financial protection laws and regulations in federal credit unions.
- **2.3** Facilitate access to federally insured credit union financial services.

Strategic Goal 3
Maximize organizational performance to enable mission success

- **3.1** Attract, engage, and retain a highly skilled, diverse workforce and cultivate an inclusive environment.
- **3.2** Deliver an efficient organizational design supported by improved business processes and innovation.
- **3.3** Ensure sound corporate governance.

Managing Performance

The NCUA's strategic plan is the foundation of the agency's performance management process. The strategic plan defines our mission, long-term goals, planned strategies, and the approaches the NCUA will use to monitor its progress addressing the challenges and opportunities related to our mission.

The annual performance plan functions as the agency's operational plan. It outlines our annual or short-term objectives, strategies, and corresponding performance goals that contribute to the accomplishment of our established strategic goals.

The NCUA's three strategic goals are supported by eight strategic objectives. These objectives contribute to the broader impact described for each strategic goal and indicate how the strategic goal will be achieved. Accomplishment of these objectives is assessed by 21 performance goals, which are measurable outcomes of what the NCUA plans to achieve within the performance year. The performance goals include one or more specific indicators that demonstrate quantitative performance targets or results to be achieved within a specific timeframe.

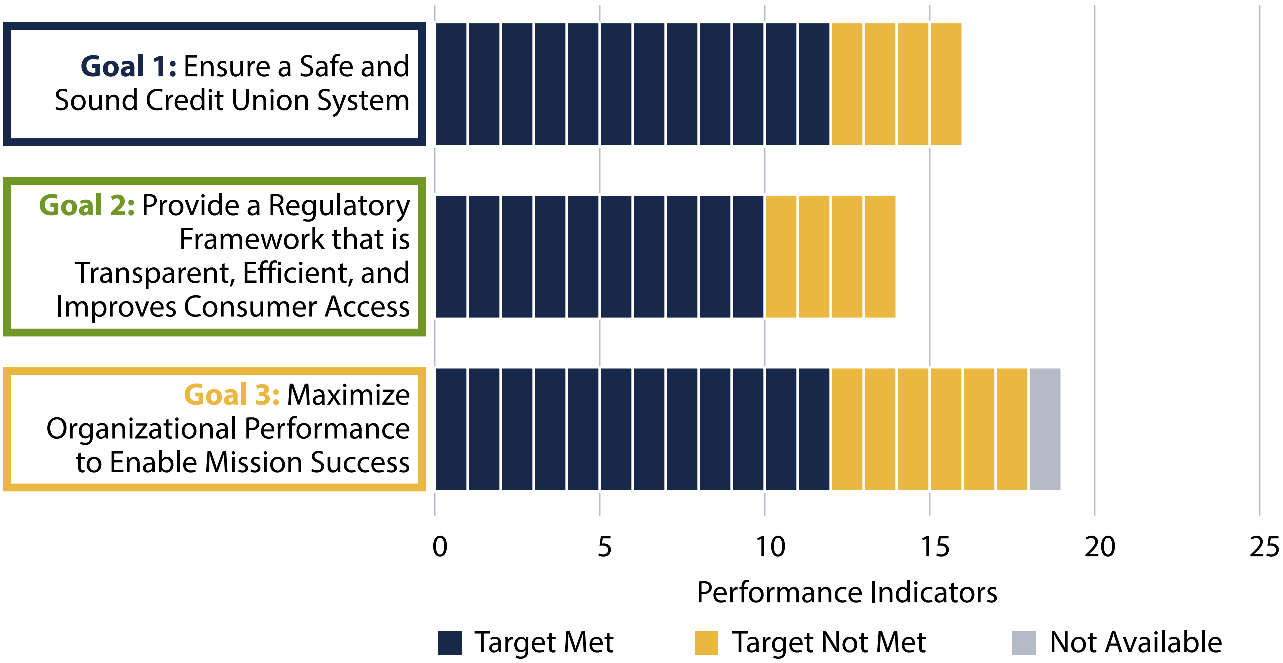
The agency routinely measures and reports its progress in meeting its performance goals. During 2021, senior executives submitted quarterly data on the progress made toward achieving the performance measures and targets for which they were accountable. The data was reviewed and analyzed throughout the year to monitor the agency's progress toward accomplishing its planned outcomes and these results are the basis for the performance information presented in this report. The impact of the COVID-19 pandemic on the agency's performance was also evaluated, and some indicators could not be achieved due to operational changes resulting from the pandemic as explained in greater detail in the Performance Results section of this report.

Performance at a Glance

The NCUA identified 49 measures to help evaluate and assess 2021 progress towards the goals stated in the *2018–2022 Strategic Plan*. The agency made steady progress against the goals it set during the year, meeting or exceeding the target for 34 performance measures.

The NCUA's overall performance in 2021 is summarized in the following chart. The performance measures are grouped below by strategic goal. The *Performance Results* section of this report includes a complete discussion of the agency's progress toward meeting these goals and objectives and discusses causes of variance or changes in trends for each performance indicator.

2021 Performance by Strategic Goal



Source: NCUA Performance Data

Target Met	NCUA is implementing its plans to achieve the strategic objective. Strategies and activities have been executed on or ahead of schedule, and the target outcome was achieved. Minor delays in the planned execution schedule may exist due to exigent circumstances, such as the COVID-19 pandemic; however, the overall target outcome was achieved within the plan year.
Target Not Met	Current strategies have not had the intended impact, and an increased focus is needed by the agency to improve performance on the strategic objective. Some strategies and activities may have been executed, but more progress is needed to advance the strategic objective.
Not Available	For one indicator, data was not collected by a third party; therefore, results for the affected measure are not available.

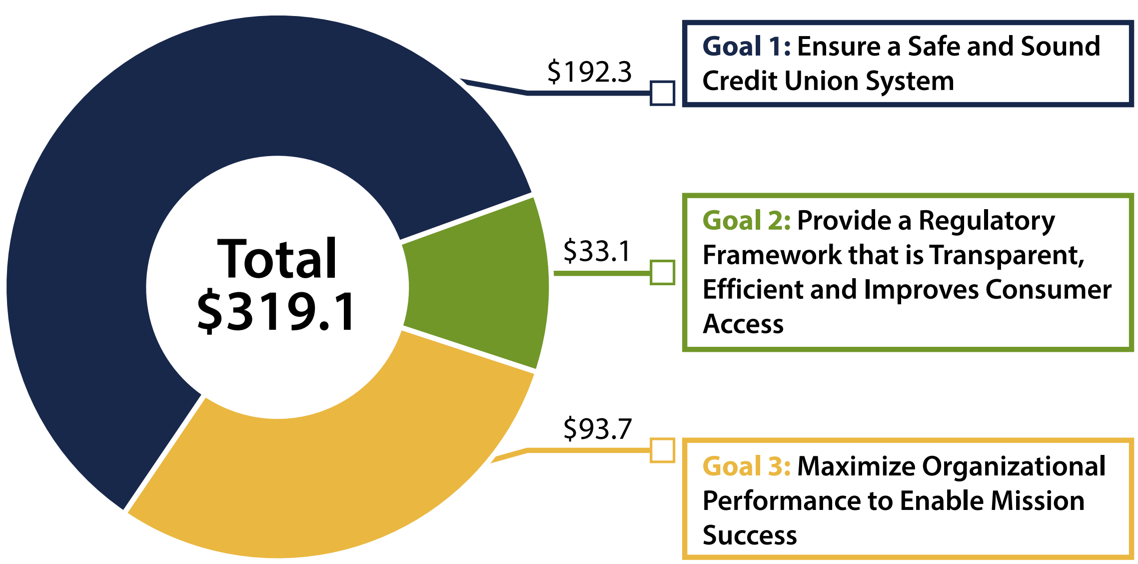
Resource Allocation by Strategic Goal

As part of the agency's continued efforts to strengthen our planning and budgetary processes, the development of the agency's annual performance plan and budget occurs simultaneously. This link between resources and performance helps the NCUA focus on accomplishing its priorities within the context of assessing the costs and benefits of doing so. The performance goals outlined in the strategic plan provide a framework for the development of both the budget request and the annual performance indicators and targets.

The NCUA's costs for 2021 totaled $319.1 million. The agency allocated the majority of this cost, $192.3 million, for Strategic Goal 1-related programs, which includes the costs associated with administering the agency's supervision, examination, and insurance functions. The NCUA allocated 30 percent, or $93.7 million for Strategic Goal 3-related programs. Strategic Goal 3 is largely comprised of costs associated with the agency's talent management and information technology programs. Remaining costs were $33.1 million for Strategic Goal 2-related programs, which includes the costs associated with administering the agency's consumer financial protection, chartering, and general counsel functions. The NCUA proportionally allocated general and administrative costs across all three strategic goals.[1]

The majority of the NCUA's workforce in 2021 was allocated to Strategic Goal 1, followed by Strategic Goal 3. At the end of 2021, the NCUA had 1,152 employees on board.

The NCUA's 2021 Strategic Goals with Resource Allocation (in millions)



Source: NCUA Audited Financial Statements

1 The NCUA allocates costs by aligning annual expenditures for each program office function to the corresponding strategic goal.

Financial Highlights

The NCUA Board manages four funds: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF). Each fund is integral to the performance of the NCUA's mission to provide a safe and sound credit union system. The Operating Fund supports the other three funds by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. The Share Insurance Fund and CLF reimburse the Operating Fund for certain administrative support, while the CDRLF does not reimburse the Operating Fund for its administrative support.

As a federal financial institutions' regulator, the NCUA is committed to transparency, accountability, and effective stewardship. As a demonstration of this commitment, the NCUA once again received unmodified or "clean" audit opinions by an independent auditor on its financial statements for each of these funds for the years ended December 31, 2021 and 2020.[1]

The following highlights provide an overview of the NCUA's 2021 financial statements. The complete financial statements, including the independent auditors' reports, are located in the Financial Information section of this report.

National Credit Union Share Insurance Fund

Created by Congress in 1970, the Share Insurance Fund is backed by the full faith and credit of the United States and insures the deposits of more than 129.6 million members at federally insured credit unions up to $250,000. As of December 31, 2021, the Share Insurance Fund insured 4,953 credit unions, with insured member shares reaching $1.6 trillion.[2] These federally insured credit unions held $2.0 trillion in total assets at the end of 2021.

The financial performance of the Share Insurance Fund can be measured by comparing the equity ratio to the normal operating level (NOL). The NOL is the desired equity level for the Share Insurance Fund. The NCUA Board sets the NOL between 1.20 percent and 1.50 percent. On December 16, 2021, the NCUA Board set the NOL at 1.33 percent, down from the previous level of 1.38 percent set on December 17, 2020.[3]

The equity ratio is the overall capitalization of the Share Insurance Fund to protect against unexpected losses from the failure of credit unions. When the equity ratio falls below or is

1 The Federal Credit Union Act provides the overarching legal requirements regarding the NCUA's annual audited financial statements. Separate financial reporting provides transparency for each fund's particular stakeholders and complies with the intent of the Federal Credit Union Act. The NCUA files its four separately audited financial statements as Annual Management Reports per the Government Corporation requirements under OMB Circular A-136.

2 As of December 31, 2021, the Share Insurance Fund insured 4,942 consumer credit unions, or natural-person credit unions, and 11 corporate credit unions. Natural-person credit unions provide financial services primarily to individual people, as opposed to corporate credit unions which provide financial services to natural person credit unions.

3 The equity ratio is calculated as the ratio of the contributed 1.0 percent deposit, plus the cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

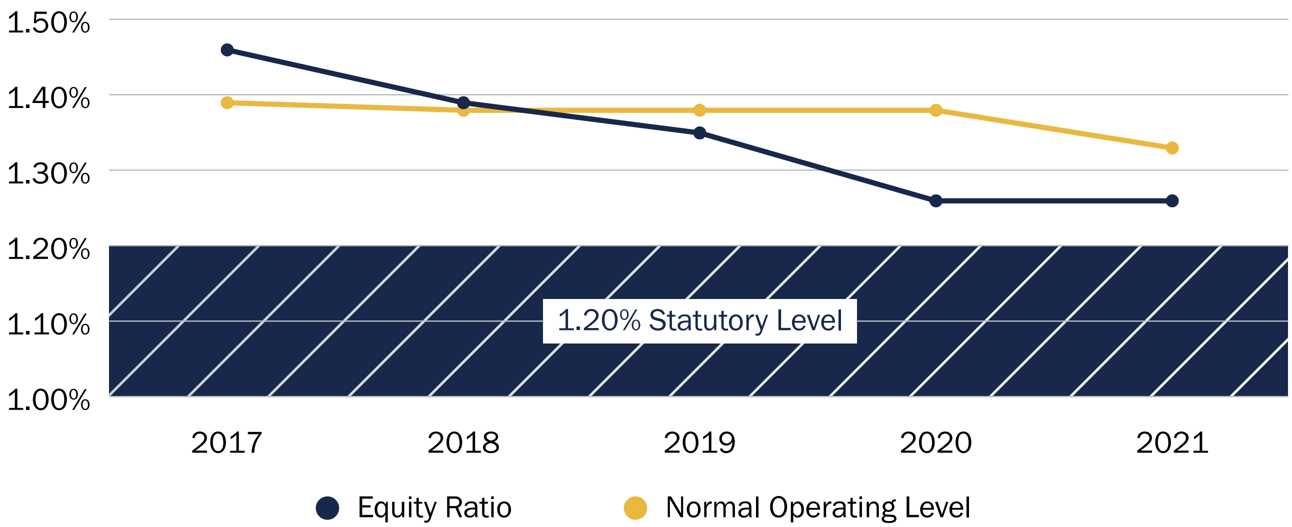
NCUA Resources and How They Are Used

These Primary Sources of Funding	Capital Deposits Premium Assessments Investment Income Guarantee Revenue Other	Operating Fee Investment Income Other	Capital Deposits Investment Income	Interest on Loans Investment Income Appropriations
are used by these funds	**Share Insurance Fund**	**Operating Fund**	**CLF**	**CDRLF**
to support the NCUA Programs and Support Functions	Supervision Insurance Asset Management Regulation Support Function	Supervision Consumer Financial Protection Regulation Credit Union Development Support Function	Insurance Support Function	Credit Union Development
which support these strategic goals				
Ensure a safe and sound credit union system	✓	✓	✓	
Provide a regulatory framework that is transparent, efficient, and improves consumer access		✓		✓
Maximize organizational performance to enable mission success	✓	✓	✓	

projected within six months to fall below 1.20 percent, the NCUA Board must assess a premium or develop a restoration plan. When the equity ratio exceeds the NOL and available assets ratio at year-end, the Share Insurance Fund may pay a pro-rata equity distribution in the form of a dividend.

The equity ratio as of December 31, 2021 and 2020 was 1.26 percent, which was below the established NOL of 1.33 percent and 1.38 percent, respectively. As a result, the NCUA did not estimate or record a distribution in 2021 or 2020.

Equity Ratio to Normal Operating Level (2017–2021)



Source: NCUA Call Report Data and Audited Financial Statements
In 2017, the NCUA Board approved a Share Insurance distribution of $735.7 million to eligible financial institutions.
In 2018, the NCUA Board approved a Share Insurance distribution of $160.1 million to eligible financial institutions.

The Share Insurance Fund's net position is comprised of capital deposits, which represent the total balance of all federally insured credit unions' 1.0 percent capitalization deposits and cumulative results of operations. The Share Insurance Fund ended 2021 with a net position of $20.6 billion, an increase of 8.6 percent, or $1.6 billion, from 2020. The increase is primarily due to an increase in cash collection from the capitalization deposits.

In accordance with the Federal Credit Union Act, the NCUA invested its capital deposits collected from all member credit unions in U.S. Treasury securities and earned interest revenue of $236.8 million in 2021, a decrease of $35.2 million from 2020. The decrease in interest income over the prior year was primarily due to the lower yield on investments. The average interest rate earned for calendar years 2021 and 2020, was 1.24 percent and 1.59 percent, respectively. This reflects an increase in the weighted average maturity of U.S. Treasury securities from 3.3 years to 3.5 years. Investments in U.S. Treasury securities account for approximately 98.0 percent of total Share Insurance Fund assets.

Share Insurance Fund Financial Position

Dollars in thousands	2021	2020	Percentage Change
Assets:			
Investments, Net	$ 20,313,910	$ 18,276,711	11.1%
Receivables from Asset Management Estates (AMEs), Net	222,954	761,816	-70.7%
Other	198,484	90,417	119.5%
Total Assets	**$ 20,735,348**	**$ 19,128,944**	**8.4%**
Total Liabilities	**$ 171,491**	**$ 186,103**	**-7.9%**
Net Position	**$ 20,563,857**	**$ 18,942,841**	**8.6%**

The Share Insurance Fund's net cost of operations is primarily comprised of operating expenses and the provision for insurance losses, slightly offset by exchange revenue. The provision for insurance losses represents anticipated losses from the failure of insured credit unions. Operating expenses are primarily administrative services provided by the NCUA Operating Fund. Net cost of operations for 2021 was $52.3 million, a decrease of $186.9 million from 2020. The decrease is primarily attributable to a reduction in the provision for insurance losses.

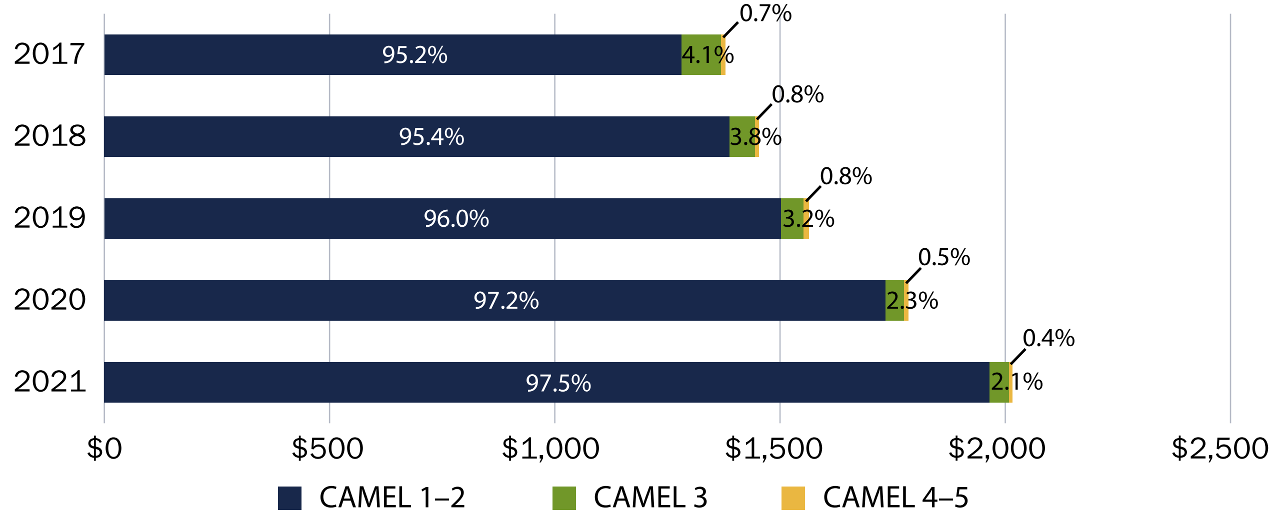
The provision for insurance losses consists of the reserve expense and bad debt expense for the natural-person credit union and corporate credit union asset management estates (AMEs). The reserve expense decreased by $47.7 million, which reflects the overall risk of projected losses for actual and potential credit union failures. The bad debt expense for the AMEs decreased by $164.0 million, reflecting an improvement in asset recovery rates for failed credit unions.

Share Insurance Fund Results of Operations

Dollars in thousands	2021	2020	Percentage Change
Gross Costs:			
Operating Expenses	$ 199,199	$ 181,037	10.0%
Provision for Insurance Losses	(143,014)	68,688	-308.2%
Other Losses	32	63	-49.2%
Total Gross Costs	**$ 56,217**	**$ 249,788**	**-77.5%**
Exchange Revenue	**$ 3,965**	**$ 10,648**	**-62.8%**
Total Net Cost of Operations	**$ 52,252**	**$ 239,140**	**-78.2%**

The aggregate net worth ratio decreased slightly during the year, ending at 10.26 percent versus 10.32 percent on December 31, 2020. The NCUA's field staff use the CAMEL rating system to evaluate a credit union's performance and risk profile. CAMEL ratings range from 1 to 5, with 1 being the strongest rating and 5 being the weakest. Assets in CAMEL composite 3, 4, and 5 rated credit unions increased to $51.8 billion at the end of 2021 versus $50.3 billion at the end of 2020.[4]

Distribution of Assets by CAMEL Ratings at Year-end 2017–2021
(in billions of dollars)



Source: NCUA Call Report

NCUA Operating Fund

Created by the Federal Credit Union Act, the NCUA Operating Fund provides administration and service to the federal credit union system. At December 31, 2021, the total number of federal credit unions was 3,100 with $1.0 trillion in total assets.[5] Funding for the NCUA's operations comes through operating fees paid by federal credit unions and through reimbursements from the Share Insurance Fund. Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The Office of the Chief Financial Officer administers the methodology approved by the NCUA Board for calculating operating fees and setting the fee schedule each budget cycle.

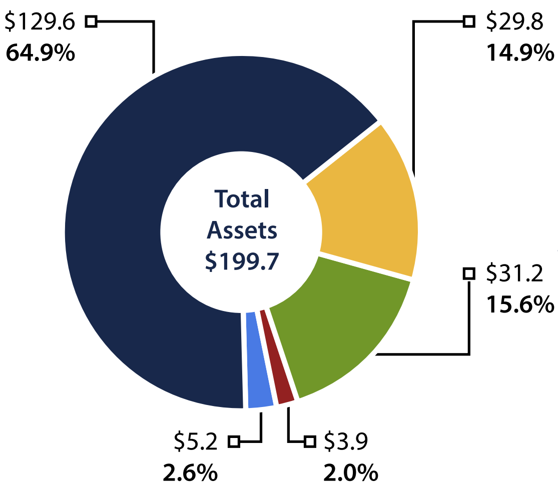
The Operating Fund ended 2021 with a fund balance of $143.6 million, an increase of $7.3 million from 2020. The increase was primarily due to the adoption of a new methodology for allocating overhead expenses to the Share Insurance Fund in 2021, which changed the timing of assessing the costs of new capital purchases.

4 Additional information for the CAMEL rating system can be found on page 11, "What is the CAMEL Rating System?".

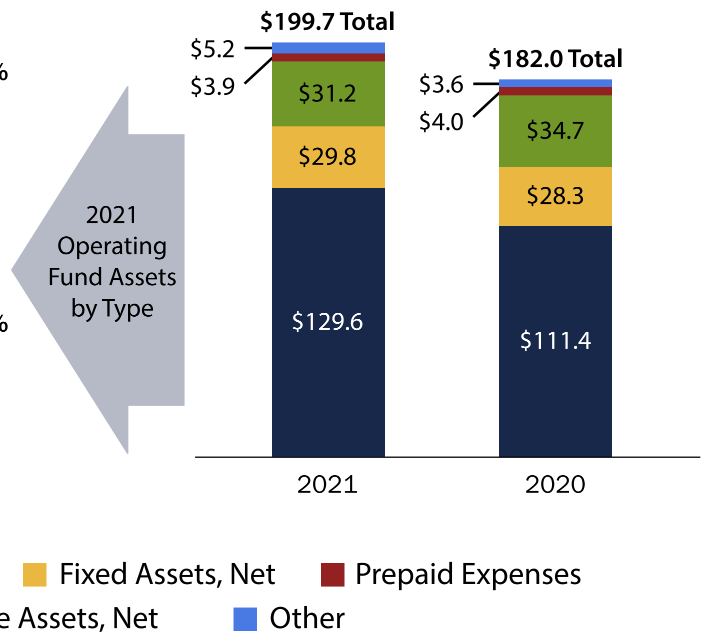
5 This is the number of credit unions that are under federal regulation, as opposed to state regulation, and is different from the number of credit unions that the NCUA Share Insurance Fund insures.

Operating Fund Financial Position			
Dollars in thousands	**2021**	**2020**	**Percentage Change**
Total Assets	$ 199,655	$ 182,016	9.7%
Total Liabilities	56,086	45,722	22.7%
Fund Balance	**$ 143,569**	**$ 136,294**	**5.3%**

Operating Fund Assets by Type 2021 (in millions of dollars)



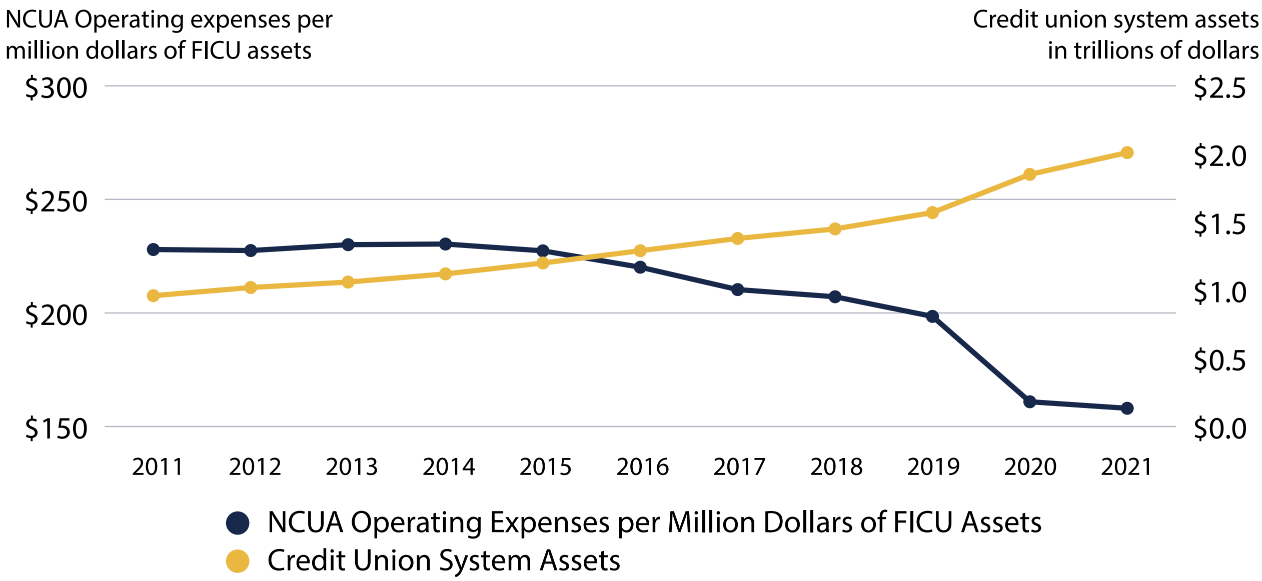
Operating Fund Assets Comparison 2021 and 2020 (in millions of dollars)



Source: NCUA Audited Financial Statements

Employment-related costs are the single largest driver of the NCUA's expenses. The NCUA continues to assess and balance its mission workload needs with the financial costs the agency imposes on the credit union system. Although the number of credit unions continues to decline nationwide, the NCUA must also consider the increasing complexity and growing asset base of the entire credit union system. Consolidation in the industry has led to growth in the number of large credit unions, specifically those with more than $10 billion in assets. This results in additional complexity in the balance sheets of such credit unions, and a corresponding increase in the supervisory review required to ensure the safety and soundness of such large institutions.

NCUA Operating Expense Per Million Dollars of Federally Insured Credit Union Assets



Source: NCUA Audited Financial Statements and NCUA Call Report Data
NCUA operating expenses per million dollars of federally insured credit union (FICU) assets is calculated as the sum of current year NCUA Operating Fund expenses, Share Insurance Fund Operating Expenses, and CLF Operating Expenses divided by the current year's end-of year FICU assets (e.g., 2021 Operating Fund Expenses ($117.5M) + 2021 Share Insurance Fund Operating Expenses ($199.2M) + 2021 CLF Operating Expense ($0.94M) / FICU assets as of 2021Q4 ($2.01T) = $158.0 of NCUA operating expenses per $1M in FICU assets).

As shown in the chart above, the relative size of the NCUA Operating Expenses (blue line) continues to decline when compared to balance sheets at federally insured credit unions (gold line). This trend illustrates the greater operating efficiencies the NCUA has attained in the last several years relative to the size of the credit union system.

Budgetary Resources

The NCUA's budget formulation process ensures all office requirements are justified and consistent with the agency's overall strategic plan. All office budget submissions within the agency undergo reviews by the responsible regional and central office directors, the Chief Financial Officer, and the Executive Director. Additionally, mid-year budget reviews occur annually to identify whether program resource requirements have changed due to emergent priorities or other factors.

In the 2021 mid-session budget analysis presented to the Board, the NCUA estimated that its spending would be $15.0 million below the approved operating budget level.[6] This reduction was due to the restrictions placed on employee travel due to COVID-19 precautions and the shift to remote examinations, as well as hiring under authorized staffing levels.

6 Spending includes incurred financial obligations, such as the value of a contractual agreement to purchase goods or services from an outside vendor, and outlays, such as amounts paid for employee salaries and benefits.

In 2021, the NCUA spent $299.7 million of its operating budget, of which $194.2 million was reimbursed from the Share Insurance Fund for insurance-related activities. This spending was $14.9 million, or 4.7 percent, less than the Board-approved level for the year. Employee pay and benefits were below the approved budget level by $4.2 million, or 1.7 percent. Travel spending was $11.0 million, or 89.8 percent, less than the budgeted level. A portion of these unused funds were re-purposed to the remaining budget categories, the spending for which exceeded the original budget by $0.4 million. As discussed in the mid-session analysis, COVID-related travel restrictions and vacancies were the primary drivers of reduced spending on travel and personnel compensation. Other spending below the budgeted levels reflect the NCUA's efforts to administer its programs in a cost-efficient manner.

The NCUA also maintains a discrete capital budget. In 2021, the Board approved $18.8 million for a variety of projects related to information technology and NCUA-owned facilities. Of this amount, the agency spent $15.7 million, or 83.1 percent in 2021. Many of the agency's capital projects require multiple years of planning and implementation before completion. The NCUA expects that any unspent capital funding available at the end of 2021 will be utilized in future years to complete planned projects.

Central Liquidity Facility

The CLF is a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the NCUA and is managed by the NCUA Board. The CLF's purpose is to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF accomplishes its purpose by lending funds to members, subject to certain statutory limitations, when a liquidity need arises. The two primary sources of funds for the CLF are stock subscriptions from credit unions and borrowings from the Federal Financing Bank (FFB).[7]

A credit union becomes a member by purchasing shares of the CLF's capital stock. Membership in the CLF is open to all credit unions that purchase a prescribed amount of capital stock. The CARES Act, enacted in 2020, temporarily increased CLF's borrowing authority from 12 times to 16 times the subscribed capital stock and surplus through December 31, 2021. The CARES Act also granted the NCUA Board the authority for a corporate credit union to become an agent member of the CLF for a subset of their members. As of December 31, 2021, the CLF had 367 members that contributed $1.1 billion of capital stock. As of December 31, 2020, the CLF had 356 members that contributed $1.0 billion of capital stock.

7 The CLF's borrowing arrangement is exclusively with the FFB. The NCUA maintains a note purchase agreement with Federal Financing Bank with a current maximum principal amount of $30.0 billion.

Central Liquidity Facility Financial Position

Dollars in thousands	**2021**	**2020**	**Percentage Change**
Total Assets	$ 1,149,080	$ 1,054,859	8.9%
Total Liabilities	13,385	4,737	182.6%
Total Members' Equity	**$ 1,135,695**	**$ 1,050,122**	**8.1%**

As of December 31, 2021, total members' equity was $1.1 billion. This increase of $85.6 million from 2020 was primarily due to purchases of investments in U.S. Treasury securities, partially offset by a decrease in member deposits. Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

Central Liquidity Facility Results of Operations

Dollars in thousands	**2021**	**2020**	**Percentage Change**
Total Revenue	$ 4,542	$ 5,614	-19.1%
Total Expenses	944	903	4.5%
Net Income	**$ 3,598**	**$ 4,711**	**-23.6%**

Net income for the year ended December 31, 2021, was $3.6 million, a decrease of $1.1 million from 2020. This change was attributed to a decrease in investment income, coupled with higher employees-related expenses. Investments totaled $723.9 million at year-end, and investment income totaled $4.5 million, which funded operations and paid $1.6 million in dividends to members.

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. The dividend rates paid on capital stock for regular members change quarterly. For 2021, the dividend rate was $0.075 per share for all four quarters. For 2020, the dividend rates were $0.375 per share for the first quarter, and $0.25 per share for the second quarter, $0.125 per share for the third quarter, and $0.075 per share for the fourth quarter.

Community Development Revolving Loan Fund

The CDRLF is the only NCUA fund that receives an annual appropriation from Congress and was established to promote economic development in low-income communities. Through its loan and technical assistance grant program, the CDRLF stimulates economic activities in the communities served by low-income-designated federal and state-chartered credit unions. These financial awards are intended to support credit unions in their efforts to provide basic financial services to residences in their communities, enhance their capacity to better serve their members, and respond to emergencies.

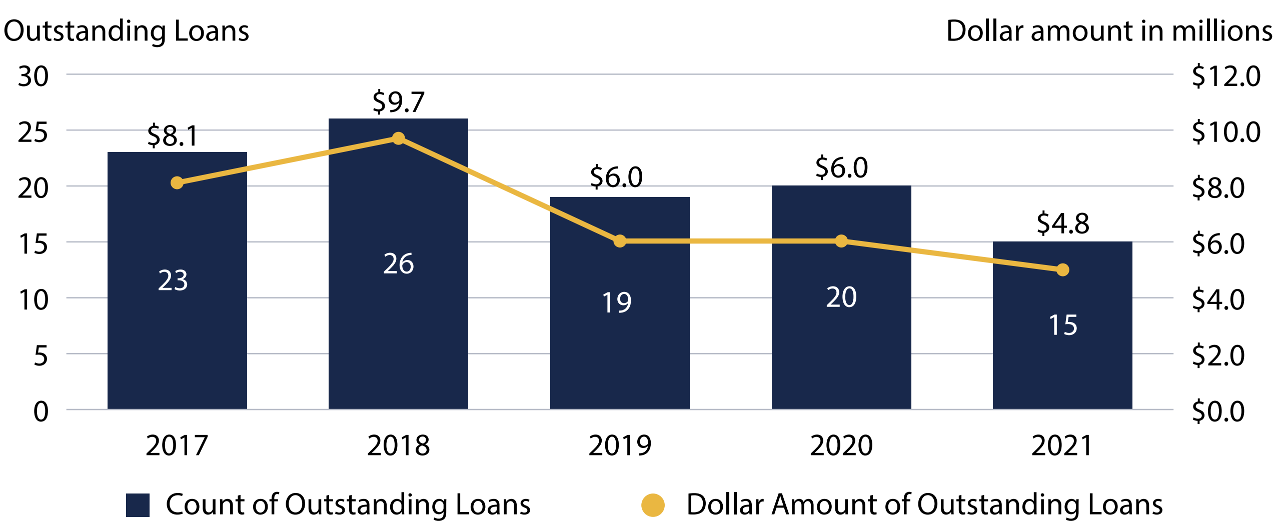
The CDRLF fund balance was $15.3 million as of December 31, 2021 and 2020.

Community Development Revolving Loan Fund Financial Position

Dollars in thousands	**2021**	**2020**	**Percentage Change**
Total Assets	$ 17,882	$ 17,866	0.1%
Total Liabilities	2,549	2,518	1.2%
Total Fund Balance	**$ 15,333**	**$ 15,348**	**-0.1%**

The NCUA's policy is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions. These loans have a maximum term of five years and are subject to the interest rate provided by the CDRLF Loan Interest Rate Policy, which is reviewed annually. As of December 31, 2021, the CDRLF loan portfolio had $4.8 million in outstanding loans, 15 loans outstanding to 14 credit unions.[8]

Count and Dollar Amount of Outstanding CDRLF Loans (2017–2021)

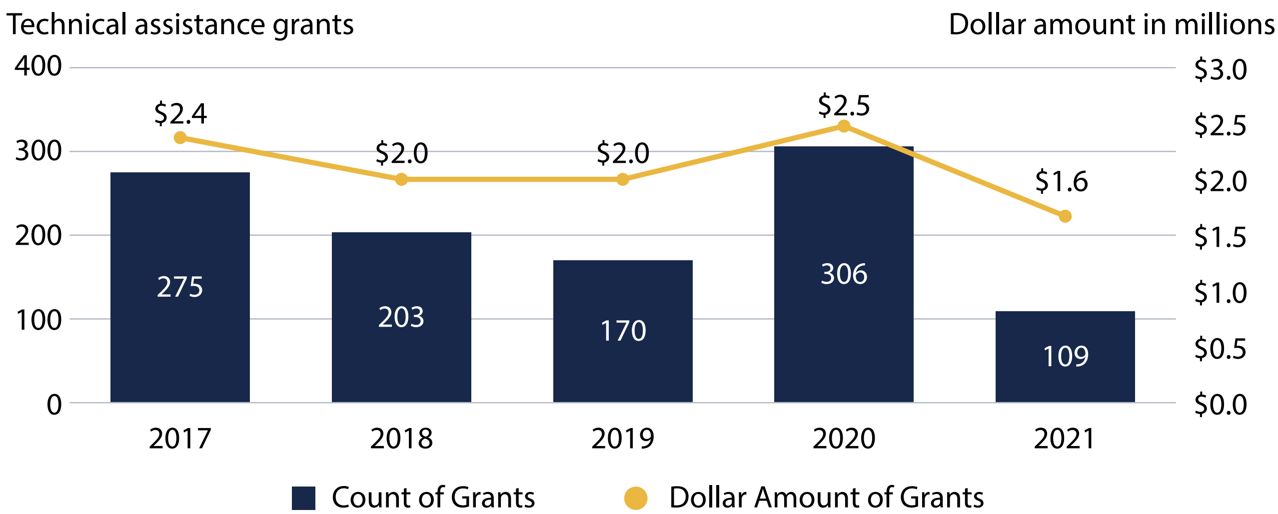


Source: NCUA Audited Financial Statements

8 In 2020, CDRLF developed the COVID-19 Emergency Fund Initiative to provide grants and interest-free loans to assist low-income credit unions in response to COVID-19 related emergencies and hardships. The initiative offered credit unions a three-year interest-free loan of up to $250,000 due at maturity. As of December 31, 2021, the CDRLF loan portfolio had 7 COVID-19 loans outstanding totaling $1.75 million.

In 2021, Congress enacted multi-year appropriations of $1.5 million for the technical assistance program, the same amount as in 2020. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used. The fund awarded 109 technical assistance grants totaling $1.6 million from the multi-year appropriations received.

Count and Dollar Amount of Technical Assistance Grants (2017–2021)



Source: NCUA Audited Financial Statements

Management Assurances and Compliance with Laws

National Credit Union Administration
Office of the Chairman

February 15, 2022

President Joseph R. Biden
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

The National Credit Union Administration (NCUA) leadership is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections two and four of the *Federal Managers' Financial Integrity Act*. The NCUA conducted its assessment of risk and internal control in accordance with Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the NCUA can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of December 31, 2021.

Respectfully,

Todd M. Harper
Chairman

1775 Duke Street • Alexandria, VA 22314-3428 • 703-518-6300

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) establishes management's responsibility to annually assess controls in accordance with prescribed guidelines and provide a Statement of Assurance to the President and Congress on the effectiveness of controls. The FMFIA further requires agencies to establish controls that reasonably ensure obligations and costs; comply with applicable laws; assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability of the assets. The Office of Management and Budget (OMB) provides guidance for implementing the act through OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and OMB Circular A-123, Appendix A, Management of Reporting of Data and Integrity Risk.

The NCUA continued to demonstrate our commitment to maintain a strong internal control environment. Enterprise risk management and internal controls are embedded in the agency's management of activities and operations that achieve strategic goals and objectives. In 2021, NCUA management conducted reviews including annual internal control assessments to verify that controls effectively mitigated programmatic risks to ensure effective and efficient operations, reliable reporting, compliance with laws, and safeguarding of assets. While no material weaknesses in the agency's internal controls were identified in the assessments, the NCUA remains committed to enhancing and improving its systems of internal controls and operational efficiencies. As a result of these assessments and annual internal reviews, the NCUA Chairman can provide reasonable assurance that the NCUA has no material weaknesses.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act requires certain agencies and executive branch departments to report on their substantial compliance with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level.[1] The purpose of the Federal Financial Management Improvement Act is to advance federal financial management by verifying that financial management systems provide accurate, reliable, and timely information in order to manage daily operations, produce reliable financial statements, maintain effective internal controls, and comply with legal and statutory requirements.

Management's Assessment of Internal Control

Internal control is an essential component of effective management, providing reasonable assurance regarding the achievement of objectives, in three categories: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The

1 Section 806 of the Federal Financial Management Improvement Act defines an agency as a department or agency of the United States Government as defined in section 901(b) of title 31 of the United States Code. The NCUA is not within the scope of this definition.

NCUA's internal control program is designed to achieve compliance with the objectives and requirements of the FMFIA and other applicable federal laws and regulations.

NCUA managers routinely monitor and assess internal controls and report on the results of the assessment annually. Office directors perform internal control assessments that support the central and regional offices and the Asset Management and Assistance Center's assurance statements of compliance. Although some offices noted deficiencies, these did not rise to the level of a material weakness, either individually or collectively. The NCUA's offices are addressing these issues through corrective action plans, as appropriate.

In addition to the results of the assurance statements noted above, the NCUA considered the following other sources of information when assessing the agency's internal control environment:

- An entity-level control survey;
- Results of internal control testing under OMB Circular A-123, Appendix A, "Management of Reporting and Data Integrity Risk;"
- Qualitative and quantitative risk assessments in accordance with OMB Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement;"
- Results of independent evaluations performed by the Government Accountability Office and the NCUA's Office of Inspector General;
- Corrective action taken to enhance controls or mitigate process risk;
- Reports pursuant to the Federal Information Security Management Act and OMB Circular A-130, "Managing Federal Information as a Strategic Resource;" and
- Other internal management reviews or assessments performed.

The Chairman's assurance statement is supported by the processes and reviews described above, which were carried out in 2021. The assurance statements from all NCUA Office directors, the evaluation of other sources of information described above, and the results of the internal controls over financial reporting assessment serve as support for senior management to advise the Chairman as to whether the NCUA has deficiencies in internal control significant enough to be reported as a material weakness. The NCUA examined deficiencies, both individually and in the aggregate, to determine if material weaknesses existed in the financial reporting processes. No deficiencies, or combination of deficiencies, rose to the level of a material weakness.

The Chairman's 2021 FMFIA assurance statement provides reasonable assurance that the necessary objectives—efficient and effective operations, reliability of reporting and compliance with applicable laws and regulations—were achieved. Included in this report is a Summary of Financial Statement Audits and Management Assurances in the Other Information section, as required by OMB Circular A-136, "Financial Reporting Requirements."

Federal Information Security Modernization Act

As required by the Federal Information Security Management Act (FISMA), the NCUA developed, documented, and implemented an agency-wide information security program for the information and systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.[2] The act also requires federal agencies to conduct annual assessments, develop and implement remediation efforts for identified weaknesses and vulnerabilities, and report compliance to OMB.

The NCUA Chief Information Officer, Inspector General and Senior Agency Official for Privacy conducted a joint annual assessment using the CyberScope automated system as required by OMB Memorandum 21-02, "Fiscal Year 2020 – 2021 Guidance on Federal Information Security and Privacy Management Requirements." The NCUA submitted the annual FISMA report for fiscal year 2021 to OMB on October 29, 2021.

As prescribed by the act, the Office of Inspector General performs an annual independent evaluation of the NCUA information security and privacy management programs and controls for compliance with the FISMA. The Office of Inspector General completed the fiscal year 2021 audit in November 2021.[3] The outcome of the NCUA's 2021 joint-FISMA assessment and resulting Cybersecurity Performance Summary ratings are represented in Table 1. Table 2 explains the five maturity levels used for this assessment.

Table 1: 2021 FISMA Cybersecurity Performance Summary

	OIG	CIO
Identify	Managed and Measurable (4)	Managing Risk
Protect	Managed and Measurable (4)	Managing Risk
Detect	Managed and Measurable (4)	Managing Risk
Respond	Managed and Measurable (4)	At Risk
Recover	Managed and Measurable (4)	
Overall	Managing Risk	

2 The Federal Information Security Modernization Act of 2014 (Public Law 113–283—December 18, 2014) amended the Federal Information Security Management Act of 2002.

3 All Inspector General reports are available on the NCUA's website.

Table 2: Inspector General Evaluation Maturity Levels

Maturity Level	Maturity Level Description
Level 1: Ad-hoc	Policies, procedures, and strategy are not formalized; activities are performed in an ad-hoc, reactive manner.
Level 2: Defined	Policies, procedures, and strategy are formalized and documented but not consistently implemented.
Level 3: Consistently Implemented	Policies, procedures, and strategy are consistently implemented, but quantitative and qualitative effectiveness measures are lacking.
Level 4: Managed and Measurable	Quantitative and qualitative measures on the effectiveness of policies, procedures, and strategy are collected across the organization and used to assess them and make necessary changes.
Level 5: Optimized	Policies, procedures, and strategy are fully institutionalized, repeatable, self-generating, consistently implemented, and regularly updated based on a changing threat and technology landscape and business/mission needs.

Financial Management System Strategy

The NCUA partners with the Enterprise Services Center within the U.S. Department of Transportation to provide the agency with financial operations support services. Through this shared-service agreement, the agency uses the Oracle-based Delphi Financial Management system, which meets the requirements of the Federal Financial Management Improvement Act.

As part of our continuous quality improvement, the NCUA works to enhance financial management systems and strengthen process controls aimed to ensure operational efficiencies, transparency, production of reliable and useful data to decision makers and stakeholders, and compliance with applicable laws and regulations.

Digital Accountability And Transparency Act

The Digital Accountability and Transparency Act (DATA Act) was enacted in 2014 to increase the availability and accuracy of federal spending information and standardize government-wide reporting standards for such data. The DATA Act expands on reforms over federal awards reporting that began with the Federal Funding Accountability and Transparency Act of 2006 by requiring agencies to disclose expenditure information, including contracts, loans, and grants by submitting information for inclusion at USASpending.gov. The act does not apply to funding received outside of congressionally approved appropriations.

The NCUA, an independent agency, receives a limited annual appropriation from Congress to administer the Community Development Revolving Loan Fund. Congress created the Community Development Loan Fund to stimulate economic development in low-income communities through the issuance of technical assistance grants and low- interest loans to qualifying credit unions (Public Law 96-123, November 20, 1979). As the funding for the Revolving Loan Fund stems from an appropriation, information regarding the Revolving Loan Fund is subject to the DATA Act. For the remaining funds the NCUA administers, the agency is authorized to collect annual operating funding through fees paid by federal credit unions and other sources outside of congressional appropriations. The operating fees collected do not fall under the requirements of the act. The NCUA successfully submitted quality financial and award data for publication on USASpending.gov that was complete, timely, and accurate.

Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 sets forth standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions and referrals to the proper agency for litigation. The NCUA monitors, administers and collects on debt less than 120 days delinquent. All eligible, nonexempt debts greater than 120 days old are transferred to the U.S. Department of the Treasury for cross-servicing. Additionally, in accordance with the provisions of the Debt Collection Improvement Act, the NCUA's recurring payments are processed via electronic funds transfer.

Federal Civil Penalties Inflation Adjustment Act

The NCUA has authority to assess civil penalties for violations specified in the Federal Credit Union Act and other laws the NCUA enforces. The Federal Civil Penalties Inflation Adjustment Act of 1990, amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust penalty amounts periodically for inflation. Specific details about the civil penalties, the authority for the penalty, adjustment dates, and current penalty amount can be found in the Other Information section of this report.

Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act of 2012 requires agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. As part of our effective internal control structure, the NCUA implemented sound controls to mitigate the risk of fraud, waste, and abuse. These controls are documented in our charge card procedures. As required, the NCUA provided the Office of Management and Budget with the agency's Charge Card Management Plan, Charge Card Narrative, and Performance Metrics Report.

Further, the Government Charge Card Abuse Prevention Act requires the NCUA Inspector General to periodically conduct a risk assessment on the agency's charge card programs. The NCUA Inspector General concluded, in its May 2021 assessment, to continue to conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary.

Performance Results

About the Performance Results Section

Throughout 2021, the NCUA implemented strategies and initiatives designed to achieve its mission to provide, through regulation and supervision, a safe and sound credit union system that promotes confidence in the national system of cooperative credit. The Performance Results section provides an overview of the NCUA's performance structure and details performance results and challenges during the calendar year.

Performance Structure

The Performance Structure section provides an overview of the NCUA's performance structure and illustrates the relationship between performance components.

Performance Planning and Process

The Performance Planning and Process section provides a brief overview of the NCUA performance process.

Program Evaluation and Review

The Program Evaluation and Review section describes how the NCUA reviews its performance framework for future development of strategic goals, measures, and targets.

Cross-Agency Collaboration

The Cross-Agency Collaboration section describes the NCUA's involvement in cross-agency initiatives to contribute to the success of the NCUA's mission.

Performance Results by Strategic Goal

The Performance Results by Strategic Goal section provides the results of the performance measure for 2021 and, when available, five years of historical trend data; factors describing why certain performance measure were not met; and the NCUA's plan to improve performance, where appropriate.

Validation and Verification of Performance Data

The Validation and Verification of Performance Data section discusses the ways in which performance data is verified and the completeness and reliability of the data contained within this part of the Annual Report.

Performance Structure

The Performance Results section is organized by strategic goal to describe the NCUA's efforts to meet the objectives defined in the *2018–2022 Strategic Plan*. This strategic plan outlines three strategic goals that are supported by eight strategic objectives, 21 performance goals, and 49 performance indicators set for 2021.

Strategic goals are general, outcome-oriented, long-term goals for the major functions and operations of the agency. Strategic goals represent how the agency's actions fulfill its mission.

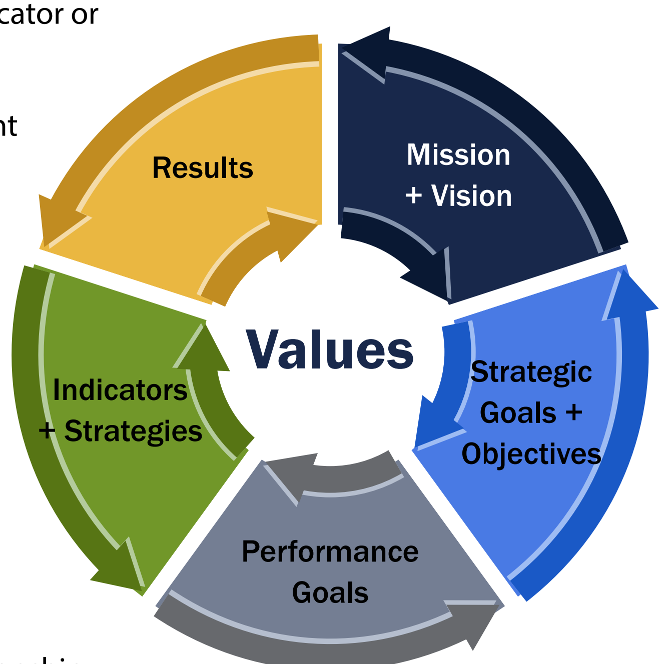
Strategic objectives break down the broader strategic goals to a level that reflects specific outcomes or impacts the agency is working to achieve. They represent key aspects of each strategic goal, while also demonstrating how the strategic goal will be achieved.

Performance goals are the actions the agency will undertake and measure to gauge progress achieving each strategic objective. Each performance goal is supported by one or more performance indicator or measure.

Performance indicators or measures present a quantitative level of performance, or a target to be accomplished, within a specific timeframe.

Strategies are plans and activities the agency will implement to make progress toward its strategic objectives. This includes steps to strengthen or revise operational processes, human capital, skills development, technology, information management, and other resources critical to mission delivery.

The diagram to the right illustrates the relationship between these performance components.



Performance Planning and Process

The *2021 Annual Performance Plan* sets out performance measures and targets in support of the goals and objectives of the strategic plan. Developing the performance plan is a collaborative process that includes the NCUA's central and regional offices. Senior leaders develop performance measures, as well as the means and strategies that describe how we will assess progress towards our objectives. The NCUA Board reviews and approves the *Annual Performance Plan*.

The NCUA holds program offices accountable for setting meaningful and realistic targets that also challenge the agency to leverage its resources efficiently and effectively. Each designated goal owner is responsible for the progress in meeting his or her assigned goals, reporting the results, and making operational adjustments as needed. When targets are not met, goal owners are required to explain what led to the shortfall and how they will improve performance in the future. Each goal owner provided his or her analysis and support for the performance results found in this report.

The NCUA uses a data-driven review process, which includes substantiating results reported whenever those results reveal significant discrepancies or variances from the target. For each goal, the Office of the Chief Financial Officer coordinates reviews to address data availability and reliability, clarify questions, and, if applicable, discuss corrective actions and strategies for any performance measures that are not on target. This office also delivers performance summary reports to the Executive Director throughout the year.

Program Evaluation and Review

The NCUA periodically reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful performance outcomes to demonstrate program 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's Office of Inspector General conducts independent audits, evaluations, compliance reviews, and investigations to help the NCUA achieve its mission and goals and guard against waste, fraud, and abuse. The NCUA OIG informs the NCUA Board, Congress, and the public of any problems or deficiencies relating to programs and operations. OIG activities assist the NCUA staff and program participants by ensuring the effectiveness, efficiency, and integrity of the NCUA's programs and operations.

Targets and Historical Data

The NCUA provides five years of historical trend data for each performance measure when available. Several performance goal indicators in this report are new for 2021 and therefore, historical data is not available. Prior-year results for these new indicators are marked as "--" in the performance results indicator and target tables. Baseline data collected in 2021 will be used to formulate performance goal targets for future years.

As part of the agency's collaborative performance planning process, the Office of the Chief Financial Officer works closely with the agency's Chief Economist and subject matter experts across the agency to consider external factors and risks to the credit union system when developing meaningful, challenging, and realistic targets. In the case of select performance measures, NCUA's Regulations, formal instructions, or policy statements guide our target selection.

Measure Quality

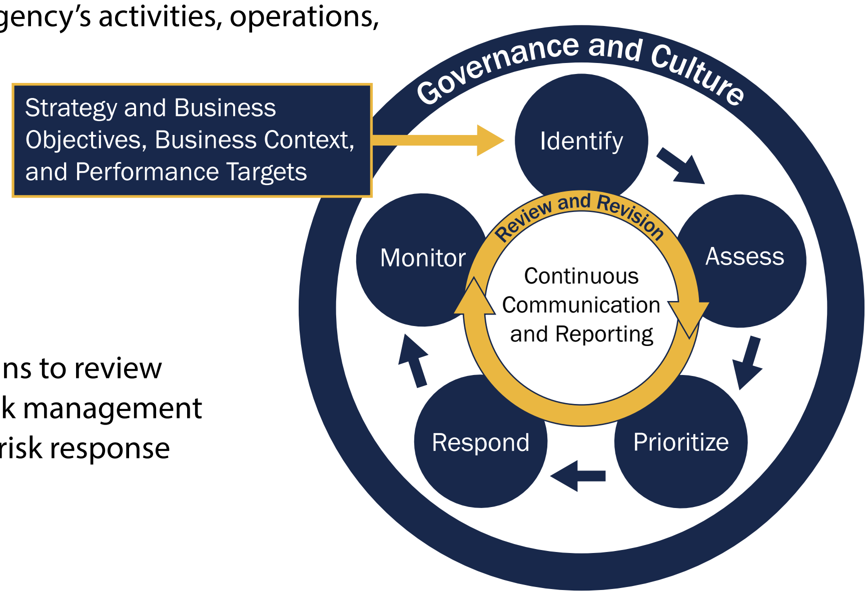
The NCUA has not developed outcome-oriented performance goals in all cases, and in certain instances uses input and output measures that demonstrate support for outcomes, lead to outcomes, or provide valuable indicators of how the agency is progressing toward achieving its strategic goals and objectives.

Enterprise Risk Management

Through the NCUA's enterprise risk management 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 relating 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. This approach is shown in the diagram below. 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.

The NCUA's risk management framework provides a continuous approach to manage risks to strategy and business objectives and improve business outcomes. The NCUA has conducted several risk response assessments for priority areas, including credit union business diversification, credit union cybersecurity, agency controls, and information security. These assessments help inform the agency's activities, operations, and planning and budget processes. In 2021, the NCUA revised and refreshed its inventory of enterprise risks in response to changes impacting the agency and the credit union system.



Looking forward, the NCUA plans to review and refresh, as necessary, its risk management philosophy and continue with risk response assessments for priority areas.

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.

Cross Agency Collaboration

The NCUA is involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies through several councils such as 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. Additional information of ongoing cross agency initiatives are highlighted on page 19 of this report.

Performance Results by Strategic Goal

The agency made progress across all three strategic goals in 2021, meeting or exceeding 34 performance indicators. Each strategic goal and the supporting strategic objectives and performance goals are presented in the subsequent sections, including detailed results for each indicator used to measure agency performance.

Target Met	NCUA is implementing its plans to achieve the strategic objective. Strategies and activities have been executed on or ahead of schedule, and the target outcome was achieved. Minor delays in the planned execution schedule may exist due to exigent circumstances, such as the COVID-19 pandemic; however, the overall target outcome was achieved within the plan year.	✓
Target Not Met	Current strategies have not had the intended impact, and an increased focus is needed by the agency to improve performance on the strategic objective. Some strategies and activities may have been executed, but more progress is needed to advance the strategic objective.	✗

Strategic Goal 1: Ensure a Safe and Sound Credit Union System

Strategic Objectives	Performance Goals
1.1 Maintain a strong Share Insurance Fund	1.1.1 Fully and efficiently execute the requirements of the agency's examination and supervision program
	1.1.2 Effectively manage losses to the Share Insurance Fund
1.2 Provide high quality and efficient supervision	1.2.1 Enable continuous risk analysis, identify key trends and target examinations where most needed
	1.2.2 Effectively identify and evaluate risk in complex credit union portfolios
	1.2.3 Improve the quality control and consistency of examinations

The Federal Credit Union Act assigns the NCUA statutory responsibility to establish and maintain the Share Insurance Fund and oversee the credit union system. A stable cooperative system is the foundation that allows credit unions to provide services to their members, and introduce new products and services to meet member needs in the future. Identifying and managing risk in credit unions is the NCUA's core mission.

Strategic Goal 1 is supported by two strategic objectives, five performance goals and 16 performance indicators. The NCUA met its targets for 12 Strategic Goal 1 indicators in 2021. An explanation is provided for the indicators that did not meet their targets during the year.

Strategic Objective 1.1 – Maintain a strong Share Insurance Fund

The NCUA minimizes losses to the Share Insurance Fund by managing risks in the credit union system. Essential to achieving this strategic objective is the efficient and effective management and execution of the agency's examination and supervision programs, including the proper allocation of resources and timely resolution of issues.

The NCUA's Office of the Chief Economist provides economic information and enhances the agency's understanding of emerging microeconomic and macroeconomic risks. The Office of the Chief Economist also delivers insight into regional economies and industry specific trends and their potential risk impacts. Future risks to credit unions include escalating cybersecurity threats, interest rate and liquidity challenges, and rapid changes in technology. Each risk requires continual monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures.

The NCUA's asset management program, administered by the agency's Asset Management and Assistance Center, ensures members are paid promptly after any necessary liquidation, and limits losses to the Share Insurance Fund and other creditors through the effective liquidation of failed credit union assets.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
1.1.1 Fully and efficiently execute the requirements of the agency's examination and supervision program								
Start 95 percent of federal credit union examinations within 12 months of prior exam completion for annual examinations and within 20 months of prior exam completion for extended examinations.	—	—	96%	97%	92%	Greater than or Equal to 95%	94%	✘
Start 95 percent of federally insured, state-chartered credit union examinations within 14 months of prior exam completion for those on an annual examination schedule.	—	—	96%	96%	97%	Greater than or Equal to 95%	100%	✓
Resolve troubled credit unions[1] within an average of 23 months from the initial CAMEL composite downgrade to troubled status.	29	22	19	21	24	Average 23 Months	23	✓

1 As defined in Part 701.14 of the NCUA's regulations.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
1.1.2 Effectively manage losses to the Share Insurance Fund								
Maintain two percent or less of credit union system assets in CAMEL composite 4 and 5 rated credit unions.	0.8%	0.7%	0.8%	0.8%	0.5%	2% or Less	0.4%	✓
Maintain the Share Insurance Fund's equity ratio at or above 1.3 percent and at or below the normal operating level.	1.24%	1.46%	1.39%	1.35%	1.26%	Between 1.30% and 1.33%	1.26%	✗
Within three business days of a credit union failure, ensure payments are issued to members for the balance of their verified insured funds or members have access to their funds.	3.2	0*	3	1	0	Average 3 days	0.4	✓
Seek to resolve credit union failures at the least cost to the Share Insurance Fund, by successfully identifying a merger or purchase and assumption partner for at least 85 percent of incidents (including emergency and supervisory mergers).	57%	100%	91%	100%	100%	At Least 85%	86%	✓

*All 2017 liquidations had a purchase and assumption agreement and members had access to their funds immediately through the continuing credit union.

Discussion.

The NCUA started 94.2 percent of federal credit union examinations within 12 months of prior exam completion for annual examinations or within 20 months of prior exam completion for extended examinations, missing the target, 95.0 percent, by 80 basis points. The NCUA improved compliance with federal credit union examination timeframes by nearly 2.5 percentage points compared to 2020. The agency's ongoing offsite posture in response to the COVID-19 pandemic is the major contributing factor for the slightly extended examination timeframes.

The NCUA did not maintain the Share Insurance Fund equity ratio at or above 1.3 percent. The normal operating level is an equity ratio set by the NCUA Board. Per the Federal Credit Union Act, the NCUA Board may set the normal operating level between 1.20 percent and 1.50 percent. The current normal operating level is 1.33 percent, which the Board recently reviewed in December 2021. The equity ratio is determined as the sum of the Share Insurance Fund's contributed capital and actual retained earnings, net of any direct or contingent liabilities, divided by insured shares.

The COVID-19 pandemic resulted in an increase in share deposits at most credit unions in 2021. Because of historically low yields on government securities, government stimulus payments and other factors – including elevated savings rates – insured shares increased at approximately the same rate as retained earnings and contributed capital in the Share Insurance Fund. This meant the equity ratio remained unchanged in 2021.

Strategic Objective 1.2 – Provide high-quality and efficient supervision

Credit unions are becoming larger and more complex as they seek to provide their members with more and improved products and services. This growth and innovation increase potential risks to the Share Insurance Fund. The NCUA's examination and supervision program must continue to evolve with the credit union system.

The NCUA must act efficiently, properly allocating examination resources to credit unions of highest risk and expanding offsite monitoring capabilities. Important components of an effective and efficient examination and supervision program include highly skilled examiners, risk-based examination policies, robust quarterly data collection and analyses, reliable technological tools, and a strong quality assurance program.

The NCUA's Office of National Examinations and Supervision use of a data-driven supervision approach supports the agency's mission by identifying changing risks early in large credit unions. The NCUA is using this approach not only to conduct supervisory stress testing for Tier III credit unions but also to develop reports providing early indicators of changing risk.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
1.2.1 Enable continuous risk analysis, identify key trends and target examinations where most needed								
Publish the Quarterly U.S. Map Review and Credit Union Data Summary on the NCUA website to assist with identifying regional and national trends in credit union performance.	4	4	4	4	4	4	4	✓
Provide examiners with timely reports to identify trends in targeted risk areas throughout 2021.	—	—	—	Achieved	Achieved	Achieve	Achieved	✓
Provide a quarterly analysis of high-risk credit unions.	—	—	—	—	—	4	4	✓

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
1.2.2 Effectively identify and evaluate risk in complex credit union portfolios								
Review and assess all capital plans and stress tests for credit unions with assets greater than $10 billion within timelines outlined in regulation.	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved*	✓
Conduct supervisory stress testing on all Tier III credit unions, as defined by NCUA Rules and Regulations Part 702, by Q2 2021 and perform multi-path valuation analysis (stochastic) on all credit unions with assets greater than $10 billion, by Q4 2021.	—	—	—	—	Achieved	Achieve	Achieved**	✓
Complete pilot of and train targeted staff on the enhanced cybersecurity examination program by December 31, 2021 for implementation in 2022.	—	—	—	—		Achieve	Delayed	✗
1.2.3 Improve the quality control and consistency of examinations								
Develop new or revise existing training courses to meet the needs of all field staff.	—	9	13	14	28	8	23	✓
Establish a third-party mechanism to solicit feedback directly from credit unions about their views of agency processes.	—	—	—	—	—	Achieve	Not Achieved	✗
Implement enhanced examination procedures, including supervisor concurrence and additional quality controls, for credit unions with very high concentrations in specific loan types no later than Q2 2021.	—	—	—	—	Achieved	Not Later than Q2 2021	Achieved	✓

*In 2021, the NCUA completed the required reviews for all 11 credit unions supervised by ONES with assets greater than $10 billion.
**In 2021, the NCUA conducted supervisory stress testing for all four Tier III credit unions and multi-path valuation analysis for all 11 credit unions supervised by ONES with assets greater than $10 billion.

Discussion.

The NCUA did not complete a pilot of or train targeted staff on the enhanced cybersecurity examination program in 2021. The agency's information security examination program continued to evolve in 2021. The Information Technology Risk Examination for Credit Unions pilot concluded in 2021 and the lessons learned were integrated into the revised information security examination program. The objective of this program is to make the NCUA's cybersecurity examination procedures scalable according to credit union size, complexity, and scope. The NCUA plans to test the information security examination program during the first half of 2022 with training and implementation by year-end.

The NCUA did not establish a third-party mechanism to solicit feedback directly from credit unions about their views of agency processes. In 2021, the agency did implement a pilot survey, limited to the examination experience and monitored by the agency's Ombudsman. This pilot survey will run through the first part of 2022, at which time the NCUA will evaluate next steps.

Strategic Goal 2: Provide a Regulatory Framework that is Transparent, Efficient and Improves Consumer Access

Strategic Objectives	Performance Goals
2.1 Deliver an effective and transparent regulatory framework	2.1.1 Promulgate efficient, targeted regulation tailored to offer meaningful relief without undermining safety and soundness
	2.1.2 Increase awareness of regulatory activities
2.2 Enforce federal consumer financial protection laws and regulations in federal credit unions	2.2.1 Assess compliance with consumer lending and deposit laws and regulations
	2.2.2 Empower consumers with information to make independent and informed financial decisions
2.3 Facilitate access to federally insured credit union financial services	2.3.1 Efficiently administer viable credit union charters and expansion requests
	2.3.2 Support small, low-income, minority and newly chartered credit unions

Strategic Goal 2 focuses on the NCUA's efforts to effectively manage the balance between regulatory flexibility and responsible oversight. The NCUA's goal is to issue balanced, clear, and straightforward regulations while addressing emerging adverse trends in a timely manner. The goal also seeks to improve consumer access and ensure consumer compliance, financial protection, and consumer education.

The Office of Consumer Financial Protection is responsible for overseeing NCUA's fair lending and consumer financial protection programs. The NCUA also provides consumer financial protection and financial literacy information directly to consumers through the agency's consumer website, MyCreditUnion.gov.

The NCUA's Office of Credit Union Resources and Expansion supports credit union growth and development. The office's primary mission is to assist credit unions through all the various stages of expansion and strategic development. It also provides access to online training and resources, as well as grants and loans through the Community Development Revolving Loan Fund.

The NCUA uses three strategic objectives, six performance goals and 14 indicators to support this strategic goal. The NCUA performed well within Strategic Goal 2, meeting our target for 10 performance indicators in 2021. An explanation is provided for the indicators that did not meet their targets during the year.

Strategic Objective 2.1 – Deliver an effective and transparent regulatory framework

The NCUA has statutory responsibility for a wide variety of regulations that protect the credit union system, credit union members, and the Share Insurance Fund. The NCUA Board and program staff continue to create an environment that allows credit unions to serve their members while maintaining the safety and soundness of the system. The NCUA's goal is to issue straightforward regulations, while addressing emerging issues before they become major problems.

The NCUA endeavors to reduce the regulatory burden, where appropriate, and provide credit unions with more flexibility to manage their operations, reduce their administrative hurdles, and allow credit unions to better compete in the financial services marketplace. In 2021, the NCUA continued its three-year rolling review of its regulations. The NCUA also continues its work to provide regulatory relief where possible to give federally insured credit unions the flexibility they need to continue providing financial services to their members.

A full listing and description of NCUA's recent final and proposed rules are found on our website.

In 2021, the NCUA supported its mission through strategic outreach and engagement with stakeholders in the credit union system, including credit union management, associations and leagues, and journalists who cover the industry.

Performance Indicator	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
2.1.1 Promulgate efficient, targeted regulation tailored to offer meaningful relief without undermining safety and soundness								
Review one-third of all regulations, annually.	Achieved	Achieved	—	Achieved	Achieved	Achieve	Achieved	✓
2.1.2 Increase awareness of regulatory activities								
Increase by five percent web traffic to regulatory and related supervisory information on NCUA.gov.	—	Baseline	-7%	+45%	+5%	Greater than or Equal to 5% Increase	-6%	✘

Discussion.

The NCUA did not increase web traffic to regulatory and related supervisory information on ncua.gov by five percent in 2021. Following the rise in web traffic at the peak of the COVID-19 pandemic in 2020, website traffic declined by six percentage points in 2021. This decrease was partly due to changes in the agency's communications strategy at the beginning of the year. The number of users to the NCUA website grew more than 3 percent in 2021, indicating the NCUA continues to expand its audience within the credit union industry and broader financial services sector. In 2022, the agency will focus on operational improvements to its website administration.

Strategic Objective 2.2 – Enforce federal consumer financial protection laws and regulations in federal credit unions

The NCUA's fair lending examination program is designed to ensure credit unions comply with the rules and regulations established to protect consumers. In 2021, the Division of Consumer Compliance Policy and Outreach spent 5,136 hours examining 29 credit unions for compliance with fair lending laws and regulations. Agency staff spent an additional 994 hours performing 39 offsite supervisory contacts to review credit unions' loan policies and, if necessary, provide recommendations to bring them into compliance with fair lending laws.

The NCUA coordinates with other financial services regulators to develop policy, regulations, and guidance. As part of the Federal Financial Institutions Examination Council's Taskforce on Consumer Compliance, and the Financial Literacy and Education Commission, the NCUA contributes to the development of balanced regulations and policy statements related to consumer financial protection and financial literacy.

The NCUA's Office of Consumer Financial Protection is focused on empowering consumers to make informed financial decisions by developing and promoting financial literacy education. The office also responds to inquiries from credit unions, credit union members, and consumers involving consumer financial protection and share insurance matters. Additionally, it handles consumer complaints filed against credit unions. In 2021, the NCUA's Consumer Assistance Center handled nearly 37,000 written complaints, inquiries, and telephone calls from consumers.

The NCUA also promotes the importance of making smart financial decisions through its consumer-focused website, MyCreditUnion.gov. This site, available in both English and Spanish, is a valuable resource for personal finance information for individuals of all ages. In 2021, visitors to the site reached 781,627 with approximately 37 percent of visits coming from a mobile device. Additionally, 81,120 visitors viewed the Spanish version of the site espanol.MyCreditUnion.gov.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
2.2.1 Assess compliance with consumer lending and deposit laws and regulations								
Complete 30 fair lending examinations, annually	24	26	26	25	19	Greater than or Equal to 30	29	✘
Complete 40 offsite fair lending supervision contacts, annually	50	49	40	43	32	Greater than or Equal to 40	39	✘
Perform a quality control reviews on 200 examination reports to determine if the consumer financial protection supervisory priorities are sufficiently addressed during safety and soundness examinations.	—	—	—	—	—	200	200	✓
Issue Risk Alerts semi-annually, if needed, addressing common themes identified in credit union operations during consumer financial protection quality control reviews.	—	—	—	—	—	2 Risk Alerts, if needed	Achieved	✓
2.2.2 Empower consumers with information to make independent and informed financial decisions								
Develop and distribute direct to consumer financial literacy public awareness initiatives, at least one of which shall focus on COVID-19 relief programs. Such initiatives may include events, videos, or materials, focused on current consumer financial protection and financial literacy issues.	—	2	5	5	10	4	8	✓
Increase by five percent the web traffic to the NCUA's digital consumer financial literacy outreach efforts through the agency's consumer-facing website MyCreditUnion.gov, including espanol.mycreditunion.gov.	829,064	-9%	+15%	-16%	+87%	Greater than or Equal to 5% Increase	+8%	✓

Discussion.

The NCUA completed 29 fair lending examinations and 39 fair lending supervision contacts in 2021, missing each target by one. The ongoing COVID-19 pandemic and unanticipated staffing shortages caused delays in scheduling and completing the agency's fair lending program. The agency approved two additional positions for 2022 to support the fair lending program.

Strategic Objective 2.3 – Facilitate access to federally insured credit union financial services

The NCUA works to expand access to affordable financial services. The Office of Credit Union Resources and Expansion provides support to low-income, minority, and any credit union seeking assistance with chartering, charter conversions, bylaw amendments, field-of-membership expansion requests and low-income designations. The office develops online training, manages the minority depository preservation program, and administers the grants and loans program, the Community Development Financial Institutions certification streamlined application, as well as other initiatives. The office also charters new credit unions and provides guidance and advice on the effectiveness of policies and procedures related to the operations of new and developing credit unions.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
2.3.1 Efficiently administer viable credit union charters and expansion requests								
Charter two new credit unions by December 31, 2021.	—	—	1	2	1	2	4	✓
By March 31, 2021, establish processing time standards for applications from credit unions and provide on-going, quarterly reports on actual processing results.	—	—	—	—	—	3/31/21: Establish Processing Time Standards, Quarterly Reports Thereafter	Achieved	✓
Finalize and implement the 2021 action items in the new charter modernization plan by December 31, 2021.	—	—	—	—	Plan Developed	Achieve	Not Achieved	✗
By March 31, 2021, deliver a work plan that includes specific deliverables and milestones for each of the four pillars of the ACCESS initiative and that identifies what other NCUA actions may be taken to close the wealth gap by increasing Americans' access to credit union services, and for the remainder of the year, complete the 2021 deliverables as presented.	—	—	—	—	ACCESS Established	3/31/2021: Deliver ACCESS Work Plan 12/31/21: Complete 2021 ACCESS Deliverables	Achieved	✓

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
2.3.2 Support small, low-income, minority and newly chartered credit unions								
Award funds to 50 percent of the minority depository institutions applying for grants	40%	69%	91%	63%	51%	Greater than or Equal to 50%	72%	✓
Assess the needs of MDIs to determine how the NCUA may assist, preserve, and increase the number of MDIs in the future.	—	—	—	—	—	12/31/21 Conduct 4 Regional Roundtable Meetings	Achieved	✓

Discussion.

The agency finalized and implemented all 2021 action items for NCUA's new charter modernization plan with one exception. During 2021, the agency extended its timeframe for finalizing recommendations related to its supervisory approach for newly chartered credit unions in order to conduct additional research and analyses. The NCUA plans to finalize these recommendations in 2022.

Strategic Goal 3: Maximize Organizational Performance to Enable Mission Success

Strategic Objectives	Performance Goals
3.1 Attract, engage and retain a highly skilled, diverse workforce and cultivate an inclusive environment	3.1.1 Deliver timely and relevant training and leadership development programs for all staff
	3.1.2 Promote inclusive leadership that values diverse perspectives and maximizes employees' contributions
	3.1.3 Apply employee feedback that measures engagement to support continuous improvement of the workplace
3.2 Deliver an efficient organizational design supported by improved business processes and innovation	3.2.1 Implement a human capital plan to support strategic and business priorities
	3.2.2 Protect NCUA staff, facilities and critical infrastructure
	3.2.3 Implement secure, reliable and innovative technology solutions
	3.2.4 Gain efficiencies through quality processes, systems, and project management

Strategic Objectives	Performance Goals
3.3 Ensure sound corporate governance	3.3.1 Foster an effective risk management and internal control environment
	3.3.2 Align NCUA's budgetary resources to focus on executing and supporting the core mission
	3.3.3 Promote sounds financial management and stewardship principles

Strategic Goal 3 encompasses fundamental business processes and management responsibilities within the NCUA: human capital, employee and operational security, 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. It also includes efforts to establish reliable and effective technology solutions, innovative business processes, robust security programs, and sound financial stewardship.

The NCUA made progress in 2021 on the three strategic objectives, ten performance goals and 19 indicators supporting this strategic goal. The agency met its target for 12 performance indicators. For one indicator, results could not be determined because of revisions the Office of Personnel Management made to the Federal Employee Viewpoint Survey (FEVS). Targets were not met for the remaining six performance indicators. An explanation is provided for each indicator that did not meet its target.

Strategic Objective 3.1 – Attract, engage and retain a highly skilled, diverse workforce and cultivate an inclusive environment

Developing a highly qualified workforce begins with recruitment and assessment of candidates. The NCUA is committed to filling positions with the best-qualified applicants. The NCUA uses robust outreach strategies to reach and attract applicants and is using new and innovative assessment tools to recruit the highest quality candidates possible.

The NCUA prioritizes diversity and inclusion as a strategic business imperative. The NCUA has outlined its commitment to employee diversity in its *2018–2022 Diversity and Inclusion Strategic Plan*. A diverse workforce and inclusive work environment build a stronger agency.

To supervise federally insured credit unions properly, staff must be trained to have the requisite skills and abilities to identify and mitigate risk. The NCUA will continue reviewing and revising its training curricula to highlight regulatory and other changes to business context, respond to emergent industry trends, and address employee feedback.

The NCUA's Talent Management Council continues to prioritize employee engagement as a critical factor for strengthening agency performance. Workforce engagement is critical to the successful performance of the NCUA, as 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.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
3.1.1 Deliver timely and relevant training and leadership development programs for all staff								
Obtain at least an 85 percent average satisfaction rating in training class evaluations.	88%	85%	85%	85%	90%	85%	89%	✓
Deploy replacement Learn Management System into production by March 31, 2021.	—	—	—	Delayed	Initiated Acquisition	Deploy	Deployed	✓
Achieve at least an average 90 percent employee satisfaction level with NCUA leadership development programs.	—	—	—	—	—	90%	83%	✗
3.1.2 Promote inclusive leadership that values diverse perspectives and maximizes employees' contributions								
Improve the agency's score for its proxy Inclusion Quotient (IQ) by one percentage point over the calculated proxy IQ for 2020. The Inclusion Quotient identifies behaviors that help create an inclusive environment.	—	—	64%	65%	72%	Increase by 1 percentage point	75%*	✓
3.1.3 Apply employee feedback that measures engagement to support continuous improvement of the workplace								
Improve the NCUA's Federal Employee Viewpoint Survey (FEVS) Employee Engagement Index by 2 percentage points.	73%	69%	67%	69%	76%	Increase by 2 percentage points	77%	✗

* For 2020 and 2021, the NCUA developed its own estimate of the OPM Inclusion Quotient using information available from the 2020 FEVS. The 2020 FEVS survey eliminated the questions that would have been used by OPM to determine the Inclusion Quotient.

Discussion:

The agency did not achieve a 90 percent average employee satisfaction level for NCUA leadership development programs in 2021. The agency will continue to measure performance in this area in 2022 and consider all feedback to ensure leadership programs are meeting the needs of agency staff.

The agency did not improve the NCUA's FEVS Employee Engagement Index by 2 percentage points. Specifically, there was an increase of one percentage point in the agency's "Leaders Lead" and

"Supervisors" sub-indices; whereas, there was a decline of one percentage point for "Intrinsic Work Experience" sub-index. Of note, the 2021 FEVS survey period was one week shorter than 2020 resulting in a six percent decline in the participation rate. Between 2018 and 2021, the NCUA improved the employee engagement index score by 10 percentage points. The agency is continuing with NCUA-wide and office-level workforce engagement plans to improve agency-wide employee engagement results.

Strategic Objective 3.2 – Deliver an efficient organizational design supported by improved business processes and innovation

The resilience of the NCUA's information technology infrastructure and the availability of its technological applications help ensure the efficiency and effectiveness of the agency's workforce, particularly in response to crises. The NCUA is committed to implementing new technology responsibly and delivering secure, reliable and innovative technological solutions to support its mission. As reflected by the capital investments the NCUA makes in information technology systems, it is critical that the Office of the Chief Information Officer staff not only work within the agency to identify the best technology solutions that support mission success, but that such investments be made through cost-effective and well-managed projects.

The Office of Business Innovation partners with the Office of the Chief Information Officer to implement future-facing technology solutions for the NCUA workforce and the agency's business processes. An integral part of the Office of Business Innovation's efforts is identifying how quality processes and systems can drive efficiency at the NCUA.

The NCUA is also dedicated to strengthening its security program and communications. The agency's Office of Continuity and Security Management is responsible for continuity of operations and emergency management, physical security at NCUA facilities, personnel security, and national security and intelligence activities. This office provides an important link between the intelligence community and the credit union system by managing NCUA's threat analysis processes and working with the intelligence community and other partners to provide information on threats to the credit union system. The Office of Continuity and Security Management continues to actively manage the agency's pandemic response plan, including by monitoring the appropriate public health indicators that will recommend when the agency can start returning to on-site operations.

The NCUA's human capital plan supports the agency's strategic and business priorities and includes focus areas such as workforce alignment and engagement, training and development, leadership skills building, and technology advancements.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
3.2.1 Implement a human capital plan to support strategic and business priorities								
Develop workforce plans for NCUA offices to address the changing needs of the agency.	—	—	22%	22%	89%	80% or more of employees	99%	✓
3.2.2 Protect NCUA staff, facilities and critical infrastructure								
Deliver relevant, quality insider threat risk and continuity of operations trainings to impacted staff, annually.	100%	100%	100%	100%	100%	100% of targeted groups	100%	✓
Achieve a score of 75 percent or above on the NCUA's Federal Employee Viewpoint Survey Question 36 "My organization has prepared employees for potential security threats."	82%	76%	76%	86%	N/A	Greater than or Equal to 75%	N/A	N/A*
Complete at least three cybersecurity-related tests by December 31, 2021.	—	—	—	—	—	Three or More Tests by 12/31/2021	Achieved	✓
3.2.3 Implement secure, reliable, and innovative technology solutions								
Conduct examinations and supervision contacts for all credit unions using the Modern Examination and Risk Identification Tool (MERIT), commencing December 1, 2021.	—	—	—	MERIT Released to ONES/ Select States	Delayed; Expanded pilot with regions	100%	98%	✗
By September 30, 2021, submit to the Board a plan for developing and deploying a credit union locator application, funding for which is subject to availability.	—	—	—	—	—	9/30/2021: Submit Plan	Achieved	✓
3.2.4 Gain efficiencies through quality processes, systems, and project management								
Achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent.	—	—	Baseline Established	71%	58%	At least 70%	72%	✓
Maintain a low-risk designation for the NCUA's annual National Archives and Records Administration Records Management Self-Assessment in 2021.	—	—	—	—	Low Risk	Maintain Low Risk	Achieved	✓

*Data was not collected by a third party, therefore, results for the affected measure are not available.

Discussion.

The agency did not meet its target of conducting all credit union examinations and supervision contacts commencing December 1, 2021 using MERIT. While all NCUA-initiated examinations met this target, one state regulatory agency did not start using MERIT until January 2022 and another state regulator has chosen not to use MERIT as its examination platform.

Strategic Objective 3.3 – Ensure sound corporate governance

The NCUA maximizes its use of agency resources by continually improving our operations and strengthening our internal controls. The agency has reliable structures and processes in place to ensure sound management of its four permanent funds; sound management of its investments, liquidity, liquidated and acquired assets, and other financial resources; prudent execution of the NCUA's role as a fiduciary; and compliance with financial management policies and standards.

Performance Indicators	2016	2017	2018	2019	2020	2021 Target	2021 Result	Status
3.3.1 Foster an effective risk management and internal control environment								
Complete at least 90 percent of Office of Inspector General (OIG) recommendations due in 2021 within the established timeframes.	—	—	76%	83%	72%	At least 90%	79%	✘
Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment.	—	—	Baseline Established	3.93	3.77	Weighted average 4 out of 5	3.87	✘
3.3.2 Align NCUA's resources to focus on executing and supporting the core mission								
Revise and refresh the NCUA inventory of top tier enterprise risks by December 31, 2021.	—	—	—	—	—	Achieve	Achieved	✓
3.3.3 Promote sound financial management and stewardship principles								
Receive an unmodified opinion on the NCUA financial statement audit of all four funds.	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	✓
Establish an award program to recognize employee proposals that result in reductions to agency costs.	—	—	—	—	—	12/31/2021: Establish Award Program	Achieved	✓
Award at least 70 percent of total eligible contract dollars as competitive actions.	—	—	79%	91%	88%	70%	59%	✘

Discussion.

The agency completed 79 percent of corrective actions on OIG audit recommendations in 2021, missing the 90-percent target but improving 7 percentage points over the 72 percent completion rate in 2020. The agency strives to implement the recommendations resulting from OIG audits within the established timeframes and made great progress toward this goal. In 2022, the agency is focused on providing more engagement and support for achieving open recommendations within the stated timeframes.

In 2021, the NCUA did not improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment. An index of questions from the agency's annual entity level controls survey is used to measure this indicator. The weighted average of 3.87 in 2021 was 0.1 points higher than the 2020 result of 3.77. In 2022, the NCUA is committed to maturing its internal controls environment by conducting a pilot program to provide a more in-depth assessment of the design, implementation, and operating effectiveness of internal control components and principles.

The agency did not meet its target of awarding at least 70 percent of total eligible contract dollars as competitive actions. The agency awarded 59 percent of total eligible contract dollars as competitive actions in 2021. The decline in the value of total competitive awards was due, in part, to a limited number of sole source contract awards of high dollar value. However, these contract actions are nonrecurring and will not substantively impact total eligible contract dollars in fiscal year 2022. Therefore, the NCUA anticipates that future year results will fall within the range of historical averages since 2018, all of which exceeded the 70-percent goal except fiscal year 2021.

Validation and Verification of Performance Data

The agency's 2021 performance results are based on reliable and valid data that are complete as of the end of the calendar year. The Office of the Chief Financial Officer reviews all performance data to assess the effectiveness of programs and the completeness and accuracy of the data. The office also evaluates how risks and opportunities affect the achievement of our strategic goals and objectives.

Data management and data reliability are important when determining performance outcomes. Currently, the Offices of Examination and Insurance and National Examinations and Supervision, the Chief Economist, and our regional offices review the data. These offices, with support provided by the Office of the Chief Information Officer, monitor and maintain automated systems and databases that collect, track, and store performance data.

In addition to the general controls the NCUA has in place, which ensure only authorized staff can access key systems, each application or system incorporates internal validation edits to ensure the accuracy of data contained therein. These application edits include checks for reasonableness, consistency, and accuracy. Crosschecks between other internal automated systems also provide assurances of data accuracy and consistency. Data provided by the NCUA during the financial statement audits provides another level of assurance. The NCUA Board deems the data as current, reliable, and accurate to support the agency's performance results.

Financial Information

About the Financial Information Section

In 2021, the NCUA prepared its financial statements to demonstrate accountability and stewardship of the resources entrusted to it to support our mission. Preparation of these statements is critical to the NCUA's goal of providing accurate and reliable information for decision making by our stakeholders.

The Federal Credit Union Act provides the overarching legal requirements regarding the NCUA's annual audited financial statements. Separate financial reporting provides transparency for each fund's particular stakeholders and complies with the intent of the Federal Credit Union Act. The NCUA files its four separately audited financial statements as Annual Management Reports per the Government Corporation requirements under OMB Circular A-136.

The National Credit Union Share Insurance Fund prepares its financial statements in accordance with accounting standards issued by the Federal Accounting Standards Advisory Board while the NCUA Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund prepare their financial statements in accordance with accounting standards issued by the Financial Accounting Standards Board. Each fund is integral to the performance of the NCUA's mission to provide a safe and sound credit union system and is subject to annual financial statement audits.

National Credit Union Share Insurance Fund (NCUSIF)

Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for- dollar, up to the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities.

NCUA Operating Fund (the Fund)

The NCUA Operating Fund was established as a revolving fund in the United States Treasury to provide administration and service to the federal credit union system. A majority of the Fund's revenue is comprised of operating fees paid by federal credit unions. The NCUA Operating

Fund supports the other three funds managed by the NCUA Board by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the NCUSIF and CLF while support of the CDRLF is not reimbursed.

Central Liquidity Facility (CLF)

The CLF is designated as a mixed-ownership government corporation and is managed by the NCUA Board. The CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.

Community Development Revolving Loan Fund (CDRLF)

The CDRLF was established to stimulate economic development in low-income communities. Through its loan and technical assistance grant program, the CDRLF stimulates economic activities in the communities served by low-income designated federally chartered and state-chartered credit unions.

These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members and respond to emergencies. The CDRLF is the only NCUA fund that receives an annual appropriation from Congress.

Message from the Chief Financial Officer

Eugene H. Schied

Chief Financial Officer

This report provides an assessment of the National Credit Union Administration's detailed financial status and demonstrates how the resources entrusted to us were used to support our important mission. I am pleased to present the NCUA's 2021 financial statements for NCUA's four funds:

- The National Credit Union Share Insurance Fund;
- The Operating Fund;
- The Central Liquidity Facility; and
- The Community Development Revolving Loan Fund.

Our independent auditor released unmodified opinions on the four funds and identified no significant issues. The Association of Government Accountants also awarded the NCUA its fourth Certificate of Excellence in Accountability Reporting for our FY 2020 Agency Financial Report. These sustained achievements underscore our commitment to transparency, accountability, and stewardship to the American people, the President of the United States, the United States Congress and federally insured credit unions and their members.

The NCUA continued to facilitate transparency and public input into its annual budgeting processes. On December 16, 2021, the NCUA budget was approved by the NCUA Board, which came after a process that included publishing a draft budget in the Federal Register, inviting stakeholders and the public to provide statements to the NCUA Board, and a public virtual presentation of the draft budget. The NCUA funds its activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund. As part of our commitment to prudent financial management, the NCUA Board reduced the 2022 Operating Fee that will be collected from Federal Credit Unions by $15 million as a result of past-year, unspent Operating Fee cash collections the agency does not currently require.

Our budget provides the resources necessary to address the NCUA's strategic priorities and related programs. In 2021, we led the agency through a 2022-2026 Strategic Planning process to position NCUA leadership to set the direction of the agency for the next five years. The robust process considered input from the agency's senior executives, employee focus groups and our

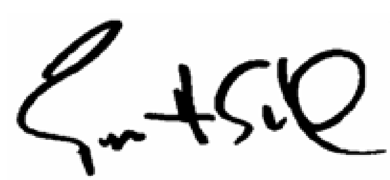
Board. As we focused on long-term objectives, we considered risks and opportunities, and how they may change over the next five years. To coincide with the update to the Strategic Plan, the NCUA Enterprise Risk Management Council reviewed and updated the agency's inventory of identified risks. Through our Enterprise Risk Management Program, we are proactively managing risks to achieving our mission, as well as maximizing opportunities across the agency.

This year also marked a milestone for the NCUA Guaranteed Note (NGN) Program. In 2010, as part of the Corporate System Resolution Program, the NCUA created the NGN Program to provide long-term funding for distressed investment securities from the five failed corporate credit unions. In June 2021, the last outstanding NGN matured. The NGN program has played a critical role in NCUA's corporate system resolution program, effectively mitigating losses to the National Credit Union Share Insurance Fund and maximizing investment return while enabling the agency to aggressively pursue legal recoveries.

Looking forward, our energy is focused on sustaining progress in financial management and reporting, strengthening internal controls, modernizing business processes, and improving data quality. In the areas of budget and financial management, we are developing and maturing automated tools to transition from transaction processing to decision support, strategic thought, and analysis. We will continue to build our internal controls program to identify and mitigate financial, operational, and compliance risks early. The NCUA will also continue to mature our enterprise risk management program to provide agency leadership with a portfolio view of risk to inform decision-making.

The NCUA remains committed to delivering accurate, transparent, and timely financial information to our stakeholders. For the second consecutive year, the NCUA workforce adapted to a virtual work environment, made important strategic progress, and remained a responsible steward of its resources. I appreciate the dedicated, resilient NCUA professionals who plan, execute, and account for the agency's resources.

Sincerely,



Eugene H. Schied
Chief Financial Officer
February 15, 2022

Message from the Office of Inspector General

National Credit Union Administration

Office of Inspector General February 15, 2022

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Hood:

I am pleased to transmit KPMG LLP's (KPMG) report on its financial statement audit of the National Credit Union Administration's (NCUA) financial statements, which includes the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund, as of and for the years ended December 31, 2021 and 2020. The NCUA prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136 Revised, *Financial Reporting Requirements*, and subjected them to audit.

Under a contract monitored by the NCUA OIG, KPMG, an independent certified public accounting firm, performed an audit of NCUA's financial statements as of December 31, 2021. The contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, OMB audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

KPMG's audit report for 2021 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In its audit of the NCUA, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no material weaknesses in internal controls,[1]
- There were no significant deficiencies related to internal controls,[2] and
- No instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

[1] A material weakness is defined as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
[2] A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable, Rodney E. Hood, Board Member
February 15, 2022
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To ensure the quality of the audit work performed, we reviewed KPMG's approach and planning of the audit, evaluated the qualifications and independence of the auditors, monitored the progress of the audit at key points, and reviewed and accepted KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the NCUA's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's reports dated February 15, 2022, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

We would like to extend our thanks to NCUA management and staff involved in issuing the financial statements within the established milestones. In addition, we appreciate the professionalism, courtesies, and cooperation extended to KPMG throughout the audit and our oversight of the audit process.

Respectfully,

James W. Hagen
Inspector General

cc: Executive Director Larry Fazio
Deputy Executive Director (Audit Follow-up Official) Rendell Jones
General Counsel Frank Kressman
OEAC Deputy Director Samuel Schumach
Chief Financial Officer Eugene Schied
Chief Information Officer Rob Foster
CURE Director Martha Ninichuk
Regional Director and AMAC President Keith Morton
E&I Director Kelly Lay
President Central Liquidity Facility Anthony Cappetta

Financials

National Credit Union Share Insurance Fund

Financial Statements as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

Overview

I. Mission and Organizational Structure

NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities. As of December 31, 2021, the NCUSIF insures $1.6 trillion in member shares in 4,953 credit unions, which includes 11 corporate credit unions.

Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operation. The Director of the Office of Examination and Insurance (E&I) is responsible for the NCUA's supervision programs, which ensure the safety and soundness of federally insured credit unions. The E&I Director is also responsible for managing the NCUSIF. Regional offices and the Office of National Examinations and Supervision are responsible for the examination and supervision of federally insured credit unions. Other NCUA offices provide operational and administrative services to the NCUSIF.

The Asset Management and Assistance Center (AMAC) is responsible for conducting credit union liquidations. Upon liquidation, a credit union is closed and becomes an Asset Management Estate (AME), for which AMAC collects the obligations due to the liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities. AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit unions (Corporate AMEs).

II. Performance Goals, Objectives, and Results

Performance measures are designed to enable management and our stakeholders to assess programs and financial performance. In measuring the performance of the NCUSIF for 2021 and 2020, the following additional measures should be considered:

1 The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2021. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. All four funds report under separate financial statements.

2021 and 2020 Performance Measures		
	December 31, 2021	December 31, 2020
Equity Ratio	1.26%	1.26%
Insured Shares	$1.6 trillion	$1.5 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	7	1
Assets in CAMEL[2] 3, 4 and 5 rated Credit Unions	$51.8 billion	$50.3 billion

Equity Ratio and Normal Operating Level

The financial performance of the NCUSIF can be measured by comparing the equity ratio to the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the one-percent (1.00%) contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of insured shares in all federally insured credit unions. The NOL is the Board's target equity level for the NCUSIF. Pursuant to the Federal Credit Union Act, the NCUA Board sets the NOL between 1.20% and 1.50%. On December 16, 2021, the Board set the NOL at 1.33%, which is five basis points lower than the previous level of 1.38%.

The NCUSIF pays a distribution when the year-end equity ratio exceeds the NOL and the available assets ratio exceeds 1.00% at year-end. As of December 31, 2021, the equity ratio was 1.26%, which is below the NOL. Previously, the equity ratio was 1.26% as of December 31, 2020, which was below the established NOL of 1.38%.

Insurance Related Activities

The NCUA identifies credit unions at risk of failure through the supervisory and examination process. Estimated losses are based on economic trends and each credit union's financial condition and operations. The NCUA also evaluates overall credit union trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies.

For 2021, there were seven credit union failures compared to one failure in 2020. The cost of these failures, or the estimated cost of resolution at the time of liquidation, for the current year is $5.6 million compared to $1.6 million for failures that occurred in 2020.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2021, there were five credit unions operating under the NCUA's conservatorship. Estimated losses related to conserved credit unions are determined as part of the fund's reserve methodology and are contained within the Insurance and Guarantee Program Liabilities in the Balance Sheets.

The credit union industry remained stable during 2021. The aggregate net worth ratio decreased slightly during the year ending at 10.26% versus 10.32% at December 31, 2020. Assets in CAMEL 3, 4 and 5 rated credit unions increased to $51.8 billion at the end of 2021 versus $50.3 billion at the end of 2020.

2 The CAMEL system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of five critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management (CAMEL). The NCUA employs the CAMEL rating system as a tool to measure risk and allocate resources for supervisory purposes.

III. Financial Statement Analysis

The NCUSIF ended 2021 with an increase in Total Assets and Net Position. Net Cost of Operations decreased to $52.3 million, primarily as a result of a decrease in the Reserve Expense and the AME Receivable Bad Debt Expense within the Provision for Insurance Losses. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	**2021**	**2020**	**Increase / (Decrease) $**	**%**
Net Position				
Assets:				
Investments, Net	20,313,910	18,276,711	2,037,199	11.1%
Receivables from Asset Management Estates (AMEs), Net	222,954	761,816	(538,862)	-70.7%
Other	198,484	90,417	108,067	119.5%
Total Assets	**$20,735,348**	**$19,128,944**	**$1,606,404**	**8.4%**
Total Liabilities	**$171,491**	**$186,103**	**($14,612)**	**-7.9%**
Net Position (Assets minus Liabilities)	**$20,563,857**	**$18,942,841**	**$1,621,016**	**8.6%**
Net Cost				
Gross Costs:				
Operating Expenses	199,199	181,037	18,162	10.0%
Provision for Insurance Losses	(143,014)	68,688	(211,702)	-308.2%
Other Losses	32	63	(31)	-49.2%
Total Gross Costs	**$56,217**	**$249,788**	**($193,571)**	**-77.5%**
Exchange Revenue	**$3,965**	**$10,648**	**($6,683)**	**-62.8%**
Total Net Cost of Operations	**$52,252**	**$239,140**	**($186,888)**	**-78.2%**
Cumulative Results of Operations				
Beginning Balances	**$5,132,167**	**$4,632,574**	**$499,593**	**10.8%**
Financing Sources:				
Interest Revenue - Investments	236,781	272,005	(35,224)	-12.9%
Net Unrealized Gain / (Loss) - Investments	(536,496)	466,728	(1,003,224)	-214.9%
Net Cost of Operations	**$52,252**	**$239,140**	**(186,888)**	**-78.2%**
Cumulative Results of Operations	**$4,780,200**	**$5,132,167**	**($351,967)**	**-6.9%**
Contributed Capital	**$15,783,657**	**$13,810,674**	**$1,972,983**	**14.3%**
Net Position	**$20,563,857**	**$18,942,841**	**$1,621,016**	**8.6%**

Fiduciary Activity Highlights

The financial results of the NPCU AMEs and Corporate AMEs with the NCUA Guaranteed Notes (NGN) Program Trusts are not presented in the results of the NCUSIF as described above, but are presented as fiduciary activities of the NCUSIF in accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard No. 31, *Accounting for Fiduciary Activities*, and are included in the notes to the NCUSIF financial statements.

NGN Program

The NCUA, through the NCUSIF, administered the NGN Program, which was implemented when the Legacy Assets formerly held by the failed CCUs were transferred to NGN Trusts and securitized through the issuance of notes. The notes were issued as a series of floating and fixed-rate NGNs with final maturities ranging from 2017 to 2021. In June 2021, the last outstanding note matured and there are no NGN Program contingent liabilities for the NCUSIF related to the Corporate AMEs.

As of December 31, 2021 and 2020, the outstanding principal balance of the NGNs was $0.0 and $431.3 million, respectively. The NCUA's estimate of the expected recovery from the Corporate AMEs is derived using a model and reflects the NCUA's expectations and assumptions about the estimated cash flows of the Corporate AMEs' assets.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Liquidity Risk and Capital Resources

For liquidity, the NCUSIF maintains cash in its Fund Balance with Treasury (FBWT) account as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight securities as held-to-maturity investments, which are available to meet urgent liquidity needs of the NCUSIF.

2021 and 2020 Fund Balance with Treasury and Investments

	December 31, 2021	December 31, 2020
Fund Balance with Treasury	$ 87.1 million	$ 4.8 million
U.S. Treasury Securities		
Held to Maturity (Overnights)	316.8 million	1,336.0 million
Available-for-Sale	19,997.1 million	16,940.7 million

During 2021, the NCUSIF's Investments increased primarily due to capital contributions of $2.0 billion from credit unions.

The NCUSIF has multiple funding sources which include:

- capitalization deposits contributed by insured credit unions, as provided by the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act);
- guarantee fees;
- cumulative results of operations retained by the NCUSIF;
- premium assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

The NCUSIF is a revolving fund in the U.S. Treasury and has access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

IV. Systems, Controls, and Legal Compliance

The NCUSIF was created by Title II of the FCU Act, 12 U.S.C. §1781 et seq., as amended. In January 2011, the *National Credit Union Authority Clarification Act*, Public Law 111-382, amended the definitions of “equity ratio” and “net worth” in the FCU Act. The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 et seq.).

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Managers' Financial Integrity Act*, Public Law 97–255 (FMFIA), requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA management monitors and assesses its relevant internal controls and reports on its assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with FMFIA as well as all applicable laws such as the *Prompt Payment Act*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104–134.

The *Improper Payments Information Act of 2002*, Public Law 107–300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204 (IPERA), the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), and the *Payment Integrity Information Act of 2019*, Public Law 116-117, requires federal agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. We have determined that the NCUSIF's programs are not susceptible to a high risk of significant improper payments.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended (FISMA), the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

KPMG LLP
Suite 12000
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Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of net costs, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NCUSIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the financial statements and related notes to the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04 will always detect a material misstatement when it exists. The risk of not detecting a material

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Overview section be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2021, we considered the NCUSIF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

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statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements as of and for the year ended December 31, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 15, 2022

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 87,055	$ 4,782
Investments, Net - U.S. Treasury Securities (Note 3)	20,313,910	18,276,711
Accrued Interest Receivable - Investments (Note 3)	102,390	84,484
Advances and Prepayments (Note 9)	7,760	–
Total Intragovernmental Assets	20,511,115	18,365,977
WITH THE PUBLIC		
Accounts Receivable - Guarantee Fee on NGNs, Net (Note 4)	–	79
General Property, Plant and Equipment, Net (Note 5)	–	54
Advances and Prepayments	1,279	1,018
Receivables from Asset Management Estates (AMEs), Net (Note 6)	222,954	761,816
Total with the Public Assets	224,233	762,967
TOTAL ASSETS	$ 20,735,348	$ 19,128,944
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 9)	$ 4,918	$ 3,262
Total Intragovernmental Liabilities	4,918	3,262
WITH THE PUBLIC		
Accounts Payable	3,400	4,353
Insurance and Guarantee Program Liabilities (Note 7)	161,958	177,300
Other Liabilities (Note 8)	1,215	1,188
Total with the Public Liabilities	166,573	182,841
TOTAL LIABILITIES	171,491	186,103
Commitments and Contingencies (Note 7)		
NET POSITION		
Cumulative Results of Operations	4,780,200	5,132,167
Contributed Capital (Note 12)	15,783,657	13,810,674
Total Net Position	20,563,857	18,942,841
TOTAL LIABILITIES AND NET POSITION	$ 20,735,348	$ 19,128,944

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF NET COST
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
GROSS COSTS		
Operating Expenses	$ 199,199	$ 181,037
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 7)	2,422	50,097
AME Receivable Bad Debt Expense (Reduction) (Note 6)	(145,436)	18,591
Total Provision for Insurance Losses	(143,014)	68,688
Other Losses	32	63
Total Gross Costs	56,217	249,788
LESS EXCHANGE REVENUES		
Interest Revenue on Note Receivable from the NCUA Operating Fund (Note 9)	–	(71)
Guarantee Fee Revenue - NGNs	(625)	(7,917)
Other Revenue	(3,340)	(2,660)
Total Exchange Revenues	(3,965)	(10,648)
TOTAL NET COST OF OPERATIONS	$ 52,252	$ 239,140

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 5,132,167	$ 4,632,574
Non-Exchange Revenue		
Interest Revenue - Investments	236,781	272,005
Net Unrealized Gain / (Loss) - Investments (Note 3)	(536,496)	466,728
Net Cost of Operations	(52,252)	(239,140)
Change in Cumulative Results of Operations	(351,967)	499,593
CUMULATIVE RESULTS OF OPERATIONS	4,780,200	5,132,167
CONTRIBUTED CAPITAL (Note 12)		
Beginning Balances	13,810,674	11,967,387
Change in Contributed Capital	1,972,983	1,843,287
CONTRIBUTED CAPITAL	15,783,657	13,810,674
NET POSITION	$ 20,563,857	$ 18,942,841

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
BUDGETARY RESOURCES (Notes 10, 11 and 14)		
Unobligated balance from prior year budget authority, net (mandatory)	$ 17,305,571	$ 15,874,237
Spending authority from offsetting collections (mandatory)	4,303,939	3,412,495
TOTAL BUDGETARY RESOURCES	$ 21,609,510	$ 19,286,732
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 1,932,446	$ 1,981,161
Unobligated balance, end of year:		
Exempt from apportionment	19,677,064	17,305,571
Unobligated balance, end of year (total)	19,677,064	17,305,571
TOTAL BUDGETARY RESOURCES	$ 21,609,510	$ 19,286,732
OUTLAYS, NET		
Outlays, net (total) (mandatory)	$ (2,368,322)	$ (1,443,704)
AGENCY OUTLAYS, NET (MANDATORY)	$ (2,368,322)	$ (1,443,704)

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 et seq. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in federally insured state chartered credit unions.

The NCUA exercises direct supervisory authority over FCUs and coordinates supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to the NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

Assistance from the NCUSIF, pursuant to the FCU Act, may be in the form of a waiver of statutory reserve requirements, liquidity assistance in the form of a guaranteed line of credit, cash assistance in the form of a subordinated note, or other such form. In some cases, a merger partner for the credit union may be sought. Mergers between financially troubled credit unions and stronger credit unions may also require NCUSIF assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the NCUSIF, and/or guarantees of the values of certain assets (e.g., primarily loans). When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the NCUSIF or the appropriate state supervisory authority may liquidate the credit union. In the event of a credit union liquidation, the NCUSIF pays members' shares up to the maximum insured amount and monetizes the credit union's assets.

Fiduciary Responsibilities

The NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union (CCU) AMEs (Corporate AMEs).

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed CCUs, and establishing a new regulatory framework for CCUs. Under the CSRP, the NCUA created a re-securitization program (the NGN Program) to provide long-term funding for the Legacy Assets through the issuance of the NGNs by trusts established for this purpose (NGN Trusts). The NGN Trusts are guaranteed by the NCUA, and backed by the full faith and credit of the United States.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition of cash and other assets held by an AME, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*. The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC. The assets reported on the NCUSIF Balance Sheet are non-fiduciary.

Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the Legacy Assets have suffered. Any benefits from these recovery efforts will be recognized by an AME when receipt is certain. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the liquidating agents and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors, including the NCUSIF, could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

Sources of Funding

Deposits insured by the NCUSIF are backed by the full faith and credit of the United States. The NCUSIF has multiple sources of funding. Each insured credit union is required to deposit and maintain 1.00% of its insured shares in the NCUSIF. The NCUA Board may also assess premiums to all insured credit unions, as provided by the FCU Act.

In addition, the NCUSIF may receive investment interest income, guarantee fees, and recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The NCUSIF also has authority to borrow from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

Accounting Principles

The NCUSIF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised August 10, 2021.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the NCUA considers and where appropriate, applies Financial Accounting Standards Board (FASB) guidance for those instances where no applicable FASAB guidance is available. Any such significant instances are identified herein.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Transactions are recorded on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Information is needed about the differences between accrual and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays in Note 14. In accordance with SFFAS No. 53, *Budget and Accrual Reconciliation*, the Reconciliation of Net Cost of Operations to Net Outlays helps explain and clarify how accrual basis of accounting Net Cost of Operations (cash and non-cash transactions) relates to budgetary basis of accounting Net Outlays (cash transactions) and the reconciling items between the two.

The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 et seq.).

Use of Estimates

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and expenses reported during that period.

Significant items subject to those estimates and assumptions include: (i) allowance amounts for losses on the receivables from AMEs for claims paid on their behalf; (ii) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (iii) the amount and timing of recoveries, if any, related to any claims paid and the settlement of guarantee liabilities; (iv) allowance amounts established for loan losses related to cash assistance provided to insured credit unions; and (v) determination of the accounts payable accrual.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in accounts held by the U.S. Treasury from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments, Net

The FCU Act, Section 203(c), 12 U.S.C. § 1783(c), as amended, provides guidance regarding U.S. Treasury security investments. The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. All marketable securities are carried as available-for-sale in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. All non-marketable U.S. Treasury overnight securities are purchased and reported at par value, which are classified as held-to-maturity.

Interest earned and unrealized holding gains and losses on U.S. Treasury securities are excluded from net costs and reported as components of non-exchange revenue. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

All U.S. Treasury securities that are in an unrealized loss position are reviewed for other-than-temporary impairment (OTTI). The NCUSIF evaluates its U.S. Treasury securities on a monthly basis. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is an OTTI, the NCUA takes into consideration whether it has the intent to sell the security. The NCUA also considers available evidence to assess whether it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis. If the NCUA either intends to sell or more likely than not, will be required to sell the security before recovery of its amortized cost basis, an OTTI shall be considered to have occurred.

Premiums and discounts are amortized over the life of the related available-for-sale security as an adjustment to yield using the effective interest method.

Accrued Interest Receivable

The NCUSIF recognizes accrued interest receivable for amounts of interest contractually earned but not yet received.

Accounts Receivable

Accounts receivable represents the NCUSIF's claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Accounts receivable with the public represent accounts receivable between the NCUSIF and non-federal entities and are categorized as follows:

Capitalization Deposits from Insured Credit Unions
Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. Receivables and associated non-exchange revenue are recognized upon invoicing.

Guarantee Fee on NCUA Guaranteed Notes
Guarantee fee accounts receivable represents outstanding balances of guarantee fees associated with the NGN Trusts.

Premium Assessments from Insured Credit Unions
The NCUA Board has the statutory authority under Section 202 of the FCU Act to assess a premium charge to insured credit unions. The NCUA Board may assess each insured credit union a premium charge in an amount stated as a percentage of insured shares only if the equity ratio is less than 1.30% and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board must establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the eight-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

The NCUA Board did not assess premiums for 2021 and 2020.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for accounts receivable. A permanent reduction of an account may occur if it is probable that the NCUSIF will not collect all amounts contractually due.

General Property, Plant and Equipment, Net

General Property, Plant and Equipment, Net consists of internal-use software and assets under capital lease, and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Costs incurred for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software.*

General property, plant and equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of equipment and software; (the shorter of either the estimated useful life or lease term is applied for leasehold improvements and capital leases). Assets under capital lease are depreciable over three years, which corresponds with the life of the underlying capital lease. Internal use software has a useful life of three years per the NCUA capitalization policy.

Receivables from Asset Management Estates, Net

The NCUA records a receivable from AMEs when claims are paid by the NCUSIF in order to satisfy obligations to insured shareholders and other guaranteed parties, as well as to pay administrative expenses on behalf of AMEs. Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. As the assets are monetized, recoveries from the assets are paid to the NCUSIF to reduce the receivable from AMEs.

The gross AME receivable is reduced by an allowance for loss. This allowance represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). The NCUA records the allowance amount for loss on receivables from AMEs based on expected asset recovery rates. The asset recovery rates are based on several sources including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from similar recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

Insurance and Guarantee Program Liabilities

In 2019, the NCUA implemented SFFAS No. 51, *Insurance Programs*. The purpose of this statement is to establish consistent accounting and financial reporting standards for insurance programs across the federal government. SFFAS No. 51 requires that the financial statements and accompanying footnote disclosures provide concise, meaningful and transparent information regarding the operating performance of the NCUA's two insurance activities – Insured Credit Unions and NCUA Guaranteed Notes (NGN), which are classified as exchange transaction insurance programs.

Pursuant to SFFAS No. 51, the NCUA is required to recognize revenue on insurance premiums as earned. The NCUA must also recognize, measure and record liabilities for unearned premiums, unpaid insurance claims and losses on remaining coverage as applicable. In addition, the NCUA must disclose information about the purpose, full costs (to include premium collections and borrowing authority), investing activities and arrangement duration of our insurance programs as well as our premium pricing policies, the nature and magnitude of our estimates, the total amount of insurance coverage provided through the end of the reporting period and any events that could have a material effect on the recorded liability. Information concerning the NCUSIF's premium pricing policies and premiums collections can be found under the Accounts Receivable header herein. The NCUSIF's investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities) and its investing activities are described in Notes 2 and 3. The nature and terms of the NCUSIF's borrowing authority is addressed in Note 10. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 12. The remaining information required to be disclosed is discussed further in Note 7.

Consistent with the presentation in prior reporting periods, SFFAS No. 51 also requires a roll-forward of the Insurance and Guarantee Program Liabilities balance from the prior year to the current period. The NCUA has adopted the revised titles for each component of the roll-forward as applicable, except for the term “Claim expenses”, which will remain “Reserve expense”. Though the titles represent the exact same activity, the NCUA has elected to retain the prior presentation of “Reserve expense” in an effort to: 1) maintain clarity for the users of the financial statements; and 2) ensure comparability between the Statements of Net Cost and Note 7.

The NCUSIF records a liability for probable losses relating to insured credit unions and the NGNs. The year-end liability for insurance losses is comprised of general and specific reserves. The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates while the specific reserve is based on analyses performed on credit unions where failure is probable and additional information is available to make a reasonable estimate of losses.

Liabilities for loss contingencies on the NGNs arise from claims, assessments, litigation, fines and penalties, and other sources. These loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Other Liabilities - Capital Lease Liability

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, and SFFAS No. 6, the NCUSIF records a depreciable asset and liability for all capital leases at the present value of the rental and other minimum lease payments during the lease term.

Net Position and Contributed Capital

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandates that the amount of each insured credit union’s deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union’s insured shares: (i) annually, in the case of an insured credit union with total assets of less than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. The NCUSIF reports the capitalization deposits from insured credit unions as contributed capital. This amount is included in the NCUSIF’s Balance Sheets and Statements of Changes in Net Position.

The CUMAA mandates that distributions to insured credit unions be determined from specific ratios, which are based in part upon year-end data. Distributions associated with insured shares at year-end are declared and paid in the subsequent year. The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue, which primarily consists of premium assessments, guarantee fee income, and interest revenue, is used to recover the losses of the credit union system.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs.

Premium Assessments from Insured Credit Unions
The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares.

Non-Exchange Revenue
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. The NCUSIF recognizes non-exchange revenue as described below.

Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. This amount is recognized as non-exchange revenue when invoiced. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the NCUSIF recognizes interest revenue on investments in U.S. Treasury securities as non-exchange revenue because the main source of funds for investments comes from capital deposits. The related unrealized holding gains and losses on investments in U.S. Treasury securities are excluded from net costs and reported as a component of non-exchange revenue.

Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Disclosure Entities

SFFAS No. 47, *Reporting Entity*, requires that our financial statements reflect the balances and activities of the fund and any other reporting entities under NCUSIF control. Entities that are owned and/or controlled by the NCUA as a result of a regulatory action are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent. Pursuant to SFFAS No. 47, the NCUA identifies receiverships and conservatorships as disclosure entities.

Receiverships
An AME is a receivership-type entity that is established to oversee assets and other property acquired from a failed credit union. AMAC conducts liquidations and oversees the management and recovery of assets for failed credit unions. The NCUA has two types of AMEs: 1) NPCUs from the resolution of failed natural-person credit unions, and 2) Corporate AMEs from the resolution of failed corporate credit unions. These activities are considered fiduciary activities in accordance with SFFAS No. 31 and are disclosed under Note 13.

Conservatorships

The NCUA may place a credit union into conservatorship in order to resolve operational problems that could affect that credit union's safety and soundness. Conservatorship means the NCUA has taken control of the credit union. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the NCUSIF. For federally chartered credit unions, the NCUA takes this action on its own; in the case of a state-chartered credit union, the state supervisory authority initiates the conservatorship and, in many cases, appoints the NCUA as agent for the conservator. Conservatorships can have three outcomes: 1) the credit union can resolve its operational problems and be returned to member ownership; 2) the credit union can merge with another credit union; or 3) the NCUA can liquidate the credit union. As of December 31, 2021, the NCUA has placed five credit unions under conservatorship. The NCUA lists credit unions currently under conservatorship on its website.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2021 and 2020 consisted of the following (in thousands):

	2021	2020
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 19,677,064	$ 17,305,571
Obligated Balance Not Yet Disbursed	40,748	26,012
Non-Budgetary Investment Accounts	(19,528,367)	(17,242,317)
Non-Budgetary FBWT Accounts	(102,390)	(84,484)
Total	$ 87,055	$ 4,782

As a revolving fund, the FBWT account is used for continuing business-like activities. The NCUSIF collects capitalization deposits, guarantee fees, AME recoveries and premiums, which may be invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and guarantee payments, and are also used for merger assistance, liquidations, and other administrative expenses. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-Budgetary FBWT Accounts may consist of budgetary receivables, borrowing authority, and non-expenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities. Should the overnight account exceed NCUSIF policy limits, the NCUSIF will invest the additional funds in market-based U.S. Treasury securities according to the Fund's investment policy guidelines.

As of December 31, 2021 and 2020, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF's general ledger.

3. INVESTMENTS

The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.

As of December 31, 2021 and 2020, the carrying amount, gross unrealized holding gains/losses, and fair value of U.S. Treasury securities were as follows (in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain/(Loss)	Carrying/Fair Value
As of December 31, 2021:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,222,975	$ (200,424)	$ 102,390	$ 19,249,684	$ (25,418)	$ 19,997,133
Held to Maturity	316,777	–	–	316,777	–	316,777
Total	$ 20,539,752	$ (200,424)	$ 102,390	$ 19,566,461	$ (25,418)	$ 20,313,910
As of December 31, 2020:						
U.S. Treasury Securities						
Available-for-Sale	$ 16,545,061	$ (115,467)	$ 84,484	$ 15,949,684	$ 511,077	$ 16,940,671
Held to Maturity	1,336,040	–	–	1,336,040	–	1,336,040
Total	$ 17,881,101	$ (115,467)	$ 84,484	$ 17,285,724	$ 511,077	$ 18,276,711

Maturities of U.S. Treasury securities as of December 31, 2021 and 2020 were as follows (in thousands):

	2021 Fair Value	2020 Fair Value
Held to Maturity (Overnights)	$ 316,777	$ 1,336,040
Available-for-Sale:		
Due in one year or less	2,466,653	1,870,156
Due after one year through five years	11,524,479	9,952,398
Due after five years through ten years	6,006,001	5,118,117
Total	$ 20,313,910	$ 18,276,711

For the years ended December 31, 2021 and 2020, there were no realized gains or losses from sales of U.S. Treasury securities.

The following table includes gross unrealized losses on investment securities, for which an OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2021 and 2020 (in thousands):

	Losses Less than 12 months		Losses 12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2021:						
Available-for-Sale:						
U.S. Treasury Securities	$ (128,886)	$ 8,323,726	$ (68,418)	$ 1,616,110	$ (197,304)	$ 9,939,836
As of December 31, 2020:						
Available-for-Sale:						
U.S. Treasury Securities	$ (7,555)	$ 1,804,837	$ -	$ -	$ (7,555)	$ 1,804,837

4. ACCOUNTS RECEIVABLE, NET

Accounts Receivable with the Public

Guarantee Fee on NGNs, Net

For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs. Guarantee fees on each NGN Trust are 35 basis points per year, payable monthly, on the outstanding balance of the NGNs. As of December 31, 2021 and 2020, accounts receivable from guarantee fee on NGNs, net was $0.0 and $78.8 thousand, respectively.

The allowance for doubtful accounts on accounts receivable with the public as of December 31, 2021 and 2020 was $0.0.

5. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of General Property, Plant and Equipment, Net as of December 31, 2021 and 2020 were as follows (in thousands):

	Cost	Accumulated Depreciation	Net Book Value
As of December 31, 2021:			
Assets under Capital Lease	$ -	$ -	$ -
Internal-Use Software	2,017	(2,017)	-
Total General Property, Plant and Equipment, Net	$ 2,017	$ (2,017)	$ -
As of December 31, 2020:			
Assets under Capital Lease	$ 176	$ (122)	$ 54
Internal-Use Software	2,017	(2,017)	-
Total General Property, Plant and Equipment, Net	$ 2,193	$ (2,139)	$ 54

6. RECEIVABLES FROM ASSET MANAGEMENT ESTATES (AMES), NET

AMEs include assets and liabilities from failed NPCU AMEs and Corporate AMEs. The components of the Receivables from AMEs, Net as of December 31, 2021 and 2020 were as follows (in thousands):

	2021			2020		
	NPCU AMEs	Corporate AMEs	Total	NPCU AMEs	Corporate AMEs	Total
Gross Receivables from AMEs	$ 1,400,946	$ 2,659,917	$ 4,060,863	$ 1,399,721	$ 3,329,220	$ 4,728,941
Allowance for Loss, beginning balance	1,393,663	2,573,462	3,967,125	1,457,205	2,536,706	3,993,911
AME Receivable Bad Debt Expense (Reduction)	(10,326)	(135,110)	(145,436)	(18,165)	36,756	18,591
Increase / (Decrease) in Allowance	16,220	–	16,220	(10,225)	–	(10,225)
Write-off of Canceled Charters	–	–	–	(35,152)	–	(35,152)
Allowance for Loss, ending balance	1,399,557	2,438,352	3,837,909	1,393,663	2,573,462	3,967,125
Receivable from AMEs, Net	$ 1,389	$ 221,565	$ 222,954	$ 6,058	$ 755,758	$ 761,816

AME Receivable Bad Debt Expense (Reduction) for the NPCU AMEs represents overall increases in expected asset recovery rates and related repayments. The Increase/(Decrease) in Allowance primarily represents the net loss (gain) on payments made during liquidation. The amounts for Write-off of Canceled Charters total the final loss or recovery recognized upon closing AMEs.

AME Receivable Bad Debt Expense (Reduction) for the Corporate AMEs takes into account the NCUA's expected recovery value of the Corporate AMEs' assets, as further discussed in Note 13.

7. INSURANCE AND GUARANTEE PROGRAM LIABILITIES

Insured Credit Unions

The NCUSIF insures member deposits held in federal and federally insured state-chartered credit unions up to $250,000 per account in the event of a credit union failure. As the regulator of credit unions, the NCUA evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. The NCUA also employs the CAMEL rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMEL system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of five critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management (CAMEL). These criteria ensure that credit union examiners assess all significant financial, operational, and management factors when evaluating a credit union's performance and risk profile. The NCUA uses this information to identify insured credit unions experiencing financial difficulty and estimate future losses on both a general and specific basis. The NCUSIF records an insurance program liability – comprised of general and specific reserves – to cover losses resulting from insured credit union failures.

The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates. The probability of failure is driven by CAMEL ratings and credit union level financial data; it also incorporates macroeconomic data such as the consumer price index and geographic housing prices. The loss rates take into account historical losses, CAMEL ratings, credit union level financial ratios and other economic measures. These variables are evaluated periodically to determine the reasonableness of the model output, which provides a range of forecasted losses between the 75 percent and 90 percent confidence level intervals.

Specific reserves are established for credit unions whose failure is probable and sufficient information is available to make a reasonable estimate of losses. The specific reserves are presented net of estimated recoveries from the disposition of assets held by failed credit unions.

The aggregate amount of reserves recognized for insured credit unions and AMEs was $162.0 million and $177.3 million as of December 31, 2021 and 2020, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	2021	2020
Beginning balance	$ 177,300	$ 116,978
Reserve expenses (reduction)	2,422	50,097
Payments to settle claims	(17,447)	(25,173)
Recoveries and other adjustments	(317)	35,398
Ending balance	$ 161,958	$ 177,300

The Insurance and Guarantee Program Liabilities at December 31, 2021 and 2020 were comprised of the following:

- Specific reserves were $6.6 million and $18.1 million, respectively.
- General reserves were $155.4 million and $159.2 million, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2021 or as of December 31, 2021. There were no guarantees outstanding during 2020 or as of December 31, 2020.

The NCUSIF may also grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if an insured credit union had a current or immediate liquidity concern and the third-party lender refused to extend credit without a guarantee. The NCUSIF would be obligated if the insured credit union failed to perform. Total line-of-credit guarantees for credit unions as of December 31, 2021 and December 31, 2020 were approximately $0.0 and $4.2 million, respectively. There were no borrowings by insured credit unions from the third-party lenders under these line-of-credit guarantees as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, the NCUSIF reserved $0.0 and $77.6 thousand, respectively, for these guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of merger assistance or purchase and assumption agreements with acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2021 and 2020.

In addition to these recognized contingent liabilities, adverse performance in the financial services industry could result in additional losses to the NCUSIF. The ultimate losses for insured credit unions will largely depend upon future economic and market conditions and could differ significantly from these estimates.

NCUA Guaranteed Notes

The NCUA, through the NCUSIF, administered the NGN Program, which was implemented when the Legacy Assets formerly held by the failed CCUs were transferred to NGN Trusts and securitized through the issuance of notes. The notes were issued as a series of floating and fixed-rate NGNs with final maturities ranging from 2017 to 2021. In June 2021, the last outstanding note matured and there are no NGN Program contingent liabilities for the NCUSIF related to the Corporate AMEs. As of December 31, 2021 and 2020, the outstanding principal balance of the NGNs was $0.0 and $431.3 million, respectively.

8. OTHER LIABILITIES

The NCUSIF leases laptops for state credit union examiners under a capital lease agreement with a non-federal vendor that ends in 2021. The capital lease liability as of December 31, 2021 and 2020 was $0.0 and $60.0 thousand, respectively.

The capital lease liability is covered by budgetary resources. The remaining balance in Other Liabilities includes payroll and other accrued liabilities, totaling $1.2 million and $1.1 million at December 31, 2021 and 2020, respectively.

9. TRANSACTIONS WITH THE NCUA OPERATING FUND

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor derived from a study of actual usage. In 2021 and 2020, the allocation to the NCUSIF was 62.3% and 61.3% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled $194.2 million and $183.6 million for the years ended December 31, 2021 and 2020, respectively, is reflected as an expense in the Statements of Net Cost. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

Administrative Services Reimbursed to the NCUA Operating Fund	**2021**	**2020**
Employee Salaries	$ 103,432	$ 101,308
Employee Benefits	43,302	39,703
Employee Travel	685	2,968
Rent, Communications, and Utilities	3,684	3,336
Contracted Services	33,676	27,718
Depreciation and Amortization	5,962	5,229
Administrative Costs	3,494	3,367
Total Services Provided by the NCUA Operating Fund	$ 194,235	$ 183,629

As of December 31, 2021 and 2020, amounts due to the NCUA Operating Fund for allocated expenses were $4.9 million and $3.3 million, respectively.

As of December 31, 2021 and 2020, advances and prepayments with the NCUA Operating Fund for overhead were $7.8 million and $0.0, respectively.

In 1992, the NCUSIF entered into a commitment to lend $42.0 million to the NCUA Operating Fund, pursuant to a 30 year note secured by the NCUA's Central Office in Alexandria, Virginia. In December 2020, the Operating Fund paid off the remaining note balance of $3.7 million. Interest income recognized was $0.0 and $71.3 thousand for the years ended December 31, 2021 and 2020, respectively.

10. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF has $6.0 billion in borrowing authority from the U.S. Treasury. Available borrowing authority, as of December 31, 2021 and 2020, was $6.0 billion and $6.0 billion, respectively.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority. The CARES Act temporarily increased borrowing authority from 12 times to 16 times the subscribed capital stock and surplus and amended the CLF membership provision to provide greater flexibility to corporate credit unions and natural-person credit unions. These amendments only apply during the period when the CARES Act is in effect, from March 27, 2020 through December 31, 2021. Under the CARES Act, the CLF had statutory borrowing authority of $35.7 billion and $33.0 billion as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $30.0 billion and $25.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2022. The NCUSIF did not exercise its borrowing authority in 2021 or 2020.

11. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2021 and 2020. Activity impacting budget totals of the overall federal government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2021 and 2020, the NCUSIF's resources in budgetary accounts were $21.6 billion and $19.3 billion, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

The NCUSIF has $31.4 million and $17.3 million in unpaid undelivered orders, and $9.0 million and $1.0 million in paid undelivered orders, as of December 31, 2021 and 2020, respectively. Refer to Note 9 for more information on transactions with the NCUA Operating Fund. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2021 and 2020 are as follows (in thousands):

	2021		2020	
Undelivered Orders	**Paid**	**Unpaid**	**Paid**	**Unpaid**
Federal	$ 7,760	$ 29,803	$ –	$ 15,947
Nonfederal	1,279	1,548	1,018	1,395
Total Undelivered Orders	$ 9,039	$ 31,351	$ 1,018	$ 17,342

Budgetary resources listed on the NCUSIF's financial statements and the budgetary resources found in the budget of the federal government differ because the NCUSIF's annual financial statements are prepared as of December 31, on a calendar year, rather than as of September 30, the federal government's fiscal year end.

12. CONTRIBUTED CAPITAL

As of December 31, 2021 and 2020, contributed capital owed to the NCUSIF totaled $0.0. Contributed capital due to insured credit unions was $0.0 as of December 31, 2021 and 2020.

On December 16, 2021, the Board set the NOL at 1.33%, which is five basis points lower than the previous NOL of 1.38% set on December 17, 2020.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio is 1.26% as of December 31, 2021. This equity ratio is based on insured shares of $1.6 trillion as of December 31, 2021, and is below the normal operating level of 1.33%.

As of December 31, 2020, the NCUSIF equity ratio of 1.26% was below the normal operating level of 1.38%. Therefore, the NCUSIF did not estimate or record a distribution in 2021. Total contributed capital as of December 31, 2021 and 2020 was $15.8 billion and $13.8 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2021 and 2020 was 1.24% and 1.23%, based on total insured shares as of December 31, 2021 and 2020 of $1.6 trillion and $1.5 trillion, respectively. The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF and contingent liabilities for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

13. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2021 and 2020 (in thousands):

Schedule of Fiduciary Activity	2021	2020
Fiduciary Net Liabilities, beginning of year	$ (1,415,663)	$ (1,463,387)
Net Realized Losses upon Liquidation	(4,781)	(1,614)
Revenues		
Interest on Loans	209	8,818
Other Fiduciary Revenues	2,425	91
Expenses		
Professional & Outside Services Expenses	(2,069)	(10,941)
Compensation and Benefits	(345)	(361)
Other Expenses	(626)	(303)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain on Loans	391	44,784
Net Gain / (Loss) on Real Estate Owned	(13)	1,445
Other, Net (Loss)	12,148	(29,347)
(Increase) / Decrease in Fiduciary Net Liabilities	7,339	12,572
Write-off of Fiduciary Liabilities for Canceled Charters	–	35,152
Fiduciary Net Liabilities, end of year	**$ (1,408,324)**	**$ (1,415,663)**

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates and the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities. Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2021 and 2020 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	2021	2020
Fiduciary Assets		
Loans	$ 6,015	$ 7,620
Real Estate Owned	-	897
Other Fiduciary Assets	1,907	(432)
Total Fiduciary Assets	7,922	8,085
Fiduciary Liabilities		
Insured Shares	1,732	223
Accrued Liquidation Expenses	9,887	14,807
Unsecured Claims	3,188	7,403
Uninsured Shares	493	1,594
Due to the NCUSIF (Note 6)	1,400,946	1,399,721
Total Fiduciary Liabilities	1,416,246	1,423,748
Total Fiduciary Net Assets / (Liabilities)	**$ (1,408,324)**	**$ (1,415,663)**

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2021 and 2020, gross receivables related to criminal restitution orders were $251.4 million and $251.9 million, of which we determined $17.6 thousand and $6.1 thousand were collectible, respectively.

(b) Corporate AMEs

Following are the Schedules of Fiduciary Activity for the periods ended December 31, 2021 and 2020 (in thousands):

Schedule of Fiduciary Activity	For the Year Ended December 31, 2021			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2020	$ 247,934	$ –	$ –	$ 247,934
Revenues				
Income from AMEs on Re-Securitized Assets	–	(6,511)	6,511	–
Income from Investment Securities	(22,655)	–	–	(22,655)
Settlements and Legal Claims	(80,707)	–	–	(80,707)
Other Fiduciary Revenues	(6,414)	–	–	(6,414)
Expenses				
Professional and Outside Services Expenses	18,573	–	–	18,573
Interest Expense on Borrowings and NGNs	3,037	5,886	–	8,923
Payments to NGN Trusts	6,511	–	(6,511)	–
Guarantee Fees	–	625	–	625
Other Expenses	550	–	–	550
Net Change in Recovery Value of Assets and Liabilities	1,056,685	–	–	1,056,685
Increase in Fiduciary Net Liabilities	975,580	–	–	975,580
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ –	$ –	$ 1,223,514

Schedule of Fiduciary Activity	For the Year Ended December 31, 2020			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2019	$ 67,621	$ –	$ –	$ 67,621
Revenues				
Interest on Loans	–	–	–	–
Income from AMEs on Re-Securitized Assets	–	(43,715)	43,715	–
Income from Investment Securities	(79,515)	–	–	(79,515)
Settlements and Legal Claims	(12,811)	–	–	(12,811)
Other Fiduciary Revenues	(8,255)	–	–	(8,255)
Expenses				
Professional and Outside Services Expenses	12,087	–	–	12,087
Interest Expense on Borrowings and NGNs	2,205	35,799	–	38,004
Payments to NGN Trusts	43,715	–	(43,715)	–
Guarantee Fees	–	7,916	–	7,916
Other Expenses	647	–	–	647
Net Change in Recovery Value of Assets and Liabilities	222,240	–	–	222,240
Increase in Fiduciary Net Liabilities	180,313	–	–	180,313
Fiduciary Net Liabilities, December 31, 2020	$ 247,934	$ –	$ –	$ 247,934

For the year ended December 31, 2021, the Corporate AMEs' Fiduciary Net Liabilities increased by $975.6 million mainly due to interim capital distributions to capital account holders, partially offset by gains on security sales and legal settlements. This increase represents a loss to the AME claimants.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs, including interest expense on borrowings and the NGNs.

Following are the Schedules of Fiduciary Net Assets/Liabilities as of December 31, 2021 and 2020 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	As of December 31, 2021			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Assets				
Cash and Cash Equivalents	$ 608,416	$ –	$ –	$ 608,416
Legacy Assets	861,823	–	–	861,823
Legacy Assets/Investments Collateralizing the NGNs	–	–	–	–
Loans	–	–	–	–
Receivables from AMEs	–	–	–	–
Other Fiduciary Assets	19	–	–	19
Total Fiduciary Assets	1,470,258	–	–	1,470,258
Fiduciary Liabilities				
Accrued Expenses	33,812	–	–	33,812
NGNs	–	–	–	–
Due to NGN Trusts	–	–	–	–
Unsecured Claims and Payables	43	–	–	43
Due to the NCUSIF (Note 6)	2,659,917	–	–	2,659,917
Total Fiduciary Liabilities	2,693,772	–	–	2,693,772
Total Fiduciary Net Assets / (Liabilities)	$ (1,223,514)	$ –	$ –	$ (1,223,514)

Schedule of Fiduciary Net Assets/Liabilities	As of December 31, 2020			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Assets				
Cash and Cash Equivalents	$ 362,918	$ 25,501	$ –	$ 388,419
Legacy Assets	2,438,258	–	–	2,438,258
Legacy Assets/Investments Collateralizing the NGNs	422,915	292,288	–	715,203
Loans	–	–	–	–
Receivables from AMEs	4	114,236	(114,236)	4
Other Fiduciary Assets	–	–	–	–
Total Fiduciary Assets	3,224,095	432,025	(114,236)	3,541,884
Fiduciary Liabilities				
Accrued Expenses	28,468	751	–	29,219
NGNs	–	431,274	–	431,274
Due to NGN Trusts	114,236	–	(114,236)	–
Unsecured Claims and Payables	105	–	–	105
Due to the NCUSIF (Note 6)	3,329,220	–	–	3,329,220
Total Fiduciary Liabilities	3,472,029	432,025	(114,236)	3,789,818
Total Fiduciary Net Assets / (Liabilities)	$ (247,934)	$ –	$ –	$ (247,934)

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the Corporate AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the Corporate AMEs outstanding at December 31, 2021 and 2020. Certain claims against the Corporate AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein. During 2021, the remaining two NGN Trusts matured. During 2020, seven NGN Trusts matured on their legal matured dates.

14. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The Reconciliation of Net Cost of Operations to Net Outlays for 2021 and 2020 is shown below (in thousands):

	2021		
Reconciliation of Net Cost of Operations to Net Outlays	**Intra-governmental**	**With the public**	**Total**
Net Cost of / (Income from) Operations	$ 194,235	$ (141,983)	$ 52,252
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	–	(2,422)	(2,422)
AME Receivable Bad Debt Expense (Reduction)	–	145,436	145,436
Depreciation Expense	–	(54)	(54)
Increase / (decrease) in assets:			
Accounts Receivable	–	(79)	(79)
Other Assets	7,760	261	8,021
(Increase) / decrease in liabilities:			
Accounts Payable	(1,656)	952	(704)
Other Liabilities	–	(27)	(27)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	6,104	144,067	150,171
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	–	(668,078)	(668,078)
Interest Revenue - Investments	(218,875)	–	(218,875)
Change in Contributed Capital	–	(1,972,983)	(1,972,983)
Other Adjustments that do not affect Net Cost of Operations	287,645	1,546	289,191
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	68,770	(2,639,515)	(2,570,745)
Net Outlays	$ 269,109	$ (2,637,431)	$ (2,368,322)

	2020		
Reconciliation of Net Cost of Operations to Net Outlays	**Intra-governmental**	**With the public**	**Total**
Net Cost of / (Income from) Operations	$ 183,558	$ 55,582	$ 239,140
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	–	(50,097)	(50,097)
AME Receivable Bad Debt Expense (Reduction)	–	(18,591)	(18,591)
Depreciation Expense	–	(59)	(59)
Increase / (decrease) in assets:			
Accounts Receivable	–	(696)	(696)
Other Assets	–	(2)	(2)
(Increase) / decrease in liabilities:			
Accounts Payable	(954)	(3,888)	(4,842)
Other Liabilities	–	659	659
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(954)	(72,674)	(73,628)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivable from AMEs	–	159,955	159,955
Interest Revenue - Investments	(264,153)	–	(264,153)
Change in Contributed Capital	–	(1,843,287)	(1,843,287)
Other Adjustments that do not affect Net Cost of Operations	338,269	–	338,269
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	74,116	(1,683,332)	(1,609,216)
Net Outlays	$ 256,720	$ (1,700,424)	$ (1,443,704)

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 15, 2022, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2021.

Financials

National Credit Union Administration Operating Fund

Financial Statements as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Operating Fund (the Fund), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statement of revenues, expenses, and other changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund as of December 31, 2021 and 2020, and its revenues, expenses, changes in fund balance, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2021, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended December 31, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 15, 2022

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
As of December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents (Note 3)	$ 129,615	$ 111,387
Due from National Credit Union Share Insurance Fund (Note 7)	4,918	3,262
Employee advances	5	16
Other accounts receivable, Net (Note 7)	299	315
Prepaid expenses and other assets (Note 4)	3,891	4,034
Fixed assets - Net of accumulated depreciation of $40,154 and $38,720 as of December 31, 2021 and December 31, 2020, respectively (Note 5)	29,767	28,344
Intangible assets - Net of accumulated amortization of $29,782 and $24,059 as of December 31, 2021 and December 31, 2020, respectively (Note 6)	31,160	34,658
TOTAL ASSETS	$ 199,655	$ 182,016
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued other liabilities	$ 17,300	$ 8,089
Obligations under capital leases (Note 8)	26	89
Accrued wages and benefits	12,344	10,589
Accrued FECA and unemployment benefits	175	154
Accrued actuarial FECA benefits	3,999	4,381
Accrued annual leave	22,149	22,338
Accrued employee travel	93	82
TOTAL LIABILITIES	56,086	45,722
COMMITMENTS AND CONTINGENCIES (Notes 8, 11, 12 and 13)		
FUND BALANCE	143,569	136,294
TOTAL LIABILITIES AND FUND BALANCE	$ 199,655	$ 182,016

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
REVENUES		
Operating fees	$ 124,252	$ 145,589
Interest	57	354
Other	480	517
Total Revenues	124,789	146,460
EXPENSES, NET (Notes 7 and 8)		
Employee wages and benefits	88,578	89,023
Travel	421	1,874
Rent, communications, and utilities	2,249	2,106
Contracted services	20,643	17,499
Depreciation and amortization	3,641	3,081
Administrative	1,982	2,534
Total Expenses, Net	117,514	116,117
EXCESS OF REVENUES OVER EXPENSES	7,275	30,343
FUND BALANCE—Beginning of year	136,294	105,951
FUND BALANCE—End of year	$ 143,569	$ 136,294

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over / (under) expenses	$ 7,275	$ 30,343
Adjustments to reconcile excess of revenues over / (under) expenses to net cash provided by operating activities:		
Depreciation and amortization	9,602	8,311
Provision for (gain) loss on disposal of assets held for sale	–	(11)
(Gain) loss on fixed and intangible asset retirements	–	220
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	(1,656)	(953)
Employee advances	11	(9)
Other accounts receivable, net	16	46
Prepaid expenses and other assets	143	(20)
(Decrease) increase in liabilities:		
Accounts payable	9,211	(1,213)
Accrued wages and benefits	1,755	563
Accrued FECA and unemployment benefits	21	(15)
Accrued actuarial FECA benefits	(382)	105
Accrued annual leave	(189)	3,393
Accrued employee travel	11	(626)
Net Cash Provided by Operating Activities	25,818	40,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed and intangible assets	(7,527)	(17,458)
Proceeds from sale of assets held for sale	–	434
Net Cash Used in Investing Activities	(7,527)	(17,024)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of note payable to National Credit Union Share Insurance Fund	–	(5,028)
Principal payments under capital lease obligations	(63)	(1,187)
Net Cash Used in Financing Activities	(63)	(6,215)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,228	16,895
CASH AND CASH EQUIVALENTS—Beginning of year	111,387	94,492
CASH AND CASH EQUIVALENTS—End of year	$ 129,615	$ 111,387
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Acquisition of equipment under capital lease	$ –	$ 83
CASH PAYMENTS FOR INTEREST	$ –	$ 71

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION

OPERATING FUND
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the "Fund") was created by the Federal Credit Union Act of 1934 (Public Law 73-467, as amended). The Fund is a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board providing administration and service to the federal credit union system.

A significant majority of the Fund's revenue is comprised of operating fees paid by federal credit unions. Each federal credit union is required to pay this fee based on the Operating Fee Schedule approved by the NCUA Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Fund prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of federal entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for federal entities that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The Fund maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. In addition, the Fund records investment transactions when they are executed and recognizes interest on investments when it is earned.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent liabilities at the date of the financial statements; and
- the reported amounts of revenues and expenses incurred during the reporting period.

Significant items subject to those estimates and assumptions include: (i) the determination of the FECA actuarial liability; (ii) certain intangible asset values; (iii) determination of the accounts payable accrual; and (iv) if there is any determination of a long-lived asset impairment, the related measurement of the impairment charges.

Related Party Transactions – The Fund exists within the NCUA and is one of four funds managed by the NCUA Board during 2021 and 2020. The other funds managed by the Board, deemed related parties, are:

a) The National Credit Union Share Insurance Fund (NCUSIF),
b) The National Credit Union Administration Central Liquidity Facility (CLF), and
c) The National Credit Union Administration Community Development Revolving Loan Fund (CDRLF).

The Fund supports these related parties by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the NCUSIF and the CLF while support of the CDRLF is not reimbursed. Expenses included on the Statement of Revenues, Expenses, and Changes in Fund Balance are shown net of reimbursements from related parties.

Additional related parties are described in Note 7.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act permits the Fund to invest in United States Treasury securities. All investments in 2021 and 2020 are cash equivalents and are stated at cost, which approximates fair value.

Prepaid Expenses and Other Assets – Prepaid expenses and other assets include advanced payments for goods and services to be received in the future and prepaid implementation costs incurred in service contracts. A service contract is a hosting arrangement that does not include a software license. Implementation costs incurred in the service contract during application development are recorded as prepaid expenses and amortized on a straight-line basis over the term of the hosting arrangement.

Additional information for prepaid expenses and other assets is in Note 4.

Fixed and Intangible Assets – Buildings, furniture, equipment, software, and leasehold improvements are recorded at cost. Software includes the cost of labor incurred by both external and internal software developers and other personnel involved in the development of the software. Capital leases are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of buildings, furniture, equipment, and software, and the shorter of either the estimated useful life or lease term for leasehold improvements and capital leases. The schedule below shows a summary of the capitalization thresholds and useful lives used by the NCUA.

Type of Asset	Capitalization Threshold	Useful Life
Buildings	$100,000	40 years
Building Improvements	$25,000	2-40 years
Furniture and Fixtures	$15,000	7 years

Type of Asset	Capitalization Threshold	Useful Life
Equipment (IT and Telecommunication)	$15,000	3 years
Commercial Software	$15,000	3 years
Internal-Use Software (IUS)	$100,000 or 1,000 hours	3 years
Additions/Improvements to IUS	$50,000	≤ 3 years
Bulk Purchases	$100,000	2-3 years
Leasehold Improvements	$15,000	Life of the lease
Hosting Arrangement with Software License	$15,000	3 years

Additional information on fixed and intangible assets is in Note 5 and Note 6, respectively.

Long-lived Assets/Impairments – Fixed and intangible assets, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset or asset group is not recoverable, an impairment loss is recognized, and the asset is reported at the lower of carrying amount or fair value less the cost to sell. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as needed.

Service contracts are measured for impairment when events or changes in circumstances occur and there are indications that the carrying amount of the related implementation costs may not be recoverable. If the implementation costs are not recoverable, a write-off of prepaid expenses is recorded.

Accounts Receivable – Receivables include amounts due from the NCUSIF, employee advances, and other accounts receivable, net.

Accounts Payable and Accrued Other Liabilities – The Fund incurs administrative expenses and liabilities for programs pertaining to related parties that are controlled by the NCUA Board. Accruals are made as expenses are incurred. Accrued other liabilities include contingent liabilities, as described in Note 11.

Accrued Benefits – The Fund incurs expenses for retirement plans, employment taxes, transportation subsidies, and other benefits mandated by law. Corresponding liabilities recorded contain both short-term and long-term liabilities. Additional information for retirement plans is described in Note 9.

Federal Employees' Compensation Act (FECA) – FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the NCUA for these paid claims. The NCUA accrues a liability to recognize those payments and the NCUA subsequently reimburses DOL annually. The Fund records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the agency for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

Operating Fees – Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The fee is designed to cover the costs of providing administration and service to the federal credit union system. The Fund recognizes this operating fee revenue ratably over the calendar year.

Revenue Recognition – Interest revenue and other revenue relating to sales of publications, parking income, and rental income is recognized when earned.

Leases – Operating leases are entered into for the acquisition of office space and equipment as part of administering the NCUA's program. The cost of operating leases is recognized on the straight-line method over the life of the lease and includes any reductions resulting from incentives such as rent holidays, if applicable. The same method is used to recognize income from operating leases. The Fund also has capital leases which are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset.

Fair Value Measurements – Cash and cash equivalents, due from NCUSIF, employee advances, other accounts receivable, net, and obligations under capital leases are recorded at book value, which approximates estimated fair value.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Adopted Accounting Standards – In August 2018, the FASB issued ASU 2018-15—Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. ASU 2018-15 was issued to clarify the requirements of ASC 350-40—Intangibles—Goodwill and Other—Internal-Use Software. The ASU is effective for annual reporting periods beginning after December 15, 2020 with early adoption permitted and can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

The NCUA adopted ASU 2018-15 as of January 1, 2021 on a prospective basis. In connection with the adoption of the standard, the NCUA made necessary changes to relevant policies and processes. Refer to Note 4 for disclosures associated with the adoption.

3. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as of December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Deposits with U.S. Treasury	$ 19,137	$ 10,001
U.S. Treasury Overnight Investments	110,478	101,386
Total	$ 129,615	$ 111,387

4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets of $3.9 million include $3.2 million of advanced payments for goods and services and $695.6 thousand of prepaid implementation costs incurred in service contracts.

Prepaid implementation costs are comprised of the following as of December 31, 2021 (in thousands):

	2021
Prepaid implementation costs	$ 1,298
Less accumulated amortization	(602)
Net Total	$ 696

The majority of these service contracts are part of the NCUA's IT modernization efforts. These prepaid implementation costs are project costs for migration and configuration of the software application to be compatible with the NCUA's technical platform and security requirements. Amortization begins when the software is ready for its intended use. Amortization expenses for the year ended December 31, 2021 totaled $602.3 thousand.

5. FIXED ASSETS

Fixed assets are comprised of the following as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Office building and land	$ 59,100	$ 58,704
Furniture and equipment	6,589	5,210
Leasehold improvements	107	513
Equipment under capital leases	319	1,972
Total assets in-use	66,115	66,399
Less accumulated depreciation	(40,154)	(38,720)
Assets in-use, net	25,961	27,679
Construction in progress	3,806	665
Fixed assets, net	$ 29,767	$ 28,344

Depreciation expense for the years ended December 31, 2021 and 2020 totaled $3.9 million and $4.3 million, respectively, before allocation to the NCUSIF as described in Note 7. Construction in progress includes costs associated with improvements for the NCUA headquarters that increase the future service potential of the building beyond the existing level of service.

6. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Internal-use software	$ 60,072	$ 56,443
Less accumulated amortization	(29,782)	(24,059)
Total internal-use software, net	30,290	32,384
Internal-use software under development	870	2,274
Intangible assets, net	$ 31,160	$ 34,658

Internal-use software represents costs incurred from the customization of software purchased from external vendors for internal use as well as the cost of software that is developed in-house. In 2021, approximately $3.6 million in new capitalized internal-use software was implemented to ensure compliance with new technical and security requirements. Amortization begins on the date the software is placed in service. Amortization expense for the years ended December 31, 2021 and 2020 totaled $5.7 million and $4.0 million, respectively, before allocation to the NCUSIF as described in Note 7. Internal-use software under development represents software not ready for its intended use.

7. RELATED PARTY TRANSACTIONS

(a) Transactions with the NCUSIF

Certain administrative services are provided by the Fund to the NCUSIF. These services include paying personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. The Fund charges the NCUSIF for these services based upon an annual Board approved allocation factor derived from a study of actual usage. In 2021 and 2020, the allocation to the NCUSIF was 62.3% and 61.3% of all expenses, respectively. The cost of the services allocated to the NCUSIF totaled $194.2 million and $183.6 million for 2021 and 2020, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2021 and 2020, amounts due from the NCUSIF totaled $4.9 million and $3.3 million, respectively. As of December 31, 2021 and 2020, the liability for advances and prepayments from the NCUSIF for overhead was $7.8 million and $0.0, respectively.

(b) Transactions with the CLF

Administrative services are provided by the Fund to the CLF. The Fund pays CLF employee salaries and related benefits as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total employees with settlement and payment occurring quarterly. The CLF's remaining reimbursement expenses are paid annually. The costs of the services provided to the CLF were $918.9 thousand and $857.5 thousand for the years ended December 31, 2021 and 2020, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. Other accounts receivable, net includes $243.4 thousand and $242.6 thousand due from the CLF as of December 31, 2021 and 2020, respectively.

(c) Support of the CDRLF

The Fund supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. For the years ended December 31, 2021 and 2020, unreimbursed administrative support to the CDRLF is $899.4 thousand and $816.7 thousand, respectively.

(d) Federal Financial Institutions Examination Council (FFIEC)

The FFIEC was established on March 10, 1979, as a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the constituent agencies, and to make recommendations to promote uniformity in the supervision of financial institutions. By statute, the Chairman of the NCUA is one of six voting Council Members.

The NCUA is one of the five federal agencies that fund the FFIEC's operations. The FFIEC provides training to staff employed by Member agencies; the Member agencies are charged for these trainings based on use. A portion of the NCUA's contributions to the FFIEC cover costs associated with cross-agency data collection applications, including applications related to the Home Mortgage Disclosure Act. For the years ended December 31, 2021 and 2020, FFIEC assessments totaled $1.2 million and $1.0 million, respectively. In addition, the NCUA received refunds of $20.1 thousand and $146.7 thousand in 2021 and 2020, respectively, due to lower than anticipated costs related to prior year payments. The NCUA's 2022 budgeted assessments from FFIEC total $1.5 million.

8. LEASE COMMITMENTS

Description of Leasing Agreements – The Fund has entered into lease agreements with vendors for the rental of office space and office equipment, which includes copiers, laptops, and mail equipment.

Operating Leases – The Fund leases a portion of the NCUA's regional office space under lease agreements that will continue through 2023. Office rental charges amounted to approximately $414.9 thousand and $896.0 thousand for 2021 and 2020, respectively.

Capital Leases – The Fund leases copiers, laptops, and mail equipment under lease agreements that continue through 2024.

The future minimum lease payments over the next three years as of December 31, 2021, before reimbursements, are as follows (in thousands):

Years Ended December 31	Operating Leases	Capital Leases
2022	$ 427	$ 15
2023	326	9
2024	–	4
Total Future Lease Payments	753	28
Less: Imputed Interest	-	(2)
Net Lease Liability	$ 753	$ 26

9. RETIREMENT PLANS

Eligible employees of the Fund are covered by federal Government retirement plans—either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both plans include components that are defined benefit plans. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and the Thrift Savings Plan. Contributions to the plans are based on a percentage of an employee's gross pay. Under the Thrift Savings Plan, employees may also elect additional contributions, the total of which were not to exceed $19,500 ($26,000 for age 50 and above) in 2021, the contribution limits remained unchanged from 2020. In addition, the Fund matches up to 5% of the employee's gross pay.

As of December 31, 2021 and 2020, the Fund's contributions to the plans were approximately $35.2 million and $32.3 million, respectively.

These defined benefit plans are administered by the U.S. Office of Personnel Management (OPM), which determines the required employer contribution level. The Fund does not account for the assets pertaining to the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by OPM and are not allocated to individual employers.

The Fund established a voluntary defined contribution 401(k) Plan (NCUA Savings Plan), effective January 1, 2012. The NCUA Collective Bargaining Agreement (CBA) sets the rates of contribution required by the Fund. The current agreement that became effective on July 7, 2015 is in effect for five years from its effective date and shall renew automatically for additional one year terms unless otherwise renegotiated by the parties. The Fund will maintain a voluntary 401(k) plan and will contribute, with no employee matching contribution, 3.0% of the employee's compensation as defined in Article 9 Compensation and Benefits of the CBA. The Fund matched an employee's voluntary contribution up to a maximum of 2.0% of the employee's total pay for 2021 and 2020. The Fund's match of 2.0% remains in effect for the duration of the CBA. The NCUA's contributions as of December 31, 2021 and 2020 were $7.6 million and $7.3 million, respectively. The gross operating expenses associated with the NCUA Savings Plan in 2021 and 2020 were $68.4 thousand and $82.9 thousand, respectively.

10. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund has no financial instruments that are subject to fair value measurement on a recurring basis.

The following table presents the carrying values and established fair values of the Fund's financial instruments as of December 31, 2021 and 2020 (in thousands):

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 129,615	$ 129,615	$ 111,387	$ 111,387
Due from NCUSIF	4,918	4,918	3,262	3,262
Employee advances	5	5	16	16
Other accounts receivable, net	299	299	315	315
Obligations under capital leases	26	26	89	89

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amount for cash and cash equivalents approximates fair value as the short-term nature of these instruments do not lead to significant fluctuations in value. Cash equivalents are U.S. Treasury overnight investments.

Due from NCUSIF – The carrying amount for due from NCUSIF approximates fair value as the amount is scheduled to be paid within the first quarter of 2022.

Employee advances – The carrying amount for receivables from employees approximates fair value as the amount is scheduled to be paid in 2022.

Other accounts receivable, net – The carrying amount for other accounts receivable approximates fair value as the original gross amounts together with a valuation allowance reflect the net amount that is deemed collectible. As of December 31, 2021 and 2020, the Fund's other accounts receivable, net includes an allowance in the amount of $8.9 thousand and $15.8 thousand, respectively.

Obligations under capital leases – The carrying amount for obligations under capital leases approximates fair value because the underlying interest rate approximates rates currently available to the Fund.

11. CONTINGENCIES

The NCUA recognizes contingent liabilities when a past event or transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is estimable. The NCUA is party to various routine administrative proceedings, legal actions, and claims brought against it, which have or may ultimately result in settlements or decisions against the agency.

As of December 31, 2021, the NCUA has one asserted and pending legal claim with a reasonably possible likelihood of loss and estimated range of loss from $100.0 thousand to $250.0 thousand. Additionally, there is one pending legal claim that has not yet specified an amount of monetary damages, but has a reasonably possible likelihood of loss. In 2021, the NCUA finalized the settlement of one legal claim. As of December 31, 2021, the NCUA has an estimated contingent liability of $46.5 thousand related to that claim.

As of December 31, 2020, the NCUA had four asserted and pending legal claims with a reasonably possible likelihood of loss and estimated range of loss from $200.0 thousand to $450.0 thousand. As of December 31, 2020, the NCUA had one probable loss from asserted and pending legal claims and recorded an estimated contingent liability of $200.0 thousand.

12. COLLECTIVE BARGAINING AGREEMENT

The NCUA has a CBA with the National Treasury Employees Union (NTEU) that became effective on July 7, 2015. NTEU is the exclusive representative of approximately 75% of the NCUA's employees.

13. RESTRUCTURING PLAN

In 2017, the NCUA Board approved a restructuring plan with the goals of greater efficiency, responsiveness, and cost-effectiveness. The plan eliminated agency offices with overlapping functions and improved functions such as examination reporting, records management and procurement. The agency completed the headquarters reorganization in 2018, while the consolidation from five to three regional offices became effective on January 7, 2019. The facilities improvements associated with the restructuring plan will be completed by 2022.

In accordance with FASB ASC 420, Exit or Disposal Cost Obligations, the NCUA estimates total restructuring costs to be $13.9 million. This estimate includes employee termination benefits of $855.0 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million. To date, $11.5 million in costs have been incurred for this plan including employee termination benefits of $882.5 thousand, relocation costs of $1.8 million, and other administrative costs of $8.8 million.

In 2021 and 2020, the NCUA did not incur any costs associated with employee termination benefits and did not pay any prior year liability. As of December 31, 2021 and 2020, the NCUA did not have any liability associated with employee termination benefits.

In 2021, the NCUA did not incur any costs associated with relocation and paid $20.6 thousand of the 2020 liability. In 2020, the NCUA reduced the estimated costs associated with relocation by $9.3 thousand and paid $105.0 thousand of the 2019 liability. As of December 31, 2021 and 2020, the NCUA had $0.1 thousand and $20.7 thousand liability associated with relocation costs, respectively.

In 2021, the NCUA did not incur any costs associated with other administrative costs and did not pay any prior year liability. In 2020, the NCUA incurred $762.0 thousand associated with other administrative costs and paid $424.9 thousand of the 2019 liability. As of December 31, 2021 and 2020, the NCUA did not have any liability associated with other administrative costs.

Incurred costs are included in the Statement of Revenues, Expenses, and Changes in Fund Balance on the following line items: Employee wages and benefits; Contracted services; and Administrative. Incurred costs associated with facilities improvements are included in the Balance Sheet as a part of Fixed assets.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 15, 2022, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2021.

Financials

National Credit Union Administration Central Liquidity Facility

Financial Statements as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Central Liquidity Facility (CLF), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility as of December 31, 2021 and 2020, and its operations, members' equity, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2021, we considered the CLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CLF's financial statements as of and for the year ended December 31, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions

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was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 15, 2022

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
As of December 31, 2021 and 2020
(Dollars in thousands, except share data)

	2021	2020
ASSETS		
Cash and Cash Equivalents (Notes 3 and 5)	$ 424,423	$ 438,138
Investments Held to Maturity (Net of $337 and $684 unamortized discount as of 2021 and 2020, respectively, fair value of $726,338 and $623,709 as of 2021 and 2020, respectively) (Notes 4 and 5)	723,876	615,706
Accrued Interest Receivable (Note 5)	781	1,015
TOTAL ASSETS	$ 1,149,080	$ 1,054,859
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts Payable (Notes 5 and 9)	$ 361	$ 346
Dividends and Interest Payable (Note 5)	419	382
Stock Redemption Payable (Note 5)	10,087	-
Member Deposits (Notes 5 and 7)	2,518	4,009
Total Liabilities	13,385	4,737
MEMBERS' EQUITY		
Capital Stock – Required ($50 per share par value authorized: 43,852,246 and 40,508,340 shares; issued and outstanding: 21,926,123 and 20,254,170 shares as of 2021 and 2020, respectively) (Note 6)	1,096,306	1,012,708
Retained Earnings	39,389	37,414
Total Members' Equity	1,135,695	1,050,122
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 1,149,080	$ 1,054,859

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
REVENUE		
Investment Income	$ 4,542	$ 5,614
Total Revenue	4,542	5,614
EXPENSES (Note 9)		
Personnel Services	533	507
Personnel Benefits	248	226
Other General and Administrative Expenses	159	149
Total Operating Expenses	940	882
Interest – Member Deposits (Note 7)	4	21
Total Expenses	944	903
NET INCOME	$ 3,598	$ 4,711

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands, except share data)

	Capital Stock			
	Shares	Amount	Retained Earnings	Total
BALANCE – December 31, 2019	5,773,856	$ 288,693	$ 34,961	$ 323,654
Issuance of Required Capital Stock	14,629,162	731,458		731,458
Redemption of Required Capital Stock	(148,848)	(7,443)		(7,443)
Dividends Declared (Notes 6 and 7)			(2,258)	(2,258)
Net Income			4,711	4,711
BALANCE – December 31, 2020	20,254,170	$ 1,012,708	$ 37,414	$ 1,050,122
Issuance of Required Capital Stock	2,348,715	117,436		117,436
Redemption of Required Capital Stock	(676,762)	(33,838)		(33,838)
Dividends Declared (Notes 6 and 7)			(1,623)	(1,623)
Net Income			3,598	3,598
BALANCE – December 31, 2021	21,926,123	$ 1,096,306	$ 39,389	$ 1,135,695

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 3,598	$ 4,711
Adjustments to Reconcile Net Income		
to Net Cash Provided by Operating Activities:		
Amortization of Investments	(387)	(512)
Interest - Member Deposits	4	21
Changes in Assets and Liabilities:		
(Increase) / Decrease in Accrued Interest Receivable	234	312
Increase / (Decrease) in Accounts Payable	15	76
Net Cash Provided by Operating Activities	3,464	4,608
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(236,960)	(783,942)
Proceeds from Maturing Investments	129,177	487,275
Net Cash Used in Investing Activities	(107,783)	(296,667)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Required Capital Stock	111,679	726,313
Redemption of Capital Stock	(20,927)	(10,134)
Withdrawal of Member Deposits	(148)	(53)
Net Cash Provided by Financing Activities	90,604	716,126
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,715)	424,067
CASH AND CASH EQUIVALENTS–Beginning of Year	438,138	14,071
CASH AND CASH EQUIVALENTS–End of Year	$ 424,423	$ 438,138

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration (NCUA) Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership Government corporation under the Government Corporation Control Act. The CLF exists within the NCUA and is managed by the NCUA Board. The CLF became operational on October 1, 1979.

The CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF accomplishes its purpose by lending funds, subject to certain statutory limitations, when a liquidity need arises.

The CLF is subject to various federal laws and regulations. The CLF's investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions.

In response to Coronavirus Disease of 2019 (COVID-19 pandemic), several temporary changes to the FCU Act and NCUA's Rules and Regulations §725 (the "CLF rule") were made by Congress and the NCUA Board, respectively, in 2020. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020 and it was set to expire on December 31, 2020. The Consolidated Appropriations Act was signed on December 27, 2020 and it extended the key provisions of the CARES Act through December 31, 2021. The NCUA Board adopted additional authorities within §725 to help implement and augment these CARES Act flexibilities.

The CARES Act temporarily amended the loan provision with less restrictive language. It granted the NCUA Board the authority for a corporate credit union to become an agent member of the CLF for a subset of their members. Also, the CARES Act temporarily increased the borrowing authority from 12 to 16 times the subscribed capital stock and surplus. See Notes 2, 6 and 8 for further information about the loans, capital stock and the CLF's borrowing authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The CLF has historically prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of Federal Government entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for those federal entities, such as the CLF, that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The CLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. As such, the CLF recognizes interest income on loans and investments when earned, and recognizes interest expense on borrowings when incurred. In addition, the CLF accrues and records dividends on capital stock monthly and pays dividends quarterly.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less.

Investments – By statute, the CLF investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions. All investments are classified as held-to-maturity under FASB Accounting Standards Codification (ASC) topic 320-10-25-1, Classification of Debt Securities, as the CLF has the intent and ability to hold these investments until maturity. Accordingly, the CLF reports investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

The CLF evaluates investment securities that are in an unrealized loss position for other-than-temporary impairment (OTTI). An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is other-than-temporary, the CLF takes into consideration whether it has the intent to sell the security.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity investment as an adjustment to yield using the effective interest method. Such amortization and accretion are included in the Investment Income line item in the Statements of Operations.

The CLF records investment transactions when they are made.

Loans and Allowance for Loan Losses – Loans, when made to members, are on a short-term or long-term basis. Loans are recorded at the amount disbursed and bear interest at the higher of the Federal Financing Bank Advance Rate or the Federal Reserve Bank Discount Window Primary Credit Rate. By regulation, Member Liquidity Needs Loans are made on a fully secured basis.

The CARES Act temporarily amended the loan provision with less restrictive language, and the Board temporarily eliminated the six-month waiting period for a new member to obtain Facility advances. The Consolidated Appropriations Act was signed on December 27, 2020 and it extended these provisions of the CARES Act through December 31, 2021. In addition, the Board has permanently changed the Regulation §725 allowing CLF to use the collateral table to calculate a security interest in the assets of the member.

The CLF does not currently charge additional fees for its lending activities. There was no lending activity in 2021 or 2020. As of December 31, 2021 and 2020, there were no allowances and no write-offs.

Borrowings – The CLF's borrowings are recorded when they are received, do not hold premiums or discounts, and are carried at cost. Repayments are recorded when they are made. The CARES Act temporarily increased the borrowing authority from 12 to 16 times the subscribed capital stock and surplus.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for the CLF.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Related Parties – The CLF exists within the NCUA and is managed by the NCUA Board. The NCUA Operating Fund (OF) provides the CLF with information technology, support services, and supplies; in addition, the NCUA OF pays the CLF's employees' salaries and benefits, as well as the CLF's portion of monthly building operating costs. The allocation formula to calculate these expenses is based on the number of full-time employees of the respective entities and the estimated amount of time the CLF employees spend performing the CLF functions.

3. CASH AND CASH EQUIVALENTS

The CLF's cash and cash equivalents as of December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
U.S. Treasury Overnight Investments	$ 413,270	$ 437,138
Deposits with U.S. Treasury	11,153	1,000
Total	$ 424,423	$ 438,138

U.S. Treasury securities had an initial term of less than three months when purchased.

4. INVESTMENTS

The carrying amount, gross unrealized holding gains, gross unrealized losses, and the fair value of held-to-maturity debt securities as of December 31, 2021 and 2020 were as follows (in thousands):

	2021	2020
Carrying Amount as of December 31	$ 723,876	$ 615,706
Gross Unrealized Holding Gains	3,307	8,212
Gross Unrealized Holding Losses	(845)	(209)
Fair Value	$ 726,338	$ 623,709

Maturities of debt securities classified as held-to-maturity were as follows:

	2021		2020	
(Dollars in thousands)	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Due in one year or less	$ 416,392	$ 417,197	$ 129,195	$ 129,906
Due after one year through five years	258,910	259,916	443,439	447,454
Due after five years through ten years	48,574	49,225	43,072	46,349
Total	$ 723,876	$ 726,338	$ 615,706	$ 623,709

The following table includes gross unrealized losses on investment securities, for which OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2021 and 2020.

	Losses Less than 12 Months		Losses More than 12 Months		Total	
(Dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2021						
U.S. Treasury Securities	$ (152)	$ 7,795	$ (693)	$ 11,276	$ (845)	$ 19,071
As of December 31, 2020						
U.S. Treasury Securities	$ (209)	$ 232,773	$ –	$ –	$ (209)	$ 232,773

5. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants by the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amounts for cash and cash equivalents approximate fair value.

Investments held-to-maturity – The CLF's investments held-to-maturity are all comprised of U.S. Treasury Securities, for which market prices can be readily obtained. The related fair value is determined using the quoted market prices at the reporting date.

Member Deposits – Funds maintained with the CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand; therefore, carrying amounts approximate the fair value.

Other – Accrued interest receivable, accounts payable, stock redemption payable, and dividends payable are recorded at book values, which approximate the respective fair values because of the short maturity of these instruments.

The following table presents the carrying amounts and established fair values of the CLF's financial instruments as of December 31, 2021 and 2020. The carrying values and approximate fair values of financial instruments are as follows:

	2021		2020	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and Cash Equivalents	$ 424,423	$ 424,423	$ 438,138	$ 438,138
Investments Held to Maturity	723,876	726,338	615,706	623,709
Accrued Interest Receivable	781	781	1,015	1,015
Accounts Payable	361	361	346	346
Dividends and Interest Payable	419	419	382	382
Stock Redemption Payable	10,087	10,087	-	-
Member Deposits	2,518	2,518	4,009	4,009

6. CAPITAL STOCK

Membership in the CLF is open to all credit unions that purchase a prescribed amount of capital stock. The CLF capital stock is non-voting and shares have a par value of $50. Prior to 2020, CLF membership was made up of regular members which are natural person credit unions. During 2020, the CARES Act provided temporary authority for a corporate credit union to become an agent member of the CLF to enhance CLF membership and lending. Temporary authorities sunset on December 31, 2021. The NCUA Board eliminated the six-month waiting period for a new member to obtain Facility advances; amended the nature of the requirement for a corporate credit union to subscribe to the capital stock of the Facility by allowing an agent's application to cover only a subset of their respective members; permitted a corporate credit union to join the CLF as a regular member so it may borrow for its own liquidity needs; and amended the waiting periods (or "notice" periods) for a credit union to terminate its membership by shortening the required timeframes. These changes were designed to enhance the ability of credit unions to join the CLF in order to obtain greater amounts of liquidity-need loans if and when the need arises. The notice period for redemption (return of paid-in capital stock) is waived between January 1, 2022 and December 31, 2022.

The capital stock account represents subscriptions remitted to the CLF by regular and agent member credit unions. Members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which is required to be remitted to the CLF. Member credit unions are required to hold the remaining one-half in assets subject to call by the NCUA Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are non-cumulative, and are declared and paid on required capital stock.

The required capital stock is redeemable upon demand by the members, subject to certain conditions as set out in the Act and NCUA regulations; however, the stock is not deemed "mandatorily redeemable" as defined in FASB ASC 480-10-25-7, *Mandatorily Redeemable Financial Instruments*; therefore, capital stock is classified in permanent equity.

The CLF's capital stock accounts were comprised of the following as of December 31, 2021 and 2020 (amounts in thousands, except share data):

	2021		2020	
	Shares	**Amounts**	**Shares**	**Amounts**
Regular Members	13,831,763	$ 691,588	11,897,951	$ 594,897
Agent Members	8,094,360	404,718	8,356,219	417,811
Total	21,926,123	$ 1,096,306	20,254,170	$ 1,012,708

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. Dividends are accrued monthly based on prior quarter-end balances and paid on the first business day after the quarter-end. The dividend rates paid on capital stock for regular and agent members change quarterly. For 2021, the dividend rate was $0.075 per share for all four quarters. For 2020, the dividend rate was $0.375 per share for the first quarter, $0.25 per share for the second quarter, $0.125 per share for the third quarter, and $0.075 per share for the fourth quarter.

7. MEMBER DEPOSITS

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

8. BORROWING AUTHORITY

The CARES Act temporarily increased borrowing authority from 12 times to 16 times the subscribed capital stock and surplus. The increase only applies during the period when the CARES Act is in effect, from March 27, 2020 through December 31, 2021, after which time the limit reverts to 12 times subscribed capital stock and surplus. As of December 31, 2021 and 2020, the CLF's statutory borrowing authority was $35.7 billion and $33.0 billion, respectively.

As described above, the borrowing authority amounts are referenced to subscribed capital stock and surplus of the CLF. The CLF borrowing arrangement is exclusively with the Federal Financing Bank (FFB). The NCUA maintains a note purchase agreement with FFB on behalf of the CLF with a current maximum principal amount of $30.0 billion. Under the terms of its agreement, the CLF borrows from FFB as needed. Under terms prescribed by the note purchase agreement, the CLF executes promissory notes in amounts as necessary, the aggregate amount of which may not exceed its statutory borrowing authority, and renews them annually. Advances made under the current promissory notes can be made no later than March 31, 2022. During 2021 and 2020, the CLF borrowed $0.0 from FFB.

9. RELATED PARTY TRANSACTIONS

The NCUA OF pays the salaries and related benefits of the CLF's employees, as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total, with settlement and payment occurring quarterly. All other CLF reimbursement expenses are paid annually. The total amount charged by the NCUA was approximately $918.9 thousand and $857.5 thousand, respectively, for December 31, 2021 and 2020. Accounts payable includes approximately $243.4 thousand and $242.6 thousand, respectively, for December 31, 2021 and 2020, due to the NCUA OF for services provided.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 15, 2022, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2021.

Financials

National Credit Union Administration Community Development Revolving Loan Fund

Financial Statements as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Community Development Revolving Loan Fund (the CDRLF), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2021 and 2020, and its operations, changes in fund balance, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CDRLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04 will always detect a material misstatement when it exists. The risk of not detecting a material

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin 21-04, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2021, we considered the CDRLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDRLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDRLF's financial statements as of and for the year ended December 31, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have

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a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDRLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 15, 2022

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
As of December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
ASSETS		
Cash and Cash Equivalents (Notes 3 and 7)	$ 13,125	$ 11,834
Loans Receivable, Net (Notes 4 and 7)	4,750	6,025
Interest Receivable (Note 7)	7	7
TOTAL ASSETS	$ 17,882	$ 17,866
LIABILITIES AND FUND BALANCE		
Accrued Technical Assistance Grants (Note 7)	$ 2,549	$ 2,518
Fund Balance		
Fund Capital	14,183	14,180
Accumulated Earnings	1,150	1,168
Total Fund Balance	15,333	15,348
TOTAL LIABILITIES AND FUND BALANCE	$ 17,882	$ 17,866

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
REVENUES		
Interest on Cash Equivalents	$ 4	$ 34
Interest on Loans	25	33
Appropriations Used (Note 5)	1,636	1,561
Canceled Technical Assistance Grants (Note 5)	(247)	(285)
TOTAL REVENUES	1,418	1,343
EXPENSES		
Technical Assistance Grants (Note 5)	1,710	2,529
Canceled Technical Assistance Grants (Note 5)	(274)	(303)
Provision for Loan Losses	–	(125)
TOTAL EXPENSES	1,436	2,101
NET INCOME / (LOSS)	$ (18)	$ (758)

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	Fund Capital				
	For Loans	For Technical Assistance	Total Fund Capital	Accumulated Earnings	Total Fund Balance
December 31, 2019	$ 13,388	$ 611	$ 13,999	$ 1,926	$ 15,925
Appropriations Received (Note 5)	–	1,500	1,500	–	1,500
Appropriations Used (Note 5)	–	(1,561)	(1,561)	–	(1,561)
Canceled Appropriations Returned to Treasury (Note 5)	–	(43)	(43)	–	(43)
Canceled Technical Assistance Grants (Note 5)	–	285	285	–	285
Net Income / (Loss)	–	–	–	(758)	(758)
December 31, 2020	$ 13,388	$ 792	$ 14,180	$ 1,168	$ 15,348
Appropriations Received (Note 5)	–	1,500	1,500	–	1,500
Appropriations Used (Note 5)	–	(1,636)	(1,636)	–	(1,636)
Canceled Appropriations Returned to Treasury (Note 5)	–	(108)	(108)	–	(108)
Canceled Technical Assistance Grants (Note 5)	–	247	247	–	247
Net Income / (Loss)	–	–	–	(18)	(18)
December 31, 2021	$ 13,388	$ 795	$ 14,183	$ 1,150	$ 15,333

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss)	$ (18)	$ (758)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Provision for Loan Losses	–	(125)
Appropriations Used	(1,636)	(1,561)
Canceled Technical Assistance Grants	247	285
Changes in Assets and Liabilities		
(Increase) / Decrease in Interest Receivable	–	3
Increase / (Decrease) in Accrued Technical Assistance Grants	31	(1,285)
Net Cash Used in Operating Activities	(1,376)	(3,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Principal Repayments	1,775	2,380
Loan Disbursements	(500)	(2,250)
Net Cash Provided by Investing Activities	1,275	130
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received 2021/2022	1,500	–
Canceled Appropriations Returned to Treasury 2015/2016	(108)	–
Appropriations Received 2020/2021	–	1,500
Canceled Appropriations Returned to Treasury 2014/2015	–	(43)
Net Cash Provided by Financing Activities	1,392	1,457
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,291	(1,854)
CASH AND CASH EQUIVALENTS — Beginning of year	11,834	13,688
CASH AND CASH EQUIVALENTS — End of year	$ 13,125	$ 11,834

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

1. ORGANIZATION AND PURPOSE

The Community Development Revolving Loan Fund (the CDRLF) for credit unions was established by an act of Congress (Public Law 96-123, November 20, 1979) to stimulate economic development in low-income communities. The National Credit Union Administration (the NCUA) and the Community Services Administration (CSA) jointly adopted Part 705 of the NCUA Rules and Regulations, governing administration of the CDRLF, on February 28, 1980.

Upon the dissolution of CSA in 1983, administration of the CDRLF was transferred to the Department of Health and Human Services (HHS). From 1983 through 1990, the CDRLF was dormant.

The Community Development Credit Union Transfer Act (Public Law 99-609, November 6, 1986) transferred the CDRLF administration back to the NCUA. The NCUA Board adopted amendments to Part 705 of the NCUA Rules and Regulations on September 16, 1987 and began making loans/deposits to participating credit unions in 1990.

The CDRLF stimulates economic activities in the communities served by low-income designated federally-chartered and state-chartered credit unions through its loan and technical assistance grant program. These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members and respond to emergencies. The policy of the NCUA is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The CDRLF prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of federal entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for federal entities that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The CDRLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. In addition, the CDRLF records investment transactions when they are executed and recognizes interest on investments when it is earned.

Use of Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- the disclosure of contingent assets and liabilities, if any, at the date of the financial statements; and
- the reported amounts of revenues and expenses during the reporting period.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act (Public Law 73-467, as amended) permits the CDRLF to make investments in United States Treasury securities. All investments in 2021 and 2020 are cash equivalents and are stated at cost, which approximates fair value.

Loans Receivable and Allowance for Loan Losses – Since inception, Congress has appropriated a total of $13.4 million for the CDRLF revolving loan program. The CDRLF awards loan amounts of up to $500,000 to participating credit unions based on financial condition. These loans have a maximum term of five years and are subject to the interest rate provided by the CDRLF Loan Interest Rate policy, which is reviewed annually. Effective March 29, 2019, the CDRLF set the interest rate to 1.50%, an increase from the previous rate of 0.60% set on May 1, 2014. Interest is to be paid on a semiannual basis beginning six months after the initial distribution of the loan and every six months thereafter until maturity. Principal is to be repaid on the maturity date of the loan.

Loans are initially recognized at their disbursed amount, and subsequently at amortized cost, net of the allowance for loan losses, if any. A provision for loans considered to be uncollectible is charged to the Statement of Operations when such losses are probable and reasonably estimable. Provisions for significant uncollectible amounts are credited to an allowance for loan losses, while de minimis amounts are directly charged-off. Management continually evaluates the adequacy of the allowance for loan losses based upon prevailing circumstances and an assessment of collectability risk of the total loan portfolio as well as historical loss experience. Accrual of interest is discontinued on nonperforming loans when management believes collectability is doubtful.

In 2020, the NCUA, through the CDRLF, developed the COVID-19 Emergency Fund Initiative to provide grants and interest-free loans to assist low-income designated credit unions (LICUs) as they responded to COVID-19 related hardships and worked to alleviate the impact of the crisis in their communities. Through this initiative, eligible credit unions received a three-year interest-free loan of up to $250,000. Principal is to be repaid on the maturity date of the loan. Additional information is described in Note 4.

Technical Assistance Grants – The CDRLF issues technical assistance grants to LICUs using multiyear appropriated funds and income generated from the revolving fund. Grant income and expense are recognized when the CDRLF makes a formal commitment to the recipient credit union for technical assistance grants. In 2020, under the COVID-19 Emergency Fund Initiative, credit unions that have incurred expenses related to COVID-19 were allowed to apply for grants up to $10,000. Additional information is described in Note 5.

Multiyear Funds
The CDRLF grant program is primarily funded through an annual appropriation from Congress. During the two-year period of availability, multiyear funds can be obligated to participating credit unions. At the end of the period of availability, the appropriation expires and the expired appropriation remains available for five more years and can be used for recording, adjusting, and making disbursements to liquidate obligations. At the end of the five-year period, the appropriation account closes and any remaining obligated and unobligated balances are canceled. Canceled appropriations are returned to the U.S. Treasury and credited back to the original appropriated fund from which they were awarded. Canceled technical assistance grants are deobligations of multiyear funds awarded in current or prior years.

Revolving Fund
The CDRLF can also award technical assistance grants from the revolving fund. These grants are recognized as Technical Assistance Grants expense when the funds are obligated to participating credit unions. If a grant awarded from the revolving fund is canceled, the funds are recognized as Canceled Technical Assistance Grants.

Fair Value Measurements – Cash and cash equivalents, loans receivable, net, interest receivable, and accrued technical assistance grants are recorded at book value, which approximates estimated fair value.

Related Party Transactions – The NCUA, through the Operating Fund (OF), provides certain general and administrative support to the CDRLF, including personnel costs such as pay and benefits as well as other costs which include but are not limited to telecommunications, supplies, printing, and postage. The value of these contributed services is not charged to the CDRLF.

Revenue Recognition – Appropriation revenue is recognized as the related technical assistance grant expense is recognized. Total appropriation revenues will differ from total technical assistance grant expenses because technical assistance grants are funded by both appropriations and income generated from the revolving fund. Interest on cash equivalents and interest on loans is recognized when earned.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

3. CASH AND CASH EQUIVALENTS

The CDRLF's cash and cash equivalents as of December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Deposits with U.S. Treasury	$ 4,261	$ 3,666
U.S. Treasury Overnight Securities	8,864	8,168
Total	$ 13,125	$ 11,834

4. LOANS RECEIVABLE, NET

Loans receivable, net as of December 31, 2021 and 2020 consisted of the following (in thousands):

	2021	2020
Beginning Balance	$ 6,025	$ 6,155
Loan Disbursements	500	2,250
Loan Repayments	(1,775)	(2,380)
Loans Receivable	4,750	6,025
Allowance for Loan Losses	–	–
Loans Receivable, Net	$ 4,750	$ 6,025

Loans outstanding as of December 31, 2021, are scheduled to be repaid as follows (in thousands):

Year	Amount
2022	$ 500
2023	3,500
2024	750
Loans Outstanding	$ 4,750
Allowance for Loan Losses	–
Total Loans Receivable, Net	$ 4,750

In 2020, the CDRLF disbursed $2.3 million in emergency loans through the COVID-19 Emergency Fund Initiative. These loans are three-year interest-free notes made to credit unions to alleviate the impact of COVID-19. The CDRLF has the intent and ability to hold its loans to maturity and expects to realize the carrying amount in full.

5. TECHNICAL ASSISTANCE GRANTS

The CDRLF administers a technical grant assistance program to fulfill its mission to stimulate economic growth in low-income communities. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used.

Multiyear Funds
In 2021, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation is available for obligation through September 30, 2022. As of December 31, 2021, the CDRLF obligated $1.6 million and canceled $246.6 thousand of technical assistance grants awarded from multiyear funds.

In 2020, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation was available for obligation through September 30, 2021. As of December 31, 2020, the CDRLF obligated $1.6 million and canceled $284.8 thousand of technical assistance grants awarded from multiyear funds. In response to COVID-19, the CDRLF repurposed a portion of the multiyear appropriation and issued $1.5 million in emergency grants.

Canceled appropriations returned to Treasury were $107.8 thousand from the FY 2015 appropriation and $42.5 thousand from the FY 2014 appropriation in 2021 and 2020, respectively.

Revolving Fund
As of December 31, 2021, the CDRLF awarded $75.0 thousand and canceled $27.9 thousand of technical assistance grants awarded from the revolving fund. As of December 31, 2020, the CDRLF awarded $967.6 thousand and canceled $18.4 thousand of technical assistance grants awarded from the revolving fund.

6. CONCENTRATION OF CREDIT RISK

The CDRLF has the authority to provide loans to low-income designated credit unions. At the discretion of the NCUA, participating credit unions can record an awarded loan as a nonmember deposit, which qualifies up to $250,000 of the loan proceeds to be insured by the National Credit Union Share Insurance Fund. Loan balances that exceed $250,000 are uninsured and pose a potential credit risk to the CDRLF. The aggregate total of uninsured loans was $1.0 million as of December 31, 2021 and 2020.

7. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table presents the carrying values and established fair values of the CDRLF's financial instruments as of December 31, 2021 and 2020 (in thousands):

	2021		2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and Cash Equivalents	$ 13,125	$ 13,125	$ 11,834	$ 11,834
Loans Receivable, Net	4,750	4,789	6,025	6,083
Interest Receivable	7	7	7	7
Liabilities				
Accrued Technical Assistance Grants	2,549	2,549	2,518	2,518

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Loans Receivable, Net – Fair value is estimated using an income approach by separately discounting each individual loan's projected future cash flow. The discount rate reflects the pricing and is commensurate with the risk of the loans to the CDRLF. Loans are valued annually on December 31.

Other – The carrying amounts for cash and cash equivalents, interest receivable, and accrued technical assistance grants approximate fair value.

8. RELATED PARTY TRANSACTIONS

The NCUA, through the OF, supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits as well as other costs, which include but are not limited to telecommunications, supplies, printing, and postage.

For the years ended December 31, 2021 and 2020, the NCUA, through the OF, provided the following unreimbursed administrative support to the CDRLF (in thousands):

	2021	2020
Personnel	$ 826	$ 744
Other	73	73
Total	$ 899	$ 817

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 15, 2022, which is the date the financial statements were available to be issued. Management determined there were no significant items to be disclosed as of December 31, 2021.

Other Information

About the Other Information Section

The Other Information section includes:

Management and Performance Challenges

The Management and Performance Challenges is a statement by the NCUA Inspector General summarizing what the Inspector General considers to be the most serious management and performance challenges facing the agency and assessing the agency's progress in addressing those challenges.

Summary of Financial Statement Audit and Management Assurances

The Summary of Financial Statement Audit and Management Assurances provides information about the material weaknesses reported by the NCUA or through the audit process. The NCUA reported no material weaknesses in 2021.

Payment Integrity

The Payment Integrity section summarizes the NCUA's efforts to maintain payment integrity and to develop effective controls designed to prevent, detect, and recover improper payments. The NCUA did not have any high-risk programs in 2021.

Fraud Reduction Report

The Fraud Reduction Report section describes the NCUA's efforts to comply with the Fraud Reduction and Data Analytics Act of 2015 and details initiatives undertaken in 2021 to reduce fraud risk.

Civil Monetary Penalty Adjustment for Inflation

The Civil Monetary Penalty Adjustment for Inflation section reports on the NCUA's annual inflation adjustments to civil monetary penalties as required under the Federal Civil Penalties Inflation Adjustment Act Improvement Act of 2015.

Management and Performance Challenges

National Credit Union Administration

Office of Inspector General

SENT BY EMAIL

OIG/JH

TO: The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member

FROM: Inspector General James W. Hagen

SUBJ: Top Management and Performance Challenges Facing the National Credit Union Administration for 2022

DATE: March 4, 2022

The Inspector General is required by law[1] to provide an annual statement on the top management and performance challenges facing the Agency and to briefly assess the Agency's progress to address them. We identified the top challenges facing the National Credit Union (NCUA) for 2022 based on our past and ongoing work; our knowledge of the NCUA's programs and operations; and information from the U.S. Government Accountability Office and NCUA management and staff. In determining whether to identify an issue as a challenge, we consider its significance in relation to the NCUA's mission, its susceptibility to fraud, waste, or abuse, and the NCUA's progress in addressing the challenge.

We identified seven Top Challenges facing the NCUA, four of which we also reported last year and three of which are new. The three new Challenges are ensuring readiness in a pandemic environment, supporting diversity in the credit union industry, and managing human resources. The seven Top Challenges are:

1. Economic Outlook in a Pandemic Environment
2. Cybersecurity and IT Governance – Protecting Systems and Data
3. Risks Posed by Third-Party Service Providers
4. Managing Interest Rate Risk and Liquidity Risk
5. Industry Consolidation and Challenges Facing Small Credit Unions
6. Supporting Diversity in the Credit Union Industry
7. Human Capital and Planning for the Future Workforce

We believe our identification of Top Challenges will be beneficial and constructive for policy makers, including the NCUA and Congressional oversight bodies. We further hope that it is informative for the credit union industry regarding the programs and operations at the NCUA and the challenges it faces.

[1] Reports Consolidation Act of 2000, 5 U.S.C. § 3516.

Information on the challenge areas and related Office of Inspector General work products are found in the attachment. If you have any questions, please contact me or Bill Bruns, Deputy Inspector General.

Attachment

cc: Executive Director Larry D. Fazio
Deputy Executive Director Rendell L. Jones
General Counsel Frank S. Kressman
Director of External Affairs and Communications Elizabeth A. Eurgubian

INTRODUCTION

Below is a brief overview of the NCUA's organizational structure, its mission, and vision, as well as details on each of the identified Top Challenges for 2022.

Organizational Structure

The NCUA is an independent federal agency that insures deposits at all federal and most state-chartered credit unions and regulates federally chartered credit unions. A Presidentially appointed three-member Board oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.

Agency Mission and Vision

In its Draft Strategic Plan 2022-2026, the NCUA plans to implement initiatives related to its mission of protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance, and its vision to strengthen communities and protect consumers by ensuring equitable financial inclusion through a robust, safe, sound, and evolving credit union system.

AGENCY CHALLENGES

Economic Outlook in a Pandemic Environment

After several years of solid growth, the economy entered a recession at the start of 2020, caused by the COVID-19 pandemic. In the span of two months, the U.S. lost nearly 22 million jobs and the unemployment rate rose to 14.7 percent. Thanks to swift intervention by the federal government and the Federal Reserve, the downturn was short-lived. By mid-2020 the economy was once again growing, and the unemployment rate began to decline. The development and distribution of effective vaccines starting in late 2020 also provided significant support for economic activity. By January 2022, 19.1 million jobs had been added back to nonfarm payrolls and the unemployment rate had fallen to 4.0 percent.

A consensus of forecasters expects continued strong economic and job growth and declining unemployment over the next two years as the economy continues to recover from the effects of the pandemic. The unemployment rate is projected to return to its pre-pandemic level of 3.5 percent in early 2023 and hold there through the end of the year. Inflation reached a four-decade high in late 2021 and experts predict it will likely remain elevated in the months ahead; however they also believe that if interest rates rise and the current supply chain bottlenecks begin to ease, price pressures should alleviate later this year.

Interest rates are expected to rise as the Federal Reserve removes monetary adjustments and economic conditions strengthen further.

In late 2021, the Federal Reserve began to taper large-scale asset purchases and is on track to cease those purchases altogether. Analysts expect other short-term interest rates, which largely determine the interest payments credit unions make, to increase over the next two years. Longer-term rates, which largely determine the interest payments credit unions receive, are also expected to rise. Private-sector forecasters expect the 10-year Treasury rate to rise from 1.76 percent in January 2022 to 2.5 percent by the end of 2023.

While the near-term outlook for the U.S. economy is generally positive, there are several risks on the horizon that could impede or stall the economy's forward momentum. COVID-19 remains the biggest risk. While the ongoing pandemic is not expected to derail the economy, it will continue to influence all aspects of economic activity. Each successive surge in infections has been less disruptive to the economy thanks to the availability of vaccines, medications, and therapies, and activity has been quick to rebound once case numbers have peaked. This will likely remain true going forward, but every new wave of positive COVID-19 cases threatens to stall the recovery in labor force participation and prolong the supply chain disruptions that are hindering production, contributing to inventory shortages, and boosting prices across a wide range of goods.

Persistently high inflation also poses a significant risk to the economy in the near term. Higher-than-expected inflation for a prolonged period could spur Federal Reserve policymakers to raise the federal funds target rate more aggressively than currently expected. 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.

In addition, the consumer confidence index edged down 0.6 points in February 2022. The decline was prompted by weaker expectations for economic growth in the year ahead. The portion of consumers planning to purchase a home, car, or major household appliance or spend money on vacations in the next six months also fell, and as mentioned above, concerns about inflation have increased. In fact, confidence declined to the lowest level in the past decade with the sentiment index declining 4.4 points in February 2022, almost 20 percent below its year-ago level.

Inflation, rising interest rates, declining confidence in economic policies, worsening views of long-term economic prospects, continues to weigh on confidence. With such a dire economic outlook, individuals and businesses may not be able to meet their debt obligations to financial institutions. Loan defaults may increase as pandemic-related economic pressures continue, which may cause credit unions to struggle. The NCUA should continue to stand ready to fulfill its mission to maintain financial stability in the credit union industry, and to identify and mitigate risks through examinations. The NCUA should also prepare for credit union failures in the event that losses overwhelm credit unions. Further, through its supervisory processes, the NCUA should review credit unions' adherence to government Guaranteed Loan Program requirements and identify fraud, operational, legal, and reputational risks that may affect the safety and soundness of the credit union industry.

Cybersecurity and IT Governance – Protecting Systems and Data

Cybersecurity continues to be a critical risk facing the financial sector. Credit unions increasing use of technology is making the credit union system more vulnerable to cyberattacks. Cyberattacks can affect the safety and soundness of institutions and lead to the failure of credit unions, thus causing losses to the NCUA's Share Insurance Fund. Despite increased spending on cybersecurity, credit unions are encountering difficulties in getting ahead of the increased frequency and sophistication of cyberattacks. The prevalence of malware, ransomware, distributed denial of service attacks, and other forms of cyberattacks are causing challenges at credit unions of all sizes and will require ongoing measures for containment. As the U.S. Government Accountability Office (GAO) noted in March 2021, "IT systems supporting federal agencies and our nation's critical infrastructures are inherently at risk."[2] Threat actors are increasingly willing and able to conduct cyberattacks with the potential to disrupt critical operations, access sensitive information, and threaten economic well-being. In a single four-month period during FY 2021, the Cybersecurity and Infrastructure Security Agency issued at least three emergency directives and/or alerts regarding threat actors who gained access to and/or exploited government agencies, servers, and national infrastructure.[3]

NCUA management has recognized the importance of developing a robust and resilient program for dealing with threats to the security, integrity, and availability of the NCUA's systems and sensitive data. The Agency's focus is to advance consistency, transparency, and accountability within its cybersecurity examination program. In 2020, the NCUA began piloting the Information Technology Risk Examination for Credit Unions (InTREx-CU), which aligns with the IT and cybersecurity examination procedures used by the Federal Deposit Insurance Corporation, the Federal Reserve System, and some state financial regulators to ensure consistent approaches are applied to community financial institutions. In 2021, the NCUA continued to integrate this tool into its cybersecurity reviews with the goal of deploying the tool systemwide in late 2022 or early 2023.

To ensure the NCUA remains vigilant in protecting its systems and data, the Office of Inspector General (OIG) has an audit in the OIG 2022 Work Plan to assess how well the Agency is preventing and detecting cyber threats. The NCUA network includes firewalls as part of its defense strategy to protect the Agency network. Our audit would review the Agency's software that collects, aggregates, categorizes, and analyzes log data and incidents and events generated throughout the organization's technology infrastructure. The audit would also review the security-related incidents and events reports that could signal potential security issues based on failed logins and malware and other possible malicious activities.

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[2] U.S. Government Accountability Office, High Risk Series: Federal Government Needs to Urgently Pursue Critical Actions to Address Major Cybersecurity Challenges (GAO-21-288; March 24, 2021).
[3] CISA Alert AA20-352A, Advanced Persistent Threat Compromise of Government Agencies, Critical Infrastructure, and Private Sector Organizations (December 17, 2020, revised April 15, 2021).

In its FY 2020 NCUA Financial Report (also referred to as the Performance and Accountability Report), the NCUA reported the results of its annual Federal Information Security Modernization Act (FISMA) assessment using the CyberScope automated system as required by OMB.[4] The OIG annually evaluates the NCUA's implementation of FISMA information security requirements and the effectiveness of the Agency's information security program on a maturity model scale.[5] The OIG contracted with CliftonLarsonAllen, LLP (CLA) to conduct the FY 2021 independent evaluation and, on November 22, 2021, issued the report titled, National Credit Union Administration Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2021 (Report #OIG-21-09).

We determined the NCUA implemented an effective information security program by achieving an overall Level 4 - Managed and Measurable maturity level, complied with FISMA, and substantially complied with Agency information security and privacy policies and procedures. However, as stated in its Performance and Accountability Report, management recognized that cybersecurity threats and other technology-related issues continue to be of interest and concern to the NCUA as increasingly sophisticated cyberattacks pose a significant threat to credit unions, financial regulators, and the broader financial services sector.

In September 2021, the OIG issued Report #OIG-21-06, Audit of NCUA's Governance of IT Initiatives. Results of our audit determined that overall, the NCUA has an effective process for identifying, controlling, prioritizing, and implementing IT initiatives across the Agency. By following a formal framework, we are confident the NCUA can produce measurable results toward achieving their IT-related strategies and goals, particularly those related to cybersecurity.

Risk Posed by Third-Party Vendors and CUSOs

The NCUA must also be able to address risk posed by third-party vendors, including credit union service organizations (CUSOs). Currently, the NCUA does not have the authority to manage the risks associated with these organizations and has requested the Congress consider legislation to provide the Agency examination and enforcement authority over third-party vendors and CUSOs.

The NCUA was granted some authority in 1998 to deal with the Y2K changeover, but that authority expired in 2002. Since then, the OIG, the Financial Stability Oversight Council, and the Government Accountability Office have all reported that this authority must be restored.

Currently, the NCUA may only examine CUSOs and third-party vendors with their permission, and vendors, at times, decline these requests. Further, vendors can reject the NCUA's recommendations to implement appropriate corrective actions to mitigate identified risks. This lack of authority stands in stark contrast to the authority of NCUA's counterparts on the Federal Financial Institutions Examination Council (FFIEC).

[4] OMB Memorandum M-21-02, Fiscal Year 2020-2021 Guidance on Federal Information Security and Privacy Management Requirements.
[5] Pub. L. No. 113-283, § 3555, 128 Stat. 3073 (2014).

Activities that are fundamental to the credit union mission, such as loan origination, lending services, Bank Secrecy Act/Anti-money laundering compliance, and financial management, are being outsourced to entities that are outside of the NCUA's regulatory oversight. In addition, credit unions are increasingly using third-party vendors to provide technological services, including information security, and mobile and online banking. Member data is also stored on vendors' servers. The pandemic, which has accelerated the industry's movement to digital services, has only increased credit union reliance on third-party vendors.

While there are many advantages to using these service providers, the concentration of credit union services within CUSOs and third-party vendors presents safety and soundness and compliance risk for the credit union industry. In his May 2021 written testimony before the U.S. House of Representatives Committee on Financial Services, NCUA Board Chairman Harper testified that the top five credit union core processor vendors provide services to approximately 87 percent of total credit union system assets and that the top five CUSOs provide services related to nearly 96 percent of total credit union system assets. He noted a failure of even one of these vendors represents a significant potential risk to the Share Insurance Fund.

In Report #OIG-20-07, Audit of the NCUA's Examination and Oversight Authority Over Credit Union Service Organizations and Vendors, we determined that the NCUA needs authority over CUSOs and vendors to effectively identify and reduce the risks vendor relationships pose to credit unions in order to protect the Share Insurance Fund. Although the NCUA conducts CUSO reviews, there is currently nothing in the Federal Credit Union Act that provides the NCUA with the authority to supervise CUSOs and vendors to hold them accountable for unsafe and unsound practices that have direct and lasting impact on the credit unions they serve. In addition, the audit determined the lack of statutory vendor oversight and regulatory enforcement authority hinders the NCUA's ability to conduct effective reviews of vendors. As a result, the NCUA's Share Insurance Fund is exposed to risk from CUSOs and vendors that can cause significant financial hardship, or even failure to the credit unions that use them. Between 2008 and 2015, CUSOs contributed to more than $300 million in losses to the Share Insurance Fund.

The continued transfer of operations to CUSOs and other third parties lessens the ability of NCUA to accurately assess all the risks present in the credit union system and determine if current CUSO or third-party vendor risk-mitigation strategies are adequate. OIG Report #OIG-20-07 confirmed that the NCUA needs comparable authority as its FFIEC counterparts to examine third-party vendors.

Managing Interest Rate Risk and Liquidity Risk

Although the pandemic continues to impact credit union performance, the credit union system remained on a solid footing in 2021.

Improving economic conditions and low interest rates contributed to increased loan growth and helped bolster loan performance.

Loan forbearance programs and income support from federal stimulus payments and extended unemployment insurance benefits also helped maintain low credit union delinquency rates. Share growth moderated as the year progressed but remained elevated relative to pre-pandemic levels, reflecting the boost to household income from federal relief payments earlier in the year. The surge in shares since early 2020 has weighed impacted the net worth ratio but overall, credit unions have remained well-capitalized.

Credit unions must continue to manage and mitigate interest rate risk to be successful. On the liability side of the credit union balance sheet, deposit interest rates have fallen since the start of 2020 but are poised to rise over the next two years as the Federal Reserve removes monetary adjustments. Credit unions will continue to face pressure to offer competitive deposit interest 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. As previously mentioned, the consensus forecast suggests longer-term interest rates will also rise over the next two years. In the near term, however, they will generally remain lower than in the years leading up to the 2020 recession. A prolonged period of relatively 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. To address this concern, credit unions could add longer-term and higher-risk assets to their portfolios.

In November 2015, we issued OIG Report #OIG-15-11, which determined that NCUA assessed sensitivity to market risk under the "L" (Liquidity Risk) in its CAMEL[6] rating and that doing so may have understated or obscured instances of high interest rate risk exposure in credit unions. To improve NCUA's ability to accurately measure and monitor interest rate risk, we recommended to management they modify the CAMEL Rating System by developing an "S" (Sensitivity to Market Risk) rating to better capture a credit union's sensitivity to market risk and to improve interest rate risk clarity and transparency. We also recommended management revise the "L" in NCUA's CAMEL Rating System to reflect only liquidity factors. The NCUA Board approved a Notice of Proposed Rulemaking on January 14, 2021, to add an "S" (Sensitivity to Market Risk) component to the existing CAMEL rating system and redefine the "L" (Liquidity Risk) component, thus updating the rating system from CAMEL to CAMELS to better capture a credit union's sensitivity to market risk and to improve interest rate risk clarity and transparency. This change is expected to be completed in 2022.

Industry Consolidation and Challenges Facing Small Credit Unions

Small credit unions face challenges to their long-term viability for a variety of reasons, including lower returns on assets, declining membership, high loan delinquencies, and

[6] On November 13, 1979, the Federal Financial Institutions Examination Council implemented the Uniform Financial Institutions Rating System, commonly referred to as CAMEL. Based on UFIRS, NCUA developed the Early Warning System to assign credit unions an overall rating, eventually adopting the CAMEL Rating System in October 1987. The acronym CAMEL derives its name from the following components: [C]apital Adequacy, [A]sset Quality, [M]anagement, [E]arnings, and [L]iquidity/Asset-Liability Management.

increasing non-interest expenses. If current consolidation trends persist, there will be fewer credit unions in operation and those that remain will be considerably larger and more complex. Although large credit unions tend to offer more complex products and services and make more complex investments, these complex institutions will pose management challenges for the institutions and the NCUA, since consolidation increases the risks posed by individual institutions to the Share Insurance Fund.

Additionally, although credit union membership continues to experience strong growth overall, about half of federally insured credit unions had fewer members at the end of 2021 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, in some areas, to be effective, credit unions may need to explore how to meet the needs of an aging population, a growing Hispanic population, or an increasing consumer population more comfortable with utilizing digital services.

The NCUA must continue to promote financial inclusion to better serve a changing population and economy. In 2022, the OIG is hopeful that the NCUA will continue to develop initiatives to create opportunities to promote financial education and financial inclusion, and foster an environment where those with low-to-moderate incomes, people with disabilities, and the otherwise underserved have access to affordable financial services.

Supporting Diversity in the Credit Union Industry

Access to the financial system by minority communities is vital to fostering economic prosperity. Minority communities and businesses have suffered significantly during the pandemic. The NCUA plays an important role to support Minority Depository Institutions (MDIs) that serve and promote minority and low- and moderate-income communities. This work can be enhanced with the NCUA's continued commitment to diversity and inclusion in the federal regulatory process, which is critical for the NCUA to foster greater financial inclusion for all Americans.

In 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). Section 308 of the FIRREA established goals for preserving and promoting MDIs. When enacted, FIRREA § 308 applied only to the Office of Thrift Supervision and the FDIC. In 2010, Congress enacted the Dodd Frank Wall Street Reform and Consumer Protection Act. Section 367(4)(A) of the Dodd Frank Act amended FIRREA § 308 to require the NCUA, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System to take steps to preserve existing MDIs and encourage the establishment of new ones. In addition, Dodd Frank Act § 367(4)(B) requires these agencies, along with the FDIC, to each submit an annual report to Congress describing actions it has taken to carry out FIRREA § 308.

On June 24, 2015, the NCUA Board issued a final Interpretative Ruling and Policy Statement to establish a Minority Depository Institution Preservation Program. This program was established to achieve the goals of preserving and encouraging MDIs, as § 308 of FIRREA directs. The program reflects the preservation goals of FIRREA § 308, namely to preserve the present number of MDIs; preserve the minority character of MDIs that are involuntarily merged, or are acquired, by following the prescribed "general preference guidelines" to identify a merger or acquisition partner; to provide technical assistance to prevent insolvency of MDIs that are no longer insolvent; to promote and encourage the creation of new MDIs; and to provide for training, technical assistance, and educational programs.

MDIs serve the financial needs of racial minorities because traditional financial institutions have historically underserved these populations. Federally insured credit unions self-designate as MDIs. To do this, a credit union must affirm in the NCUA's Credit Union Online Profile system that more than 50 percent of its current members, eligible potential members, and board of directors are from one or a combination of the four minority categories defined by FIRREA: any Black American, Asian American, Hispanic American, or Native American.

MDIs play a vital role in assisting minority and under-served communities. MDIs are resources to foster the economic viability of these communities by providing banking and credit services. The primary challenge for the NCUA is to measure the effectiveness of its efforts in supporting MDIs. The NCUA plays an important role in preserving and promoting MDIs. From the OIG's 2022 Work Plan, we recently began an audit of the NCUA's Minority Depository Institution Program. We plan to review the NCUA's actions to preserve and promote MDIs and assess the Agency's achievement of the MDI Program's goals.

Human Capital and Planning for the Future Workforce

A significant management challenge for the NCUA is maintaining a well-trained, sustainable workforce while facing challenges in retirement eligibilities, succession planning, and training. As of this writing, the NCUA has 1150 employees located in the Central Office and three Regional Offices across the country, and 35 percent of NCUA employees (407 employees) are eligible to retire within 5 years. The NCUA faces retirement rates of nearly 61 percent for executives and 55 percent for supervisors over that same period. Finding appropriate successors who can lead the Agency and employees who have the requisite skills and expertise is essential to ensuring that the NCUA can continue to achieve its mission effectively, especially given the significant investments in, and time required for, credit union examiner certification.

A key factor in meeting this challenge is providing a work environment where employees feel safe while they continue to perform their work. Employees are the NCUA's most valuable asset, and the safety and well-being of its workforce has been brought to the forefront during the COVID-19 pandemic.

We reviewed the NCUA's work posture during the COVID-19 pandemic and issued Report #OIG-21-10, Audit of the NCUA's Covid-19 Work Posture, where we assessed the Agency's pandemic-related decisions and determined them to be both timely communicated to staff and effective in design regarding staff health and safety.

In addition to hiring well-qualified examiners, the NCUA should hire cybersecurity specialists and experts in capital markets, commercial lending, consumer financial protection, and payment systems. The Agency's success depends greatly on its ability to plan, recruit, retain, and develop a capable workforce that includes these areas of expertise. We reviewed the NCUA's hiring practices and in the January 2022 Report #OIG-22-01, *Audit of the NCUA's Hiring Practices*, determined that the Agency complied with applicable federal laws and substantially complied with regulations and its own policies and procedures. We also determined the NCUA's hiring processes facilitated the efficient selection of high-quality candidates.

Human capital plans must also ensure that institutional knowledge and experience are passed on, and that the Agency is less dependent on specific individuals. Workforce training and development takes a significant investment of resources, but the use of several tools can ensure that the NCUA maintains a vital, experienced staff. For example, data analytics can help the Agency identify training gaps. Job sharing, rotational details, and micro-assignment opportunities can be used to promote career development. Mentoring programs can prepare employees for management positions. To supervise federally insured credit unions properly, all staff must receive the training necessary to develop their skills and abilities to identify and mitigate risk; however the NCUA will need to continue to review and revise its training curricula to respond to emergent industry trends and highlight regulatory and other changes.

Human capital challenges may arise when NCUA employees and contractors are expected to return to the office after working under a maximum telework policy for an extended period. The Agency will be challenged to respond to a workforce that has adapted to productively working from home and wanting to retain increased telework flexibilities.

Because the NCUA is a relatively small agency with nationwide responsibilities, changes in the workforce—such as the retirement of management and senior employees—must be accounted and planned for to avoid undue disruption to Agency functions. The need for succession and human capital planning was highlighted this past year when the Agency saw a 340 percent increase in the number of retirements in leadership positions in 2021 (17) versus just 5 in 2020. The NCUA's workforce is changing and evolving and the Agency will need to continue to make critical investments in its human capital. This includes providing the Agency's workforce with new training, developing and mentoring the next generation of agency leaders, and continuing to foster a diverse and inclusive environment.

Summary of Financial Statement Audits

Summary of the results of the independent audits of the financial statements of NCUA's four funds by the agency's auditors in connection with the 2021 audit.

National Credit Union Share Insurance Fund					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Operating Fund					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Central Liquidity Facility					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Community Development Revolving Loan Fund					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Summary of management assurances related to the effectiveness of internal control over financial reporting and its conformance with federal financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers' Financial Integrity Act of 1982.

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2) (Federal Management Financial Integrity Act Paragraph 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control Over Operations (FMFIA § 2) (Federal Management Financial Integrity Act Paragraph 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4) (Federal Management Financial Integrity Act Paragraph 4)						
Statement of Assurance	**Federal Systems conform to financial management system requirements**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs.

The NCUA's risk assessments have consistently indicated that none of the agency's programs are susceptible to significant improper payments; therefore, per OMB guidelines, the NCUA is required to conduct risk assessments every three years, or sooner if a program has a significant change in legislation, a significant increase in funding or a determination of possible significant improper payments in the following year. The agency's last assessment was conducted in FY 2020. The results of this assessment continued to support the determination that all of the NCUA evaluated programs are low risk. Based on these results, and consistent with OMB guidelines, the NCUA did not conduct a risk assessment for FY 2021 and is not required to conduct another risk assessment until FY 2023.

Detailed information on improper payments for the U.S. government is available online at PaymentAccuracy.gov. Data from the NCUA is not included on this website because the NCUA does not have any programs that the OMB considers susceptible to significant improper payments.

Fraud Reduction and Data Analytics Act

The Fraud Reduction and Data Analytics Act of 2015 requires agencies to implement the Government Accountability Office's (GAO) *A Framework to Managing Fraud Risks in Federal Programs*. The GAO framework details four components agencies should implement as part of their overall fraud risk management:

- Commit to creating an organizational culture conducive to managing fraud risk;
- Plan regular fraud risk assessments and use these assessments to develop a fraud risk profile;
- Design controls that mitigate risks of fraud, with a particular emphasis on fraud prevention and develop a collaborative environment to ensure effective implementation of those controls; and
- Evaluate outcomes using a risk-based approach and adapt fraud risk management activities accordingly based on those evaluations.

Further, the Fraud Reduction and Data Analytics Act of 2015 requires agencies to report on efforts to reduce fraud. The NCUA's approach to fraud prevention and detection starts with the agency's leadership. The NCUA has a leadership culture that fosters integrity; training to increase awareness and to identify and report fraud; an active, independent Inspector General, strong internal controls, appropriate segregation of duties, risk and internal control assessments, and quality assurance and control activities. In addition, our Enterprise Risk Management Council, which consists of senior leadership throughout the NCUA's offices and regions, evaluates fraud risk as part of our enterprise risk management program. Further, the NCUA has multiple ways to receive anonymous information about potential fraud and insider abuse such as surveys and a confidential fraud hotline.

The NCUA understands that a fraud risk management program is a continuous process that requires ongoing assessment, evaluation, and adaptation in order to build and improve an overall anti-fraud environment. In 2021, the agency continued to mature documentation of the agency's fraud risk management plan to include current practices and to identify targeted opportunities to strengthen the program. Further, the NCUA evaluated certain processes for fraud risk and utilized risk-based sampling to detect fraud using data analytics. The agency plans to expand the scope of this evaluation as our fraud program matures. The NCUA will continue to assess the design of process controls to evaluate our efficacy to reduce fraud risk.

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to improve effectiveness and to maintain their deterrent effect.

The following are the civil monetary penalties that NCUA may impose, the authority for imposing the penalty, year enacted, latest year of adjustment and current penalty level. Additional information about these penalties and the latest adjustment is available in the *Federal Register*.

Penalty	Statutory Authority	Year Enacted	Latest Year of Adjustment	Current Penalty Level
Inadvertent failure to submit a report or the inadvertent submission of a false or misleading report	12 U.S.C. 1782(a)(3)	1989	2022	$4,404
Non-inadvertent failure to submit a report or the non-inadvertent submission of a false or misleading report	12 U.S.C. 1782(a)(3)	1989	2022	$44,043
Failure to submit a report or the submission of a false or misleading report done knowingly or with reckless disregard	12 U.S.C. 1782(a)(3)	1989	2022	Lesser of $2,202,123 or 1 percent of total credit union assets
Tier 1 civil monetary penalty for inadvertent failure to submit certified statement of insured shares and charges due to NCUSIF, or inadvertent submission of false or misleading statement	12 U.S.C. 1782(d)(2)(A)	1991	2022	$4,027
Tier 2 civil monetary penalty for non-inadvertent failure to submit certified statement or submission of false or misleading statement	12 U.S.C. 1782(d)(2)(B)	1991	2022	$40,259

Penalty	Statutory Authority	Year Enacted	Latest Year of Adjustment	Current Penalty Level
Tier 3 civil monetary penalty for failure to submit a certified statement or the submission of a false or misleading statement done knowingly or with reckless disregard	12 U.S.C. 1782(d)(2)(C)	1991	2022	Lesser of $2,013,008 or 1 percent of total credit union assets
Non-compliance with insurance logo requirements	12 U.S.C. 1785(a)(3)	2006	2022	$137
Non-compliance with NCUA security requirements	12 U.S.C. 1785(e)(3)	1970	2022	$320
Tier 1 civil monetary penalty for violations of law, regulation, and other orders or agreements	12 U.S.C. 1786(k)(2)(A)	1989	2022	$11,011
Tier 2 civil monetary penalty for violations of law, regulation, and other orders or agreements and for recklessly engaging in unsafe or unsound practices or breaches of fiduciary duty	12 U.S.C. 1786(k)(2)(B)	1989	2022	$55,052
Tier 3 civil monetary penalty for knowingly committing the violations under Tier 1 or 2	12 U.S.C. 1786(k)(2)(C)	1989	2022	Lesser of $2,202,123 or 1 percent of total credit union assets
Non-compliance with senior examiner post-employment restrictions	12 U.S.C. 1786(w)(5)(A)(ii)	2004	2022	$362,217
Non-compliance with appraisal independence standards (first violation)	15 U.S.C. 1639e(k)	2010	2022	$12,647
Subsequent violations of the same	15 U.S.C. 1639e(k)	2010	2022	$25,293
Non-compliance with flood insurance requirements	42 U.S.C. 4012a(f)(5)	2012	2022	$2,392

Statistical Data

About the Statistical Data Section

The National Credit Union Administration releases data quarterly on the financial performance of federally insured credit unions. This section contains an overview of the credit union system's financial performance. The NCUA also makes extensive credit union system performance data available in the Credit Union Analysis section of NCUA.gov.

National Credit Union Share Insurance Fund Ten-Year Trends

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Income (In Thousands)										
Premium	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment	$ 206,995	$ 198,264	$ 208,259	$ 218,526	$ 227,172	$ 209,136	$ 284,716	$ 306,467	$ 272,005	$ 236,781
Other income	$ 8,768	$ 4,550	$ 5,633	$ 5,187	$ 2,463	$ 487,103	$ 18,158	$ 13,768	$ 10,648	$ 3,965
Total Income	$ 215,763	$ 202,814	$ 213,892	$ 223,713	$ 229,635	$ 696,239	$ 302,874	$ 320,235	$ 282,653	$ 240,746
Expenses (In Thousands)										
Operating	141,237	148,312	179,818	197,752	209,260	199,015	187,395	191,164	181,100	199,231
Insurance losses	(77,784)	(48,638)	(41,840)	(35,411)	7,870	726,295	113,826	(40,595)	68,688	(143,014)
Total expenses	63,453	99,674	137,978	162,341	217,130	925,310	301,221	150,569	249,788	56,217
Net income (in thousands)	$ 152,310	$ 103,140	$ 75,914	$ 61,372	$ 12,505	$ (229,071)	$ 1,653	$ 169,666	$ 32,865	$ 184,529
Data Highlights										
Total Equity (in millions)	10,912	11,266	11,625	12,095	12,742	15,853	15,905	16,596	18,432	20,589
Equity as a percentage of shares in insured credit unions	1.30%	1.30%	1.29%	1.26%	1.24%	1.46%	1.39%	1.35%	1.26%	1.26%
NCUSIF loss per $1,000 of insured shares	$ (0.09)	$ (0.06)	$ (0.05)	$ (0.02)	$ 0.01	$ 0.67	$ (0.10)	$ 0.03	$ 0.05	$ (0.09)
Operating Ratios										
Premium Income	-	-	-	-	-	-	-	-	-	-
Investment Income	95.9%	97.8%	97.4%	97.5%	98.9%	30.0%	94.0%	95.7%	96.2%	98.4%
Other Income:	4.1%	2.2%	2.6%	2.5%	1.1%	70.0%	6.0%	4.3%	3.8%	1.6%
Operating Expenses	65.5%	73.1%	84.1%	109.1%	91.1%	28.6%	61.9%	59.7%	64.1%	82.8%
Insurance Losses (Gain)	-36.1%	-24.0%	-19.6%	-92.7%	3.4%	104.3%	37.6%	-12.7%	24.3%	-59.4%
Total Expenses (neg expense)	29.4%	49.1%	64.5%	16.4%	94.5%	132.9%	99.5%	47.0%	88.4%	23.4%
Net Income	70.6%	50.9%	35.5%	83.6%	5.4%	-32.9%	0.5%	53.0%	11.6%	76.6%
Involuntary Liquidations Commenced										
Number	14	13	10	11	11	5	7	1	-	4
Share payouts (in thousands)	667,814	125,621	150,111	138,635	10,163	159,841	1,407,357	61,761	-	8,107
Share payouts as a percentage of total insured shares	0.080%	0.015%	0.017%	0.014%	0.001%	0.015%	0.123%	0.005%	0.000%	0.000%
Shares in liquidated credit unions (in thousands)	728,746	105,378	140,581	145,829	8,240	162,783	1,454,234	17,683	-	12,290
Mergers										
Assisted	8	4	5	5	3	5	1	1	0	3
Unassisted	265	235	234	218	207	201	174	137	122	142
Section 208 (FCU Act) Assistance to Avoid Liquidation (In Thousands)										
Capital notes and other cash advance outstanding	80,000	66,500	54,600	-	-	-	-	-	-	-
Non-cash guarantee accounts	32,132	5,533	7,720	-	-	1,104,500	-	1,252	4,152,100	-
Number of active cases	5	3	5	1	1	3	-	2	1	-
Number of Troubled, Insured Credit Unions (CAMEL 4 & 5)										
Number	370	307	276	220	196	196	194	188	155	129
Shares (millions)	16,940	12,133	10,234	7,662	8,586	8,665	10,441	9,629	9,913	8,041
Problem case shares as a percentage of insured shares	2.00%	1.40%	1.13%	0.80%	0.83%	0.80%	0.92%	0.79%	0.61%	0.49%

Values rounded from underlying data.

Credit Union Performance Five-Year Trends

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Summary Credit Union Data												
Federally insured credit unions												
Federally insured credit unions	Number	5,785	5,573	5,375	5,236	5,099	5,068	5,029	4,990	4,942	-3.1	-157
Federal credit unions	Number	3,608	3,499	3,376	3,283	3,185	3,167	3,143	3,122	3,100	-2.7	-85
Federally insured, state-chartered credit unions	Number	2,177	2,074	1,999	1,953	1,914	1,901	1,886	1,868	1,842	-3.8	-72
Credit unions with low-income designation	Number	2,491	2,542	2,554	2,605	2,642	2,645	2,649	2,643	2,627	-0.6	-15
Number of members	Millions	106.8	111.3	116.2	120.4	124.3	125.7	127.2	128.6	129.6	4.2	5.3
Number of deposits	Millions	201.8	211.3	221.4	232.0	240.9	243.9	246.5	249.5	251.1	4.3	10.3
Number of loans outstanding	Millions	61.0	64.7	68.2	70.7	71.9	72.1	73.9	75.5	77.9	8.4	6.1
Total assets	$ Billions	1,292.5	1,378.8	1,453.4	1,566.7	1,844.5	1,949.5	1,977.2	2,018.1	2,060.4	11.7	216
Total assets, four quarter growth	Percent	7.3	6.7	5.4	7.8	17.7	19.0	13.0	12.9	11.7		-6.0
Total loans	$ Billions	869.1	957.3	1,043.6	1,108.0	1,162.6	1,165.4	1,193.3	1,222.9	1,255.3	8.0	93
Total loans, four quarter growth	Percent	10.4	10.1	9.0	6.2	4.9	4.4	5.0	5.8	8.0		3.0
Average outstanding loan balance	$	14,242	14,806	15,298	15,668	16,175	16,161	16,156	16,187	16,109	-0.4	-70
Total deposits	$ Billions	1,092.6	1,159.5	1,219.7	1,319.8	1,587.6	1,693.8	1,714.9	1,748.6	1,788.6	12.7	201
Total deposits, four quarter growth	Percent	7.5	6.1	5.2	8.2	20.3	23.1	15.0	14.4	12.7		-7.6
Average deposit balance	$	10,230	10,418	10,500	10,966	12,768	13,471	13,486	13,592	13,803	8.1	1,032
Insured shares and deposits	$ Billions	1,027.4	1,086.5	1,139.8	1,224.3	1,466.7	1,564.1	1,578.8	1,603.9	1,633.5	11.4	167
Insured shares and deposits, four quarter growth	Percent	7.0	5.8	4.9	7.4	19.8	22.4	14.1	13.3	11.4		-8.4
Key Ratios												
Net worth ratio	Percent	10.89	10.95	11.30	11.37	10.32	10.02	10.16	10.23	10.26		-0.06
Return on average assets	Percent	0.76	0.78	0.92	0.93	0.70	1.04	1.12	1.12	1.07		0.37
Loan to share ratio	Percent	79.5	82.6	85.6	84.0	73.2	68.8	69.6	69.9	70.2		-3.05
Long-term assets, percent of assets[1]	Percent	27.1	27.9	27.7	27.9	29.2	30.7	32.6	33.2	34.2		5.00
Median credit union average cost of funds	Percent	0.27	0.28	0.33	0.44	0.37	0.25	0.24	0.24	0.24		-0.14
Median credit union average yield on loans	Percent	5.30	5.19	5.16	5.25	5.10	4.91	4.87	4.85	4.84		-0.27
Median credit union net interest margin	Percent	3.00	3.07	3.26	3.38	2.94	2.53	2.52	2.53	2.53		-0.41
Median credit union return on average assets	Percent	0.34	0.38	0.56	0.60	0.39	0.38	0.46	0.56	0.50		0.10

[1] 'Long-term assets' is the sum of real estate fixed-rate first mortgages and investments greater than 3 years. Replaces 'Net long-term assets, percent of assets.'

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Lending (Year-to-Date, Annual Rate)												
Loans granted	$ Billions	456.2	481.2	506.8	546.0	671.5	720.0	770.1	786.3	789.0	17.3	117
Real estate loans	$ Billions	170.4	171.8	173.4	212.6	323.4	330.9	350.4	353.9	358.3	10.7	35
Real estate, fixed rate, first mortgage	$ Billions	115.0	110.3	106.5	146.8	256.0	266.4	275.4	276.2	273.4	6.7	17
Commercial loans	$ Billions	.	23.9	24.9	27.2	33.4	37.5	41.5	43.8	46.9	40.4	14
Payday alternative loans	$ Millions	134.5	131.8	143.2	175.7	159.8	117.7	144.0	154.2	168.1	5.2	8
Delinquency												
Delinquent loans	$ Billions	7.2	7.8	7.4	7.8	7.0	5.4	5.5	5.6	6.1	-11.9	-0.83
Total delinquency rate	Percent	0.83	0.81	0.71	0.70	0.60	0.46	0.46	0.46	0.49		-0.11
Fixed real estate delinquency rate	Percent	0.54	0.52	0.44	0.43	0.43	0.32	0.36	0.33	0.31		-0.12
Auto delinquency rate	Percent	0.72	0.70	0.66	0.65	0.50	0.35	0.31	0.35	0.42		-0.08
Credit card delinquency rate	Percent	1.14	1.29	1.35	1.40	1.02	0.89	0.77	0.85	0.96		-0.06
Commercial loan delinquency rate	Percent	.	1.6	0.7	0.64	0.68	0.68	0.65	0.52	0.43		-0.25
Net charge-offs	$ Billions	4.6	5.4	5.8	6.1	5.1	3.7	3.3	3.1	3.1	-38.3	-1.95
Net charge offs, percent of average loans	Percent	0.55	0.60	0.58	0.56	0.45	0.32	0.28	0.26	0.26		-0.19
Asset Distribution												
25% of credit unions are smaller than	$ Millions	8.1	8.8	9.2	9.7	11.5	12.2	12.4	12.6	12.8	11.7	1.34
50% of credit unions are smaller than	$ Millions	28.9	31.0	33.2	35.2	43.4	46.2	47.0	48.0	49.4	13.9	6.04
75% of credit unions are smaller than	$ Millions	111.0	120.4	129.2	139.1	167.1	179.0	182.9	187.3	192.5	15.2	25.40
90% of credit unions are smaller than	$ Millions	431.0	471.9	507.7	564.4	688.4	720.1	737.2	765.3	799.1	16.1	110.71

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate)												
Federally insured credit unions												
Gross income	$ Billions	60.0	65.6	73.8	82.5	83.8	83.9	84.6	85.3	85.5	2.1	1.79
Total interest income	$ Billions	42.6	47.5	54.0	61.2	60.2	57.7	57.9	58.5	59.0	-2.0	-1.21
Gross interest income	$ Billions	37.8	41.7	47.1	52.9	53.8	52.6	52.6	53.0	53.4	-0.8	-0.45
Less interest refunds	$ Billions	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	4.2	0.00
Investment income	$ Billions	4.8	5.8	7.0	8.2	6.1	5.1	5.3	5.5	5.6	-7.2	-0.43
Trading income	$ Billions	0.0	0.0	0.0	.	.	.	.	.	.	--	--
Interest income on securities held in a trading account	$ Billions	.	.	.	0.1	0.3	.	.	.	.	--	--
Total non-interest income	$ Billions	17.4	18.1	19.8	21.2	23.6	26.2	26.7	26.8	26.6	12.7	3.00
Fee income	$ Billions	8.0	8.3	8.8	9.0	8.1	8.4	8.5	8.8	9.0	10.2	0.83
Other operating income	$ Billions	8.9	9.4	10.7	11.4	14.4	15.9	16.4	16.5	16.3	12.9	1.86
Other (including gains/losses)	$ Billions	0.5	0.4	0.3	0.8	1.1	1.9	1.8	1.5	1.3	29.6	0.31
Total expenses (with provision for loan and lease losses)	$ Billions	50.4	55.2	60.8	68.4	71.8	64.2	63.3	63.8	64.7	-9.9	-7.12
Non-interest expenses	$ Billions	38.8	41.2	44.5	48.3	51.3	52.3	53.2	54.0	55.1	7.4	3.80
Labor expense	$ Billions	19.7	21.1	22.6	24.9	26.8	27.8	27.9	28.2	28.6	6.7	1.80
Office expenses	$ Billions	9.8	10.3	11.2	12.0	12.7	13.1	13.2	13.4	13.6	6.8	0.86
Loan servicing expenses	$ Billions	2.7	2.8	3.1	3.2	3.4	3.6	3.7	3.8	3.8	10.6	0.36
Other non-interest expenses	$ Billions	6.5	7.0	7.6	8.2	8.3	7.9	8.4	8.7	9.1	9.4	0.78
Total interest expense	$ Billions	6.6	7.5	9.8	13.5	12.0	9.0	8.7	8.5	8.4	-30.2	-3.64
Interest on borrowed money	$ Billions	0.9	1.2	1.5	1.5	1.2	0.9	0.9	0.9	0.9	-29.7	-0.37
Share dividends	$ Billions	5.1	5.7	7.4	10.7	9.5	7.1	6.9	6.7	6.7	-29.6	-2.80
Interest on deposits	$ Billions	0.6	0.7	0.9	1.3	1.3	1.0	0.9	0.9	0.9	-34.8	-0.47
Provision for loan and lease losses	$ Billions	5.1	6.4	6.5	6.5	8.5	2.9	1.3	1.2	1.2	-85.7	-7.28
Net income	$ Billions	9.5	10.4	13.0	14.1	11.9	19.7	21.3	21.5	20.9	74.6	8.91
Net income, percent of average assets	Percent	0.76	0.78	0.92	0.93	0.70	1.04	1.12	1.12	1.07		0.37
Net interest margin	$ Billions	36.0	39.9	44.3	47.7	48.1	48.7	49.2	50.0	50.6	5.0	2.43
Net interest margin, percent of average assets	Percent	2.88	2.99	3.13	3.16	2.82	2.57	2.57	2.59	2.59		-0.23
Average assets	$ Billions	1,248.4	1,335.6	1,416.1	1,510.0	1,705.6	1,897.0	1,910.9	1,931.3	1,952.4	14.5	246.83

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate, Percent of Average Assets)												
Federally insured credit unions												
Gross income	Percent	4.80	4.91	5.21	5.46	4.91	4.43	4.43	4.42	4.38		-0.53
Total interest income	Percent	3.41	3.55	3.82	4.06	3.53	3.04	3.03	3.03	3.02		-0.51
Gross interest income	Percent	3.03	3.12	3.33	3.51	3.16	2.77	2.75	2.74	2.73		-0.42
Less interest refunds	Percent	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Investment income	Percent	0.38	0.44	0.50	0.55	0.36	0.27	0.28	0.28	0.29		-0.07
Trading income	Percent	0.00	0.00	0.00	.	.	.	.	.	.		--
Interest income on securities held in a trading account	Percent	.	.	.	0.01	0.02	.	.	.	.		--
Total non-interest income	Percent	1.39	1.36	1.40	1.40	1.38	1.38	1.40	1.39	1.36		-0.02
Fee income	Percent	0.64	0.62	0.62	0.60	0.48	0.44	0.45	0.46	0.46		-0.02
Other operating income	Percent	0.71	0.71	0.76	0.76	0.84	0.84	0.86	0.86	0.83		-0.01
Other (including gains/losses)	Percent	0.04	0.03	0.02	0.05	0.06	0.10	0.09	0.08	0.07		0.01
Total expenses (with provision for loan and lease losses)	Percent	4.04	4.14	4.30	4.53	4.21	3.38	3.31	3.30	3.31		-0.90
Non-interest expenses	Percent	3.10	3.09	3.14	3.20	3.01	2.76	2.78	2.80	2.82		-0.19
Labor expense	Percent	1.58	1.58	1.60	1.65	1.57	1.46	1.46	1.46	1.47		-0.11
Office expenses	Percent	0.79	0.77	0.79	0.79	0.74	0.69	0.69	0.69	0.69		-0.05
Loan servicing expenses	Percent	0.22	0.21	0.22	0.21	0.20	0.19	0.19	0.19	0.19		-0.01
Other non-interest expenses	Percent	0.52	0.52	0.54	0.55	0.49	0.42	0.44	0.45	0.47		-0.02
Total interest expense	Percent	0.53	0.57	0.69	0.90	0.71	0.48	0.46	0.44	0.43		-0.28
Interest on borrowed money	Percent	0.07	0.09	0.10	0.10	0.07	0.05	0.05	0.05	0.04		-0.03
Share dividends	Percent	0.40	0.43	0.52	0.71	0.55	0.38	0.36	0.35	0.34		-0.21
Interest on deposits	Percent	0.05	0.05	0.06	0.09	0.08	0.05	0.05	0.05	0.04		-0.03
Provision for loan and lease losses	Percent	0.41	0.48	0.46	0.43	0.50	0.15	0.07	0.06	0.06		-0.44
Net income	Percent	0.76	0.78	0.92	0.93	0.70	1.04	1.12	1.12	1.07		0.37
Net interest margin	Percent	2.88	2.99	3.13	3.16	2.82	2.57	2.57	2.59	2.59		-0.23

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Balance Sheet												
Federally insured credit unions												
Total assets	$ Billions	1,292.5	1,378.8	1,453.4	1,566.7	1,844.5	1,949.5	1,977.2	2,018.1	2,060.4	11.7	215.83
Cash and equivalents (less than 3 months)	$ Billions	97.7	98.7	92.6	121.3	240.6	297.9	265.2	263.2	259.9	8.0	19.30
Cash on hand	$ Billions	10.1	10.5	10.9	12.0	23.4	19.2	18.9	20.3	18.6	-20.8	-4.88
Investments												
Total investments (more than 3 months)	$ Billions	269.1	262.2	253.6	263.1	353.7	396.3	427.2	438.1	452.6	28.0	98.92
Investments less than 1 year	$ Billions	75.5	72.7	72.4	79.7	98.9	99.8	100.8	97.4	93.2	-5.7	-5.67
Investments 1-3 years	$ Billions	94.9	86.5	86.3	92.0	113.7	104.1	104.4	109.9	116.0	2.0	2.32
Investments 3-10 years	$ Billions	94.8	99.0	91.0	85.9	128.1	174.5	202.9	212.4	225.1	75.7	96.99
Investments 3-5 years	$ Billions	64.2	67.3	59.3	54.7	74.2	88.0	106.3	118.6	127.3	71.4	53.02
Investments 5-10 years	$ Billions	30.7	31.7	31.8	31.2	53.9	86.5	96.6	93.9	97.8	81.6	43.96
Investments more than 10 years	$ Billions	3.9	4.0	3.9	5.6	13.2	17.9	19.2	18.3	18.3	40.7	5.29
Total loans	$ Billions	869.1	957.3	1,043.6	1,108.0	1,162.6	1,165.4	1,193.3	1,222.9	1,255.3	8.0	92.67
Loans secured by 1-4 family residential properties	$ Billions	.	406.0	446.9	480.7	511.1	511.4	522.8	536.1	551.1	7.8	39.96
Secured by first lien	$ Billions	.	339.2	367.5	397.8	435.1	437.9	449.2	461.9	475.4	9.3	40.30
Secured by junior lien	$ Billions	.	66.7	79.4	82.9	76.0	73.6	73.6	74.2	75.6	-0.5	-0.34
All other real estate loans	$ Billions	.	11.7	3.8	2.8	2.5	2.3	2.3	2.3	2.3	-7.7	-0.19
Credit cards	$ Billions	52.7	57.5	61.8	66.0	61.8	58.7	59.9	61.2	64.2	3.9	2.39
Auto loans	$ Billions	298.4	332.5	365.9	375.1	380.0	380.7	388.9	398.0	404.5	6.4	24.44
New autos	$ Billions	116.6	132.1	147.2	147.6	142.1	140.0	141.0	141.5	142.0	-0.1	-0.11
Used autos	$ Billions	181.8	200.4	218.7	227.5	238.0	240.7	247.9	256.6	262.5	10.3	24.55
Non-federally guaranteed student loans	$ Billions	3.8	4.4	5.1	5.5	6.0	6.0	6.4	6.4	6.5	9.6	0.57
Commercial loans (excludes unfunded commitments)	$ Billions	.	63.2	71.0	81.8	94.3	97.4	101.4	105.8	111.7	18.4	17.31
Secured by real estate	$ Billions	.	55.3	63.9	74.5	86.6	89.7	93.4	97.5	103.1	19.1	16.53
Not secured by real estate	$ Billions	.	8.0	7.1	7.4	7.7	7.7	8.0	8.3	8.5	10.1	0.78
Other loans	$ Billions	.	82.0	89.0	96.0	106.9	108.8	111.6	113.0	115.1	7.7	8.19

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Unfunded commitments for commercial loans	$ Billions	.	4.8	5.7	7.1	8.1	8.8	9.2	9.5	10.6	30.1	2.45
Other assets	$ Billions	56.5	60.6	63.6	74.3	87.6	89.9	91.6	93.9	92.6	5.6	4.95
Total liabilities and net worth	$ Billions	1,292.5	1,378.8	1,453.4	1,566.7	1,844.5	1,949.5	1,977.2	2,018.1	2,060.4	11.7	215.83
Total deposits	$ Billions	1,092.6	1,159.5	1,219.7	1,319.8	1,587.6	1,693.8	1,714.9	1,748.6	1,788.6	12.7	201.02
Share drafts	$ Billions	154.3	168.5	192.8	208.0	291.5	327.1	342.8	354.3	367.1	26.0	75.66
Regular shares	$ Billions	393.1	421.6	426.9	444.5	568.1	626.1	626.6	640.0	655.9	15.5	87.79
Other deposits	$ Billions	545.2	569.4	600.1	667.2	728.0	740.7	745.4	754.2	765.6	5.2	37.57
Money market accounts	$ Billions	249.2	259.6	261.9	274.8	341.9	361.7	374.8	390.7	407.3	19.1	65.46
Share certificate accounts	$ Billions	199.5	212.2	238.2	287.1	276.0	267.2	258.9	251.9	247.6	-10.3	-28.37
IRA/Keogh accounts	$ Billions	78.1	77.7	77.6	81.0	83.9	84.3	84.3	84.0	83.2	-0.8	-0.66
Non-member deposits	$ Billions	8.7	10.2	11.9	12.9	11.7	11.2	10.9	10.9	11.3	-3.4	-0.40
All other shares	$ Billions	9.7	9.8	10.6	11.5	14.6	16.4	16.5	16.7	16.2	10.6	1.55
Net worth	$ Billions	140.8	151.1	164.3	178.2	190.4	195.3	201.1	206.6	211.6	11.1	21.20
Net worth, percent of assets	Percent	10.89	10.95	11.30	11.37	10.32	10.02	10.16	10.23	10.26		-0.06
Addenda												
Real estate loans	$ Billions	431.1	473.0	514.5	558.0	600.2	603.5	618.5	635.9	656.5	9.4	56.30
Real estate fixed rate, first mortgage	$ Billions	251.2	281.0	308.0	345.0	396.9	406.5	422.4	440.0	460.5	16.0	63.62
Business loans												
Net member business loan balance for regulatory reporting, Part 723[1]	$ Billions	58.9	67.5	67.8	77.7	89.8	93.9	97.1	101.2	107.1	18.9	17.04

[1] Account 400A

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Balance Sheet (Percent of Assets)												
Federally insured credit unions												
Total assets	Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Cash and equivalents (less than 3 months)	Percent	7.6	7.2	6.4	7.7	13.0	15.3	13.4	13.0	12.6		-0.43
Cash on hand	Percent	0.8	0.8	0.8	0.8	1.3	1.0	1.0	1.0	0.9		-0.37
Investments												
Total investments (more than 3 months)	Percent	20.8	19.0	17.5	16.8	19.2	20.3	21.6	21.7	22.0		2.79
Investments less than 1 year	Percent	5.8	5.3	5.0	5.1	5.4	5.1	5.1	4.8	4.5		-0.84
Investments 1-3 years	Percent	7.3	6.3	5.9	5.9	6.2	5.3	5.3	5.4	5.6		-0.53
Investments 3-10 years	Percent	7.3	7.2	6.3	5.5	6.9	9.0	10.3	10.5	10.9		3.98
Investments 3-5 years	Percent	5.0	4.9	4.1	3.5	4.0	4.5	5.4	5.9	6.2		2.15
Investments 5-10 years	Percent	2.4	2.3	2.2	2.0	2.9	4.4	4.9	4.7	4.7		1.83
Investments more than 10 years	Percent	0.3	0.3	0.3	0.4	0.7	0.9	1.0	0.9	0.9		0.18
Total loans	Percent	67.2	69.4	71.8	70.7	63.0	59.8	60.3	60.6	60.9		-2.11
Loans secured by 1-4 family residential properties	Percent	.	29.4	30.7	30.7	27.7	26.2	26.4	26.6	26.7		-0.96
Secured by first lien	Percent	.	24.6	25.3	25.4	23.6	22.5	22.7	22.9	23.1		-0.52
Secured by junior lien	Percent	.	4.8	5.5	5.3	4.1	3.8	3.7	3.7	3.7		-0.45
All other real estate loans	Percent	.	0.9	0.3	0.2	0.1	0.1	0.1	0.1	0.1		-0.02
Credit cards	Percent	4.1	4.2	4.3	4.2	3.4	3.0	3.0	3.0	3.1		-0.24
Auto loans	Percent	23.1	24.1	25.2	23.9	20.6	19.5	19.7	19.7	19.6		-0.97
New autos	Percent	9.0	9.6	10.1	9.4	7.7	7.2	7.1	7.0	6.9		-0.81
Used autos	Percent	14.1	14.5	15.0	14.5	12.9	12.3	12.5	12.7	12.7		-0.16
Non-federally guaranteed student loans	Percent	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3		-0.01
Commercial loans (excludes unfunded commitments)	Percent	.	4.6	4.9	5.2	5.1	5.0	5.1	5.2	5.4		0.30
Secured by real estate	Percent	.	4.0	4.4	4.8	4.7	4.6	4.7	4.8	5.0		0.31
Not secured by real estate	Percent	.	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4		-0.01
Other loans	Percent	.	5.9	6.1	6.1	5.8	5.6	5.6	5.6	5.6		-0.21
Unfunded commitments for commercial loans	Percent	.	0.3	0.4	0.5	0.4	0.5	0.5	0.5	0.5		0.07
Other assets	Percent	4.4	4.4	4.4	4.7	4.7	4.6	4.6	4.7	4.5		-0.26
Total liabilities and net worth	Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Total deposits	Percent	84.5	84.1	83.9	84.2	86.1	86.9	86.7	86.6	86.8		0.74
Share drafts	Percent	11.9	12.2	13.3	13.3	15.8	16.8	17.3	17.6	17.8		2.02
Regular shares	Percent	30.4	30.6	29.4	28.4	30.8	32.1	31.7	31.7	31.8		1.03
Other deposits	Percent	42.2	41.3	41.3	42.6	39.5	38.0	37.7	37.4	37.2		-2.31
Money market accounts	Percent	19.3	18.8	18.0	17.5	18.5	18.6	19.0	19.4	19.8		1.24
Share certificate accounts	Percent	15.4	15.4	16.4	18.3	15.0	13.7	13.1	12.5	12.0		-2.94
IRA/Keogh accounts	Percent	6.0	5.6	5.3	5.2	4.5	4.3	4.3	4.2	4.0		-0.51
Non-member deposits	Percent	0.7	0.7	0.8	0.8	0.6	0.6	0.6	0.5	0.5		-0.09
All other shares	Percent	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8		-0.01
Net worth	Percent	10.89	10.95	11.30	11.37	10.32	10.01	10.16	10.23	10.26		-0.06

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2016.4	2017.4	2018.4	2019.4	2020.4	2021.1	2021.2	2021.3	2021.4	4 Quarter % change	4 Quarter change
Addenda												
Real estate loans	Percent	33.4	34.3	35.4	35.6	32.5	31.0	31.3	31.5	31.9		-0.68
Real estate fixed rate, first mortgage	Percent	19.4	20.4	21.2	22.0	21.5	20.9	21.4	21.8	22.4		0.83
Business loans												
Net member business loan balance for regulatory reporting, Part 723 [1]	Percent	4.6	4.9	4.7	5.0	4.9	4.8	4.9	5.0	5.2		0.32

[1] Account 400A

Summary of Performance for Federally Insured Credit Unions

	Asset Categories									
	Less than $10 million	$10 to $50 million	$50 to $100 million	$100 to $500 million	$500 million to $1 billion	Greater than $1 billion	Federal Credit Unions	Federally Insured State-Chartered Credit Unions	Credit Unions with Low-Income Designation in 2021Q4	Small Credit Unions (Assets less than $100 million)
Current Quarter: 2021Q4										
Number of credit unions	1,039	1,447	683	1,082	287	404	3,100	1,842	2,627	3,169
Number of members (millions)	0.7	3.6	4.2	17.9	13.8	89.4	68.2	61.4	65.5	8.5
Total assets ($ billions)	4.3	37.6	49.6	246.0	204.6	1,518.2	1,039.7	1,020.6	964.9	91.5
Total loans ($ billions)	1.8	16.4	24.4	139.0	127.5	946.2	632.1	623.2	610.8	42.7
Total deposits ($ billions)	3.6	33.0	43.7	218.1	179.8	1,310.3	893.6	895.0	844.8	80.4
Key ratios (percent)										
Return on average assets	0.18	0.41	0.60	0.72	0.84	1.20	1.11	1.03	1.08	0.50
Net worth ratio	15.50	11.73	11.07	10.22	10.18	10.20	10.44	10.08	10.08	11.55
Loan-to-share ratio	51.0	49.7	55.8	63.7	70.9	72.2	70.7	69.6	72.3	53.1
Net interest margin (median)	2.56	2.43	2.51	2.56	2.62	2.54	2.49	2.58	2.65	2.48
Long-term assets, percent of assets	6.5	16.9	23.3	28.7	32.4	36.1	34.2	34.1	31.5	19.9
Cost of funds / average assets (median)	0.20	0.18	0.22	0.26	0.34	0.41	0.22	0.26	0.24	0.20
Delinquency rate	1.37	0.75	0.62	0.47	0.41	0.49	0.57	0.40	0.45	0.70
Net charge-offs to average loans	0.25	0.22	0.20	0.18	0.18	0.29	0.34	0.18	0.22	0.21
Growth from a year earlier (percent)										
Shares (total deposits)	-10.3	-4.4	0.9	4.3	5.3	16.4	12.4	12.9	14.1	-1.9
Total loans	-15.3	-9.8	-3.6	-1.3	-0.4	11.6	8.4	7.6	9.4	-6.6
Total assets	-10.3	-4.9	0.3	3.6	3.8	15.3	11.7	11.7	13.2	-2.4
Members	-16.3	-12.4	-6.9	-5.3	-2.2	9.2	5.2	3.2	4.1	-10.2
Net worth	-11.3	-7.6	-1.9	1.4	3.3	15.4	11.7	10.6	12.3	-5.0
Historical Data (same quarter)										
Return on average assets (percent)										
2021	0.18	0.41	0.60	0.72	0.84	1.20	1.11	1.03	1.08	0.50
2020	0.06	0.32	0.43	0.50	0.61	0.78	0.67	0.73	0.75	0.36
2019	0.29	0.56	0.63	0.72	0.79	1.04	0.95	0.92	0.93	0.58
2018	0.24	0.49	0.59	0.67	0.76	1.05	0.93	0.90	0.90	0.52
2017	0.06	0.30	0.44	0.46	0.71	0.93	0.80	0.75	0.77	0.35
Net worth ratio (percent)										
2021	15.50	11.73	11.07	10.22	10.18	10.20	10.44	10.08	10.08	11.55
2020	15.67	12.09	11.32	10.44	10.24	10.20	10.44	10.19	10.16	11.87
2019	16.49	13.20	12.31	11.57	11.27	11.21	11.50	11.24	11.22	12.94
2018	16.02	12.89	11.98	11.34	11.30	11.15	11.40	11.18	11.14	12.62
2017	15.42	12.40	11.62	11.01	10.92	10.80	11.04	10.86	10.86	12.20
Loan to Share Ratio (percent)										
2021	50.96	49.74	55.77	63.72	70.88	72.21	70.74	69.63	72.31	53.08
2020	53.97	52.69	58.37	67.33	74.95	75.34	73.38	73.09	75.45	55.76
2019	62.74	62.57	67.62	78.16	84.23	86.91	83.65	84.27	85.80	65.16
2018	62.21	62.18	67.99	79.44	86.15	89.17	85.17	85.96	87.14	65.12
2017	59.04	59.36	65.17	76.10	84.30	86.45	82.42	82.71	83.86	62.26

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Appendix

NCUA Board Member Bios

Chairman Todd M. Harper

Todd M. Harper was nominated to serve on the NCUA Board on February 6, 2019. The U.S. Senate confirmed him on March 14, 2019, and he was sworn in as a member of the NCUA Board on April 8, 2019. President Joseph R. Biden, Jr., designated him as the NCUA's twelfth Chairman on January 20, 2021.

As NCUA Board Chairman, Mr. Harper serves as a voting member of the Financial Stability Oversight Council and represents the NCUA on the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee.

Prior to joining the NCUA Board, Mr. Harper served as director of the agency's Office of Public and Congressional Affairs and chief policy advisor to former Chairmen Debbie Matz and Rick Metsger. He is the first member of the NCUA's staff to become an NCUA Board Member and Chairman.

Mr. Harper previously worked for the U.S. House of Representatives as staff director for the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises and as legislative director and senior legislative assistant to former Rep. Paul Kanjorski (D-Pennsylvania). In these roles, he contributed to every major financial services law, from the enactment of the Gramm-Leach-Bliley Financial Services Modernization Act in 1999 through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010.

During the Great Recession, Mr. Harper coordinated the first congressional hearing to explore the creation of a Temporary Corporate Credit Union Stabilization Fund. He also spearheaded staff efforts in the U.S. House to secure enactment of a law to lower the costs of managing both the Corporate Stabilization Fund and the National Credit Union Share Insurance Fund.

Mr. Harper led staff negotiations over several sections of the Dodd-Frank Act, including the Kanjorski amendment to empower regulators to preemptively rein in and break up "too-big-to-fail" institutions and proposals to enhance the powers of the Securities and Exchange

Commission. He also developed the legislative framework for the bill that created the Federal Insurance Office to monitor domestic and international insurance issues.

Mr. Harper holds an undergraduate degree in business analysis from Indiana University's Kelley School of Business and a graduate degree in public policy from Harvard University's Kennedy School of Government.

Vice Chairman Kyle S. Hauptman

Kyle S. Hauptman was nominated to serve on the NCUA Board on June 15, 2020. The U.S. Senate confirmed him on December 2, 2020, and he was sworn in as a member of the NCUA Board on December 14, 2020. The NCUA Board approved his designation as Vice Chairman of the NCUA on December 18, 2020.

Prior to his joining the NCUA Board, Mr. Hauptman served as Senator Tom Cotton's (R-Arkansas) advisor on economic policy, as well as Staff Director of the Senate Banking Committee's Subcommittee on Economic Policy.

Previously, Mr. Hauptman was Senior Vice President at Jefferies & Co. He worked at Lehman Brothers as a bond trader in New York City as well as in their international offices in Tokyo and Sydney, and served as a voting member on the U.S. Securities and Exchange Commission Advisory Committee on Small and Emerging Companies.

Mr. Hauptman served on President Donald J. Trump's transition team in 2016 and was Senator Mitt Romney's (R-Utah) policy advisor for financial services during the 2012 presidential campaign.

Mr. Hauptman holds a Master's in Business Administration from Columbia Business School and a bachelor of arts from University of California, Los Angeles.

Board Member Rodney E. Hood

President Donald J. Trump nominated Rodney E. Hood for the NCUA Board on January 19, 2019. The U.S. Senate confirmed him on March 14, 2019, and he was sworn in as the eleventh NCUA Chairman on April 8, 2019. Mr. Hood served as the NCUA's Chairman until January 25, 2021.

As a Board Member, Mr. Hood serves as the NCUA's representative on the Board of Directors of NeighborWorks America, one of the nation's leading affordable housing and community development organizations. This is his second time serving as the agency's representative on the board of NeighborWorks.

Mr. Hood was previously nominated to the NCUA Board by former President George W. Bush and served from November 2005 until August 2009. During his first term on the Board, he was appointed Vice Chairman.

Immediately prior to rejoining the NCUA Board in 2019, Mr. Hood served as a corporate responsibility manager for JPMorgan Chase, managing national partnerships with non-profit organizations, financial regulators, and community stakeholders to promote financial inclusion and shared prosperity in underserved communities throughout the United States.

His previous experience includes serving as associate administrator of the Rural Housing Service at the U.S. Department of Agriculture. In this role, he helped to address the housing needs in rural communities and administered the agency's $43 billion mortgage portfolio.

Prior to his public service, Mr. Hood served as marketing director and group sales manager for the North Carolina Mutual Life Insurance Company in Durham, North Carolina. He also served as national director of the Emerging Markets Group for Wells Fargo Home Mortgage and served on the board of the Wells Fargo Housing Foundation. Earlier in his career, he worked for Bank of America as a Community Reinvestment Act officer and completed the management development program at G.E. Capital.

In addition to his public and private sector service, Mr. Hood served as a member of the University of North Carolina at Chapel Hill Board of Visitors and as member of the UNC School of Arts Board of Trustees. He also served as a member of the Board of Trustees for the North Carolina Museum of Art and as a member of the Board of Governors for the University of North Carolina College System.

Mr. Hood's professional awards include being named one of the "40 Young Leaders Under the Age of 40" by the Triangle Business Journal in Raleigh, North Carolina. He is the first recipient of the "Dream Award," an award given by the Wells Fargo Housing Foundation to honor individuals who have exhibited an outstanding commitment to affordable housing.

A native of Charlotte, North Carolina, Mr. Hood holds a bachelor's degree in business, communications, and political science from the University of North Carolina at Chapel Hill.

Senior Staff Reporting to the NCUA Board

- Catherine D. Galicia
  Chief of Staff
- Sarah Bang, Senior Advisor to Vice Chairman Hauptman.
- H. Lenwood Brooks, V
  Senior Advisor to Board Member Hood
- Larry Fazio
  Executive Director
- Rendell L. Jones
  Deputy Executive Director
- Frank Kressman
  General Counsel
- James Hagen
  Inspector General
- Elizabeth Fischmann
  Chief Ethics Counsel
- Miguel Polanco
  Director, Office of Minority and Women Inclusion
- Samuel Schumach,
  Deputy Director, Office of External Affairs and Communications

NCUA Offices and Regions

Miguel Polanco
Director, Office of Minority and Women Inclusion

The **Office of Minority and Women Inclusion** oversees issues related to diversity in the agency's management, employment, and business activities. The office works to ensure equal opportunities for everyone in NCUA's workforce, programs, and contracts. The office also assesses the diversity policies and practices of credit unions regulated by the NCUA. The Director of the the Office of Minority and Women Inclusion reports directly to the NCUA Chairman in compliance with section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

Vacant

The **Office of External Affairs & Communications** handles public relations, including communications with the media and trade associations, and serves as NCUA's liaison with Capitol Hill and other government agencies, and monitoring federal legislative issues. The office also manages the NCUA's social and digital media platforms, including NCUA.gov and MyCreditUnion.gov. Additionally, the office manages the agency's Section 508 compliance efforts. The Director of the Office of External Affairs & Communications reports directly to the NCUA Chairman.

Frank Kressman
General Counsel

The **Office of General Counsel** addresses legal matters affecting the NCUA. The duties of the office include representing the agency in litigation, executing administrative actions, interpreting the Federal Credit Union Act and NCUA rules and regulations, processing Freedom of Information Act requests and advising the Board and the agency on general legal matters, and maintaining the agency's records management program. The General Counsel's office also drafts regulations designed to ensure the safety and soundness of credit unions.

Larry Fazio
Executive Director

The **Office of the Executive Director** is responsible for the agency's daily operations. The executive director reports directly to the NCUA Chairman. All regional directors and most central office directors report to the executive director.

James Hagen
Inspector General

The **Office of Inspector General** promotes the economy, efficiency, and effectiveness of NCUA programs and operations. The office also detects and deters fraud, waste, and abuse in support of NCUA's mission of monitoring and promoting safe and sound federally insured credit unions. Additionally, it conducts independent audits, investigations, and other activities and keeps the NCUA Board and Congress fully informed.

The **Ombudsman** provides consumer complainants with an objective third-party to resolve disputes that cannot be resolved through the NCUA Consumer Assistance Center. The Ombudsman reports to the NCUA Board and is independent from the agency's operational programs.

Kelly Lay
Director, Office of Examination and Insurance

The **Office of Examination and Insurance** is responsible for NCUA's supervision programs that ensure the safety and soundness of federally insured credit unions. Within the Office of Examination and Insurance, the Division of Supervision oversees NCUA's examination and supervision program, including resource management and allocation, and oversees the development and maintenance of exam and supervision policy manuals. The Division of Risk Management oversees the agency's problem resolution program and manages risk to the National Credit Union Share Insurance Fund. The Division of Analytics and Surveillance manages the agency's data gathering, surveillance, and national risk assessment programs. It also supports NCUA's supervision of technology risk in credit unions. The Division of Capital and Credit Markets evaluates and develops policies and procedures related to credit union loans and investments and asset-liability management. The division also oversees the day-to-day operations of the Central Liquidity Facility. Finally, the Division of NGN Support monitors the NCUA Guaranteed Notes program.

Andrew Leventis
Chief Economist

The **Office of the Chief Economist** supports NCUA's safety and soundness goals by developing and distributing economic intelligence. The office also enhances NCUA's understanding of emerging microeconomic and macroeconomic risks by producing modeling and risk identification tools and participating in agency and interagency policy development.

Eugene Schied
Chief Financial Officer

The **Office of the Chief Financial Officer** oversees the agency's budget preparation and management, ongoing finance and accounting functions, facilities management, and procurement. The office also handles billing and collection of credit union Share Insurance Fund premiums and deposit adjustments and federal credit union operating fees. NCUA's strategic planning process is also housed here.

Robert Foster
Chief Information Officer

The **Office of the Chief Information Officer** manages NCUA's automated information resources. The office's work includes collecting, validating, and securely storing electronic agency information;

developing, implementing and maintaining computer hardware, software, and data communications infrastructure; and ensuring related security and integrity risks are recognized and controlled.

Matthew J. Biliouris
Director, Office of Consumer Financial Protection

The **Office of Consumer Financial Protection** is responsible for the agency's consumer financial protection program. Within the office, the Division of Consumer Affairs is responsible for NCUA's Consumer Assistance Center, which handles consumer inquiries and complaints. The Division of Consumer Compliance Policy and Outreach is responsible for consumer financial protection compliance policy and rulemaking, fair lending examinations, interagency coordination on consumer financial protection compliance matters, and outreach.

Towanda Brooks
Chief Human Capital Officer

The **Office of Human Resources** provides a full range of human resources functions to all NCUA employees. The office administers recruitment and merit promotion, position classification, compensation, employee records, employee and labor relations, training, employee benefits, performance appraisals, incentive awards, adverse actions, and grievance programs.

Martha Ninichuk
Director, Credit Union Resources and Expansion

The **Office of Credit Union Resources and Expansion** is responsible for chartering and field-of-membership matters, low-income designations, charter conversions, and bylaw amendments. The office also provides online training to credit union board members, management and staff, and technical assistance through grants and loans funded by the Community Development Revolving Loan Fund. Additionally, the office is responsible for the agency's minority depository institutions preservation program.

Kelly Gibbs
Director, Office of Continuity and Security Management

The **Office of Continuity and Security Management** evaluates and manages security and continuity programs across the NCUA and its regional offices. The office is responsible for continuity of operations, emergency planning and response, critical infrastructure and resource protection, cybersecurity and intelligence threat warning and the security of agency personnel and facilities.

Vacant

The **Office of Business Innovation** is responsible for the NCUA's information technology modernization and business-process optimization efforts, as well as information security support, data management, and data governance for the agency.

Elizabeth Fischmann
Chief Ethics Counsel

The **Office of Ethics Counsel** certifies the agency's compliance with relevant federal ethics laws and regulations, promotes accountability and ethical conduct, and helps ensure the success of the NCUA's ethics programs, including programs designed to prevent harassment and misconduct in the workplace.

FIELD PROGRAM OFFICES

Scott Hunt
Director, National Examinations and Supervision

The **Office of National Examinations and Supervision** supervises the corporate credit union system and consumer credit unions with $10 billion or more in assets.

John Kutchey
Director, Eastern Region

The NCUA's **Eastern Region** is headquartered in Alexandria, Virginia. The region covers Delaware, the District of Columbia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia, Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island, and Vermont.

Keith Morton
Director, Southern Region and President, AMAC

The NCUA's **Southern Region** is headquartered in Austin, Texas. The region covers Texas, Oklahoma, Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands.

The **Asset Management and Assistance Center (AMAC)** is also a part of the Southern Region. This office conducts credit union liquidations and performs asset management and recovery. AMAC also helps the NCUA's regional offices review large, complex loan portfolios and actual or potential bond claims. AMAC staff participate extensively in the operational phases of credit union conservatorships and record reconstruction.

Cherie Freed
Director, Western Region

The NCUA's **Western Region** is headquartered in Tempe, Arizona. The region covers Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wyoming, Alaska, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Utah, Washington, and Wisconsin.

Key Terms and List of Acronyms

ACCESS or Advancing Communities through Credit, Education, Stability and Support: NCUA's initiative to foster greater financial inclusion, accessibility, and opportunity for all Americans by:

- Expanding access to credit to give more Americans the opportunity to build businesses, afford higher education, achieve the dream of homeownership, and create strong, vibrant communities.
- Expanding access to financial literacy education to help consumers start on the right path financially and make smart financial decisions that improve their financial well-being.
- Ensuring financial stability to allow credit unions that serve minority and underserved areas to thrive and meet the evolving financial needs of their members and by extension, their communities.
- Supporting new employment opportunities for minorities, women, the disabled, and the underserved to allow these individuals to join the financial mainstream and benefit from greater economic opportunity.

ACET: Automated Cybersecurity Examination Tool

AIRES or Automated Integrated Regulatory Examination System: This is the computer program that the NCUA and nearly all state supervisory authorities use to document and complete their examinations of federal and state-chartered credit unions. The program uses a series of workbooks and questionnaires to guide examiners through their reviews of credit unions' financial performance, compliance with regulations and relevant laws, and potential risks.

AMAC: Asset Management and Assistance Center

AME: Asset Management Estate

ASC: Accounting Standards Codification

Auto Loans: Loans made by credit unions for which the recipient uses to purchase a vehicle.

BSA/AML: Bank Secrecy Act and Anti-Money Laundering

Call Report: A call report is a report that must be filed by credit unions with the NCUA on a quarterly basis. The NCUA uses the Call Report and Profile to collect financial and nonfinancial information from federally insured credit unions. The resulting data are integral to risk supervision at institution and industry levels, which is central to safeguarding the integrity of the Share Insurance Fund.

CAMEL Rating: NCUA's composite CAMEL rating consists of an assessment of a credit union's **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings and **L**iquidity. The CAMEL rating system is designed to take into account and reflect all significant financial, operational and management factors field staff assess in their evaluation of credit unions' performance and risk profiles.

CAMEL ratings range from 1 to 5, with 1 being the best rating. Credit unions with a composite CAMEL rating of 3 exhibit some degree of supervisory concern in one or more components. CAMEL 4 credit unions generally exhibit unsafe or unsound practices, and CAMEL 5 institutions demonstrate extremely unsafe or unsound practices and conditions. NCUA collectively refers to CAMEL 4 and 5 credit unions as "troubled credit unions."

CARES Act: The Coronavirus Aid, Relief and Economic Security Act

CBA: Collective bargaining agreement

CCU or Corporate Credit Union: These are member-owned and controlled, not-for-profit cooperative financial institutions that act as "credit unions for credit unions" and provide a number of critical financial services to credit unions, such as payment processing. Most federally insured credit unions are members of at least one corporate credit union.

CECL: Current expected credit losses

CDFI: Community Development Financial Institutions

CDRLF or Community Development Revolving Loan Fund: Congress created this fund in 1979 to stimulate economic development in low-income communities. Congress provides funding for the CDRLF through the yearly appropriations process.

NCUA administers the fund and uses it to provide eligible low-income credit unions with technical assistance grants and low-interest loans. Credit unions use these funds to develop new products and services, train staff, and weather disasters or disruptions in their operations. This support helps these credit unions continue to serve low- to moderate-income populations throughout the country.

CFPB: Consumer Financial Protection Bureau

C.F.R.: Code of Federal Regulations

CLF or Central Liquidity Facility: This is a mixed-ownership government corporation that serves as an important source for emergency funding for credit unions and corporate credit unions that join the facility. Membership is voluntary and open to all credit unions that purchase a prescribed amount of stock. The NCUA Board has direct oversight of the fund's operations.

In situations where a credit union may be experiencing a shortage of liquidity (essentially a shortage of cash or assets that can be easily converted into cash), a credit union can borrow funds from the Central Liquidity Facility for a period not to exceed one year, though the typical period is 90 days.

Consumer Credit Union: See natural person credit union.

CSRP or Corporate System Resolution Program: A multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed corporate credit unions, and establishing a new regulatory framework for corporate credit unions.

CSRS: Civil Service Retirement System

CUMAA: Credit Union Membership Access Act of 1998, Public Law 105–219

CURE: NCUA Office of Credit Union Resources & Expansion

CUSO or Credit Union Service Organization: These are corporate entities owned by federally chartered or federally insured, state-chartered credit unions. These institutions provide a number of services to credit unions, including loan underwriting, payment services and back-office functions like human resources and payroll, among others.

DATA Act: The Digital Accountability and Transparency Act

Delinquency Rate: The percentage of loans for which one or more payments is late.

DCS: Data Collection & Sharing

DOL: U.S. Department of Labor

DRS: Enterprise Data Reporting Solution

E&I: NCUA Office of Examination and Insurance

ESC: U.S Department of Transportation's Enterprise Services Center

Equity Ratio: A comparison of contributed capital and total insurance shares in all insured credit unions. NCUA calculates this for the Share Insurance Fund by dividing contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, by the aggregate amount of insured shares in all federally insured credit unions.

ESM: Enterprise Solution Modernization

ERM: Enterprise Risk Management

ESS: Examination & Supervision Solution

ESS&IH: Examination and Supervision Solution and Infrastructure Hosting

EXIM: Export-Import Bank of the United States

FASAB: Federal Accounting Standards Advisory Board

FASB: Financial Accounting Standards Board

FBIIC: Financial and Banking Information Infrastructure Committee

FBWT: Fund Balance with Treasury

FCU: Federal Credit Union

FDIC: The Federal Deposit Insurance Corporation

FECA: Federal Employees' Compensation Act

Federal Credit Union Act: Signed into law in 1934, the Federal Credit Union Act establishes the legal framework for federally chartered credit unions in the U.S. The act also defines the coverage and terms of federal share insurance at all federally insured credit unions, and it outlines the structure, duties and authority of the NCUA.

FERS: Federal Employees Retirement System

FEVS: Federal Employee Viewpoint Survey

FFB: Federal Financing Bank

FFIEC: Federal Financial Institutions Examination Council

Field of Membership: A credit union's field of membership defines who is eligible to join the credit union. Depending on the credit union's charter, a field of membership can include individuals who:

- Are members of an association like a civic association or religious institution;
- Are part of a community, like a county or town;
- Are employed in a particular occupation, like a firefighter or teacher;
- Are a part of an underserved area, like a rural county; or
- Who share a common bond, such as those that work at a factory and those that work for the factory's suppliers.

FISCU: Federally Insured, State-chartered Credit Union

FISMA: Federal Information Security Management Act, Public Law 107-347

FMFIA: Federal Managers' Financial Integrity Act of 1982, Public Law 97–255

FOMC: The Federal Open Market Committee

FSOC: The Financial Stability Oversight Council

GAAP: U.S. generally accepted accounting principles

GAAS: U.S. generally accepted auditing standards

GAO: U.S. Government Accountability Office

HHS: U.S Department of Health and Human Services

InTREx-CU or Information Technology Risk Examination for Credit Unions: Enhanced, risk-based approach for conducting IT examinations. InTREx-CU aligns the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System, and some state financial regulators to ensure consistent approaches are applied to community financial institutions.

IPERA: The Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204

IPERIA: The Improper Payments Elimination and Recovery Improvement Act of 2020, Public Law 112-248

IPIA: The Improper Payments Information Act of 2002, Public Law 107-200

IUS: Internal Use Software

KPMG: KPMG LLP

LIBOR: London Interbank Offered Rate

LICU or Low-income Designated Credit Union: The Federal Credit Union Act allows the NCUA to designate a credit union as low-income if it meets certain criteria. This designation gives these credit unions a greater ability to help stimulate economic growth and provide affordable financial services in communities that have been historically underserved.

To qualify as a low-income credit union, a majority of a credit union's membership must meet certain low- income thresholds based on data from the U.S. Census Bureau.

The designation offers several benefits for credit unions that qualify, including the ability to accept non- member deposits, an exemption from the member business lending cap, eligibility for technical assistance grants and loans, and the ability to obtain supplemental capital from organizations, such as banks or outside investors.

Loan-to-Share Ratio: A comparison of the total amount of outstanding loans by the total amount of share deposits. This is a measure of liquidity.

MDI or Minority Depository Institution: This term is used to describe a credit union that has a majority of its current or potential membership composed of minorities (in this case Black American, Hispanic American, Asian American, Native American or Multi-cultural) and a majority of minority members on its board of directors.

Member: A person who uses a credit union is referred to as a member rather than a customer. This is because a credit union member actually owns a portion, or share, of their credit union. This differs from a bank, which is owned by its shareholders, not its customers. A credit union member also has the ability to determine the credit union's board of directors through a democratic election.

MERIT or Modern Examination and Risk Identification Tool: This is a new examination platform that replaced AIRES. Through MERIT, credit unions will be able to securely exchange documents with examiners.

Mortgage/Real Estate: Loans that are secured by a mortgage, deed of trust, or similar lien on real estate.

MSA: Mortgage Servicing Assets

NCUA: National Credit Union Administration

NCUSIF or The National Credit Union Share Insurance Fund: This fund provides deposit insurance for member accounts at all credit unions that are federally insured. The Share Insurance Fund is funded by premiums paid by credit unions, which is one percent of the shares or deposits at credit unions. It is backed by the full faith and credit of the United States.

The Share Insurance Fund insures individual accounts up to $250,000, and a member's interest in all joint accounts combined is insured up to $250,000. The fund separately protects IRA and KEOGH retirement accounts up to $250,000.

Net Worth Ratio: A comparison of retained earnings and total assets, which measures the financial strength of the industry or an individual credit union.

NGN: NCUA Guaranteed Notes

NPCU or Natural-Person Credit Union: More commonly known as consumer credit unions, natural-person credit unions provide financial services primarily to individual people, as opposed to corporate credit unions which provide financial services to natural-person credit unions.

NOL or Normal Operating Level: The Share Insurance Fund's normal operating level is the desired equity level for the Share Insurance Fund that is set by the NCUA Board. The Federal Credit Union Act allows the NCUA Board to set the normal operating level between 1.20 percent and 1.50 percent. If the equity ratio of the Share Insurance Fund is above normal operating level at the end of the calendar year, a dividend is triggered and paid to federally insured credit unions. The normal operating level set by the NCUA Board in December 2021 is 1.33 percent.

NTEU: National Treasury Employees Union

OBI: Office of Business Innovation

OCIO: Office of the Chief Information Officer

OCSM: Office of Continuity and Security Management

OEAC: Office of External Affairs & Communications

OF: Operating Fund

OIG: Office of the Inspector General

OMB: Office of Management and Budget

OMWI: Office of Minority and Women Inclusion

ONES: Office of National Examinations and Supervision

OPM: U.S. Office of Personnel Management

OTR: Overhead transfer rate

OTTI: Other-than temporary impairment

PIIA: Payment Integrity Information Act

Regulatory Burden: Is defined as the administrative cost of a single regulation or the totality of all regulations in terms of dollars, time, and the rule's complexity, that a regulated entity like a credit union must incur to operate in compliance with various laws and regulations in the United States.

Return on Average Assets: A comparison of net income and average total assets; a measure of how much income credit unions are able to generate from each dollar's worth of a credit union's assets.

Safety and Soundness: Federal and state supervision of credit unions is designed to provide for a financially stable system that meets the financial needs of credit union members, as well as to prevent runs and panics by providing assurances that funds deposited will be protected from loss. A credit union is considered to be safe and sound if it is being run effectively and is compliant with all applicable laws and regulations.

SFFAS: Statement of Federal Financial Accounting Standards

Share Insurance Fund Equity Ratio: The equity ratio approximates the overall heath and financial position of the Share Insurance Fund.

The equity ratio is calculated as the ratio and consists of the contributed 1-percent deposit that all federally insured credit unions must make, plus the cumulative results of operations, excluding net cumulative unrealized gains and losses on the fund's investments, divided by the aggregate amount of the insured shares in all federally insured credit unions.

By law, the equity ratio of the Share Insurance Fund cannot decline below 1.20 percent. When the NCUA Board projects that the equity ratio will fall below 1.20 percent within six months, the NCUA Board must establish and implement a restoration plan to rebuild the equity ratio, which may include a premium assessment to each insured credit union.

TCCUSF or Temporary Corporate Credit Union Stabilization Fund: Created by Congress, the Stabilization Fund assumed the losses associated with the failure of five corporate credit unions—U.S. Central, WesCorp, Members United, Southwest and Constitution—in 2010. This fund has allowed the credit union system to absorb these losses over time. The Stabilization Fund closed on October 1, 2017. As required by statute, the Stabilization Fund's remaining funds, property, and other assets were distributed to the Share Insurance Fund. Through the distribution, the Share Insurance Fund assumed the assets and obligations of the Stabilization Fund, including the NCUA Guaranteed Notes (NGN) Program.

the "Fund": National Credit Union Administration Operating Fund

Unsecured Credit Cards: Loans held as unsecured credit card loans.

List of Hyperlinks to Additional Information by Report Section

Industry At A Glance

- NCUA Call Report Data
  https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data

About this Report

- NCUA Annual Reports
  https://www.ncua.gov/news/annual-reports

About the Management's Discussion and Analysis

- NCUA Annual Reports
  https://www.ncua.gov/files/annual-reports/annual-report-2021.pdf

NCUA in Brief

- *2018–2022 Strategic Plan*
  https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf

Year in Review

- *2018–2022 Strategic Plan*
  https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf
- Letter to Credit Unions, 21-CU-02, "NCUA's 2021 Supervisory Priorities"
  https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncuas-2021-supervisory-priorities
- NCUA Fair Lending Compliance Program For Federal Credit Unions FAQ
  https://www.ncua.gov/regulation-supervision/regulatory-compliance-resources/consumer-compliance-regulatory-resources/fair-lending-compliance-resources/faq

- Press Release, March 26, 2021, "Edinburg Teachers Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2021/edinburg-teachers-credit-union-conserved
- Press Release, May 24, 2021, "NCUA Places Empire Financial Federal Credit Union Into Conservatorship"
  https://www.ncua.gov/newsroom/press-release/2021/ncua-places-empire-financial-federal-credit-union-conservatorship
- Press Release, November 5, 2021, "NCUA Places Pomona Postal Federal Credit Union Into Conservatorship"
  https://www.ncua.gov/newsroom/press-release/2021/ncua-places-pomona-postal-federal-credit-union-conservatorship
- Press Release, June 20, 2020, "Southern Pine Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2020/southern-pine-credit-union-conserved
- Press Release, May 17, 2019, "Municipal Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2019/municipal-credit-union- conserved
- NCUA's consumer website, MyCreditUnion.gov
  www.mycreditunion.gov
- NCUA's Proposed, Pending and Recently Final Regulations
  https://www.ncua.gov/regulation-supervision/rules-regulations/proposed-pending-and-recently-final-regulations
- NCUA Consumer Assistance Center
  https://www.mycreditunion.gov/consumer-assistance-center/Pages/default.aspx
- Press Release, May 5, 2021, "NCUA Charters Maun Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2021/ncua-charters-maun-federal-credit-union
- Press Release, July 6, 2021, "NCUA Charters Community First Fund Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2021/ncua-charters-community-first-fund-federal-credit-union
- Press Release, October 27, 2021, "NCUA Charters Capital Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2021/ncua-charters-capital-federal-credit-union
- Press Release, December 21, 2021, "NCUA Charters Unity of Eatonville Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2021/ncua-charters-unity-eatonville-federal-credit-union
- NCUA-CDFI Certification Initiative
  https://www.ncua.gov/support-services/credit-union-resources-expansion/resources/ncua-cdfi-certification-initiative
- *2018-2022 Diversity and Inclusion Strategic Plan*
  https://www.ncua.gov/files/publications/reports/diversity-inclusion-strategic-plan-2018-2022.pdf

- Enterprise Solution Modernization Program
  https://www.ncua.gov/regulation-supervision/examination-modernization-initiatives/enterprise-solution-modernization-program
- *Federal Register Notice*, The NCUA Staff Draft 2022-2023 Budget Justification, November 24, 2021
  https://www.federalregister.gov/documents/2021/11/24/2021-25486/the-ncua-staff-draft-2022-2023-budget-justification
- 2022-2023 Budget Justification: Staff Draft, November 17, 2021
  https://www.ncua.gov/files/publications/budget/budget-justification-proposed-2022-2023.pdf

Looking Forward

- The Financial Stability Oversight Council 2021 Annual Report
  https://home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf
- Federal Reserve Board Summary of Economic Projections, December 2021
  https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20211215.pdf

Performance Highlights

- *2018–2022 Strategic Plan*
  https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf

Financial Highlights

- NCUA Mid-session Presentation to the NCUA Board
  https://www.ncua.gov/files/agenda-items/AG20210923Item2b.pdf

Management Assurances and Compliance

- Section 901(b) of title 31 of the United States Code
  https://www.govinfo.gov/content/pkg/USCODE-2011-title31/pdf/USCODE- 2011-title31-subtitleI-chap9-sec901.pdf
- USASpending.gov
  https://www.usaspending.gov/
- Office of Inspector General Reports
  https://www.ncua.gov/About/Pages/inspector-general/reports.aspx

Performance Highlights

- *2018–2022 Strategic Plan*
  https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf
- *2021 Annual Performance Plan*
  https://www.ncua.gov/files/agenda-items/AG20210114Item7b.pdf

- Section 701.14 of title 12 of the United States Code
  https://www.govinfo.gov/content/pkg/CFR-2011-title12-vol6/pdf/CFR-2011-title12-vol6-sec701-14.pdf
- NCUA's consumer website, MyCreditUnion.gov
  www.mycreditunion.gov
- NCUA's Recent Final and Interim Final Regulations
  https://www.ncua.gov/regulation-supervision/rules-regulations/proposed-pending-recently-final-regulations/recent-final-interim-final-regulations
- NCUA's consumer website, MyCreditUnion.gov
  www.mycreditunion.gov
- Spanish-language version of MyCreditUnion.gov
  https://espanol.mycreditunion.gov/
- *2018-2022 Diversity and Inclusion Strategic Plan*
  https://www.ncua.gov/files/publications/reports/diversity-inclusion-strategic-plan-2018-2022.pdf

Payment Integrity

- Paymentaccuracy.gov
  https://www.paymentaccuracy.gov/

Civil Monetary Penalty Adjustment for Inflation

- Final Rule, Part 747, Civil Monetary Penalty Inflation Adjustment, The Federal Register, January 5, 2022
  https://www.govinfo.gov/content/pkg/FR-2022-01-05/pdf/2021-28555.pdf

Statistical Data

- NCUA Credit Union Analysis
  https://www.ncua.gov/analysis

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Thank you for your interest in NCUA's *2021 Annual Report*. This report and prior annual reports are available on NCUA's website at https://www.ncua.gov/news/annual-reports.

Please send any comments or suggestions about this report to oeacmail@ncua.gov.

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