2020
Annual Report

NCUA
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, 2020

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:	5,099
Members:	124.3 million
Total Assets:	$1.85 trillion
Average Credit Union Assets:	$362 million
Return on Average Assets:	70 basis points
Total Insured Shares and Deposits:	$1.47 trillion
Net Income (Year-to-Date, Annualized):	$12.0 billion
Net Worth Ratio:	10.32%
Average Shares per Member:	$12,768

Loans

Total Loans:	$1.16 trillion
Average Loan Balance:	$16,175
Loan-to-Share Ratio:	73.2%
Mortgages/Real Estate:	51.6%
Auto Loans:	32.7%
Unsecured Credit Cards:	5.3%
Delinquency Rate:	60 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:	$19.1 billion
NCUSIF Reserves:	$177.3 million
Equity Ratio:	1.26%
Insurance Loss Expense:	$68.7 million
Net Income:	$32.9 million
Failed Federally Insured Credit Unions: (year-to-date)	1

NCUA's 2018–2022 Strategic Goals

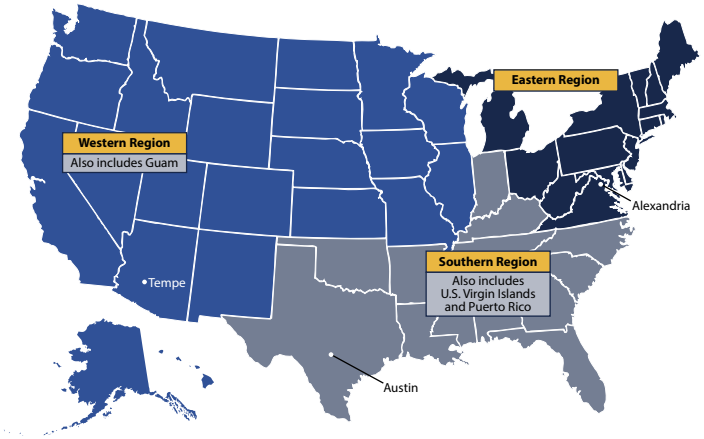
- Ensuring a safe and sound credit union system.
- Providing a regulatory framework that is transparent, efficient, and improves consumer access.
- Maximizing organizational performance to enable mission success.

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 ● Western Region ● Southern 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 *2020 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 *2020 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, 2020 through December 31, 2020 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 *2019 Annual Report*.

How this Report is Organized

The *2020 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 2020. 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 auditors' reports, and the audited financial statements and notes.

Other Information

The Other Information section includes 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 2020, 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 16, 2021

On behalf of the National Credit Union Administration, I am pleased to present our *2020 Annual Report*.

As required by the Federal Credit Union Act,[1] this report reviews the agency's performance in 2020 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. 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 the Office of Management and Budget circulars as applicable.[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, in turn, promotes confidence in the national system of cooperative credit. Further, the agency insures members' share deposits at federally insured credit unions and

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

safeguards the National Credit Union Share Insurance Fund from losses.

This annual report details the NCUA's activities to further its strategic goals in 2020. Notably, much of the agency's work, both internally and externally, focused on the economic fallout related to the COVID-19 pandemic. In that regard, our work focused on assisting borrowers and supporting communities affected by the pandemic.

Managing through an Unprecedented Crisis

Truly unprecedented, 2020 will likely be remembered, in hindsight, as the year of the coronavirus pandemic, a public health threat that has profoundly affected the global economy and all its citizens. At this point—more than a year since the first confirmed COVID-19 case in the United States—the pandemic has affected each one of us in some way and challenged virtually every aspect of our lives: social, private, economic, and civic.

When the pandemic began, our nation's credit union system was well-capitalized, with high net worth ratios and ample liquidity. That strength generally allowed federally insured credit unions to adapt to numerous operational challenges resulting from the pandemic and social distancing measures, while still providing needed credit and financial services to members, businesses, and communities.

Mission

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

Throughout the year, the NCUA also worked diligently to provide targeted regulatory flexibility, where appropriate, so federally insured credit unions could manage their operational and financial risks while meeting their members' needs and adapting to social distancing measures within their communities. We also adjusted our supervision and examination program through the implementation of virtual exams to protect the safety of our staff and contractors, as well as the employees at the credit unions we oversee. Our work addressed emerging risks to the system and implemented statutory and regulatory changes that have occurred in response to COVID-19.

Notably, the NCUA worked to bolster the Central Liquidity Facility and enhance its ability to serve as a liquidity backstop for the system during 2020. Following the regulatory enhancements provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and changes to the agency's regulations by the NCUA Board, the facility experienced a significant increase in its membership and borrowing capacity. I greatly appreciate Congress's efforts to

quickly pass the CARES Act, as well as the Families First Coronavirus Response Act, the Paycheck Protection Program, and Health Care Enhancement Act, among other legislation. Together, these bills provided relief and support for the economy, small businesses, and consumers.

By the end of 2020, the Central Liquidity Facility's borrowing authority rose to $33.0 billion, an increase of $25.7 billion since the end of 2019. In total, 4,028 credit unions, or 79 percent, of all federally insured credit unions, now have access to the facility, either as a regular member or through their corporate credit union.

Working with Member Borrowers Affected by COVID-19

Throughout 2020, the NCUA—in cooperation with other federal financial services regulators—encouraged credit unions to work with their members negatively impacted by the pandemic, consistent with consumer financial protection laws. These efforts included working with borrowers to either extend the terms of repayment or otherwise restructure a borrower's debt obligations. Such efforts helped to ease pressures on borrowers experiencing financial difficulties. In our guidance and communications to the industry, we also emphasized that the NCUA's examiners would not criticize a credit union's efforts to provide prudent relief for members when such measures are conducted in a reasonable manner with proper controls and management oversight.

Vision

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

The COVID-19 pandemic also posed unique economic and financial challenges to rural and underserved communities, which are often served by small, low-income, and minority credit unions. In response, the NCUA committed the majority of its 2020 Community Development Revolving Loan Fund allocation to COVID-19 assistance. In all, the agency awarded more than $4.8 million in zero-interest loans and grants to more than 300 low-income credit unions across the nation to help them better serve their members and communities during the pandemic. The funding supported loan payment relief for members affected by the coronavirus; funded additional services and products for credit union members affected by the pandemic; covered expenses tied to transitioning to remote operations; and provided assistance for mortgage, rent, and utility payments for members, such as small business owners and hospitality workers.

The Road Ahead

Throughout 2020, the credit union system experienced a dramatic rise in assets, falling loan demand, compressed interest rates, decreased earnings, and subdued consumer confidence. The economic fallout from the pandemic also accelerated long-standing trends in the credit union system. For example, many of the largest credit unions continued to grow rapidly in terms of share deposits and members, while many smaller credit unions—those that primarily serve low-income, rural, minority and underserved communities—continued to struggle with earnings and membership growth.

Additionally, the pandemic placed greater downward pressure on the Share Insurance Fund's equity ratio. The unprecedented increase in insured share growth caused the Share Insurance Fund's equity ratio to fall to 1.22 percent last June before ending the year at 1.26 percent after receiving the semi-annual capital deposit adjustments in October. With many of the economic conditions that marked 2020 remaining, it is more likely than not that the equity ratio will continue to decline in the year ahead and, at some point, fall below the statutory 1.2 percent level requiring the development of a restoration plan.

The NCUA Board has a duty to credit union members and taxpayers to protect the Share Insurance Fund and the credit union system. To that end, we must continue to closely monitor the equity ratio of the Share Insurance Fund and be ready to assess a premium, if necessary. Credit unions should prepare themselves for that eventual reality, whether it occurs in 2021, the following year or sometime thereafter.

In the year ahead, the NCUA must also strive to advance economic equity and justice within the credit union movement. We can build on the agency's ACCESS program started by then-Chairman Hood in 2020. In particular, we should enhance support for minority depository institutions, ensure compliance with fair lending

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.

laws, and advance initiatives to close the wealth gap. These actions will address the disparities created by centuries of systemic discrimination and exacerbated by the pandemic.

Our work in this area will also ensure that the cooperative credit union movement lives up to its mission of meeting the credit and savings needs of consumers, including those of modest means. Additionally, the agency must proactively consider future challenges like climate change, which can disproportionately affect underserved communities, and support efforts to mitigate risks posed by rising seas, climbing temperatures, and devastating wildfires.

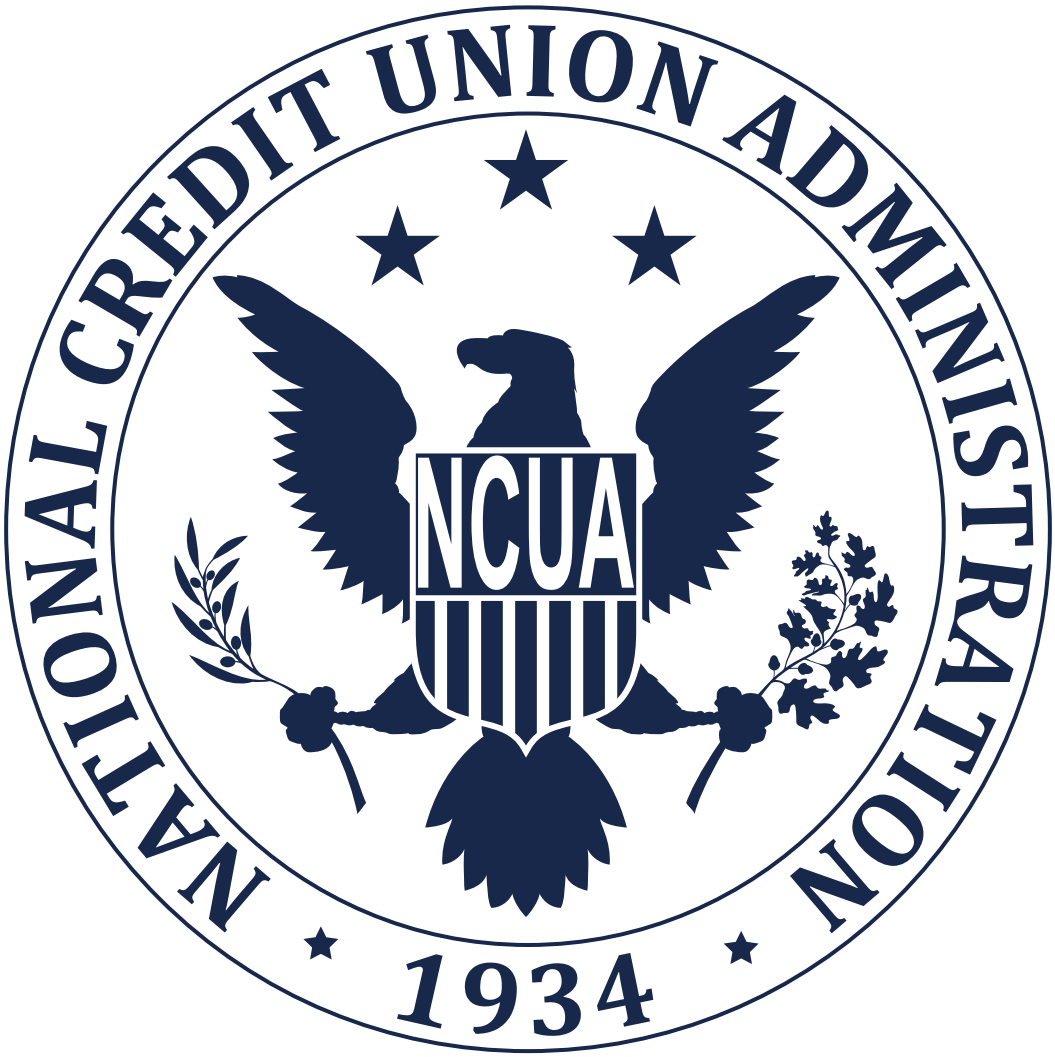
Closing Thoughts

In sum, 2020 was a remarkable year in which the many participants within the credit union system rose up and faced the challenges head-on. I would especially like to express my deep gratitude and appreciation to the NCUA's 1,149 employees, who are not only our most valuable asset, but are also fundamental to our effectiveness as an agency. They have met the many challenges posed by the pandemic by swiftly pivoting to a remote posture and addressing new risks within the system. I would also like to thank my fellow Board members, former Board Member J. Mark McWatters, who left the agency late in the year, and the agency's senior leaders for the strong leadership they have shown under the most challenging of circumstances.

For more than 50 years now, the NCUA has been an independent regulator of our nation's system of cooperative credit. The creation of an independent NCUA in 1970 was a significant recognition of the growing importance of federally insured credit unions within the financial ecosystem. As we honor that history today, and look forward to the future, we must continue working together to smartly and safely navigate through the pandemic-induced economic crisis. By staying focused on capital and liquidity, cybersecurity, consumer financial protection, and diversity, equity and economic inclusion, we will together lift all boats and live up to the "people helping people" philosophy at the heart of the credit union movement.

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 *2020 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 section of this report.

Year in Review

The Year in Review highlights challenges, accomplishments, and performance results in key programs in 2020.

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 2020. 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.

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 124 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 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 (CDRLF). The NCUA Operating Fund, with the Share Insurance Fund, finances the agency's operations.

The CLF is a contingent federal liquidity source, owned by its member credit unions and administered by the NCUA Board, which serves as a back-up lender to credit unions to meet unexpected liquidity needs when funds are unavailable from standard credit sources. The NCUA's CDRLF provides loans and grants to low-income designated credit unions.

As detailed in the *2018–2022 Strategic Plan*, the NCUA's strategic goals in 2020 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

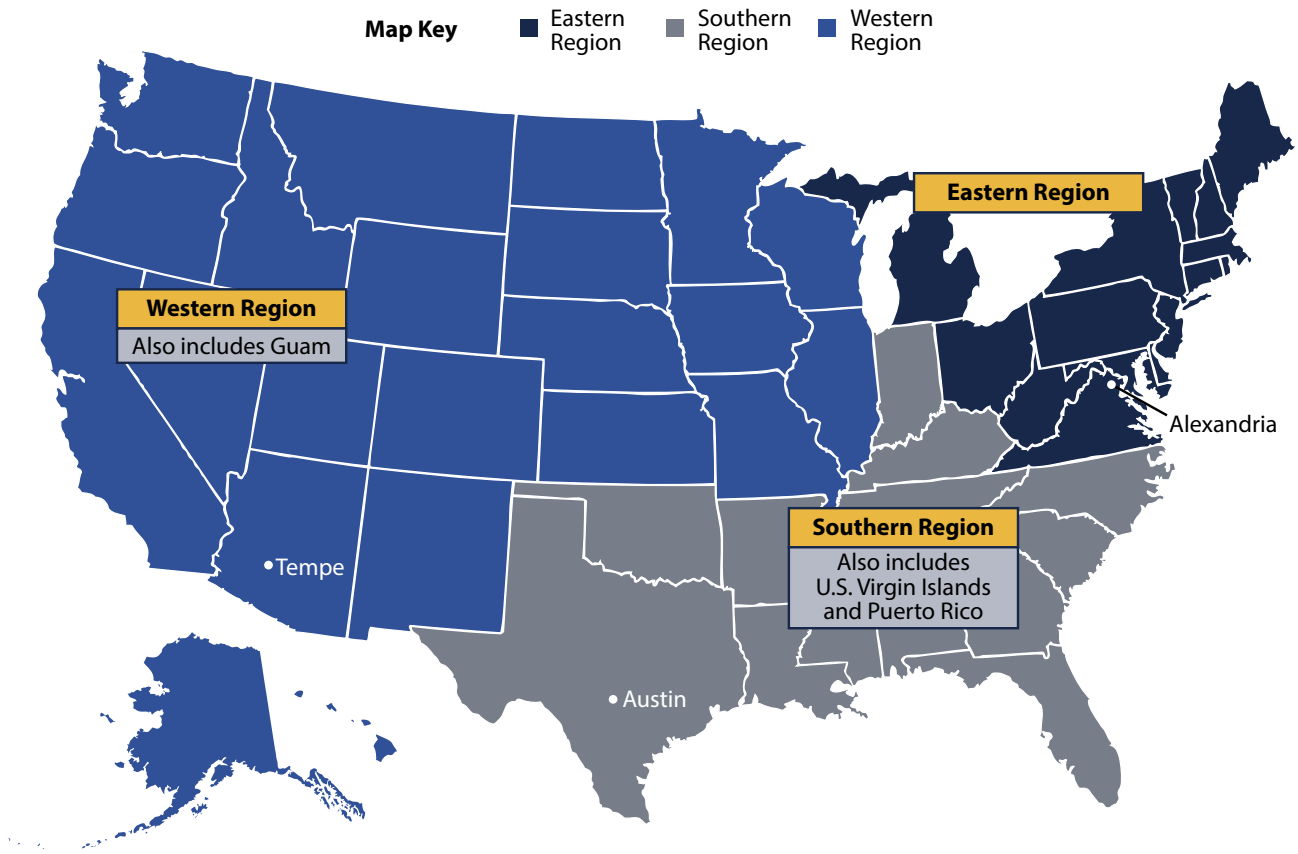
The NCUA also plays a role in helping to ensure broader financial stability as a member of the Federal Financial Institutions Examination Council and

[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 Financial and Banking Information Infrastructure Committee. The NCUA's Chairman is also a voting member of the Financial Stability Oversight Council, an interagency body tasked with identifying and responding to emerging risks and threats to the financial system.

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



National Credit Union Administration
Organizational Chart

The Honorable
Todd M. Harper
Chairman

The Honorable
Kyle S. Hauptman
Vice Chairman

The Honorable
Rodney E. Hood
Board Member

NCUA Board

- Office of Minority & Women Inclusion
- Office of External Affairs & Communications
- Office of the Executive Director
  - Deputy Director
    - Office of the Chief Economist
    - Office of the Chief Financial Officer
    - Office of the Chief Information Officer
    - Office of Consumer Financial Protection
    - Office of Human Resources
    - Office of Credit Union Resources & Expansion
    - Office of Continuity & Security Management
    - Office of Business Innovation
  - Office of Examination & Insurance
  - Ombudsman
  - Field Program Offices
    - Office of National Examinations & Supervision
    - Eastern Region
    - Southern Region/AMAC
    - Western Region
- Office of General Counsel
- Office of Inspector General
- Office of Ethics Counsel

Office Descriptions can be found in the Appendix Section of this report.

National Credit Union Administration 50th Anniversary

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.

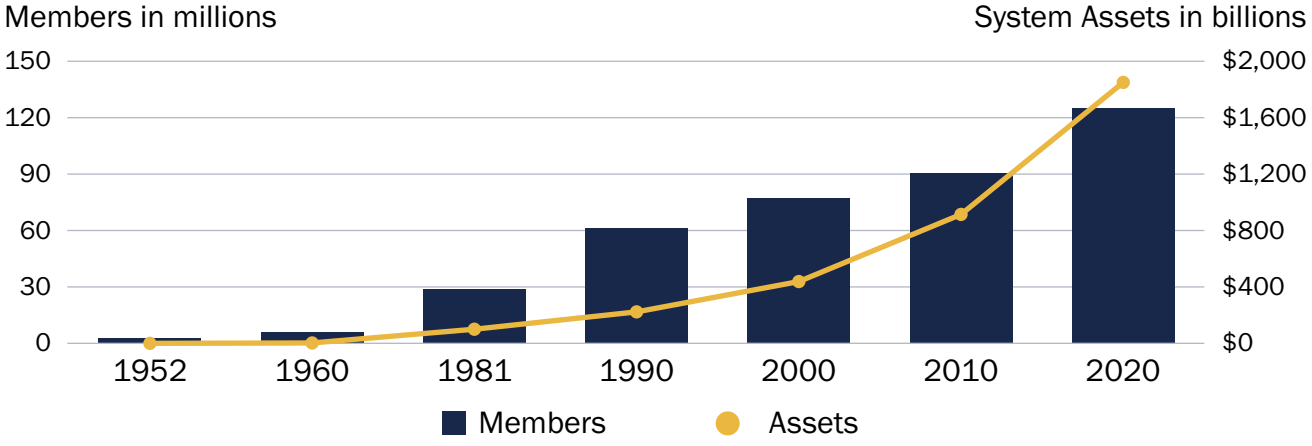
On March 10, 2020, the NCUA celebrated its 50th anniversary. The creation of an independent NCUA was a significant recognition of the growing importance of federally insured credit unions within the financial ecosystem.

Prior to the NCUA's establishment, the federal credit union regulator was housed in several agencies, including the Farm Credit Administration, the Federal Deposit Insurance Corporation, the Federal Security Agency, and the Department of Health, Education, and Welfare.

By the 1970s, the credit union industry had grown rapidly, both in terms of institutions and members. That rapid growth called for independent oversight and leadership. As a result, Congress created the NCUA as an independent regulatory body.

Since then, credit unions have evolved and are larger and more complex. As of December 31, 2020, the NCUA was responsible for the regulation and supervision of 5,099 federally insured credit unions with more than 124.3 million members and approximately $1.85 trillion in assets across all states and U.S. territories.

Growth in Credit Union Members and Credit Union Systems Assets



NCUA's History

On June 26, 1934, President Franklin Delano Roosevelt signed the Federal Credit Union Act into law, which created the system of federally chartered credit unions that exists today. The Federal Credit Union Act also created the Federal Credit Union Division, which was placed in the Farm Credit Administration. This precursor to the NCUA set about the task of forming and chartering federal credit unions and developing the rules and regulations that would govern their operations.

The division was later moved to the Federal Deposit Insurance Corporation and then to the Federal Security Administration in July 1948, where it was renamed the Bureau of Federal Credit Unions. The Bureau was later housed in the Department of Health, Education, and Welfare until the creation of an independent National Credit Union Administration in 1970.

For more than 50 years, the NCUA has maintained the safety and soundness of federally insured credit unions and the National Credit Union Share Insurance Fund. As a result, millions of Americans can confidently entrust their savings and financial well-being to our nation's cooperative credit system.

1960

1967 – In November, Congressman John William Wright Patman of Texas introduces a bill for the creation of an independent federal regulator of credit unions. This bill, House Resolution 14030, fails to gain traction, but represents the first step in creation of an independent federal regulatory agency to oversee the credit unions system.

1970 – Congress creates the National Credit Union Administration as an independent agency to charter and supervise federal credit unions. The National Credit Union Share Insurance Fund is also formed, insuring share deposits at federally insured credit unions up to $20,000. Until this point, credit unions had operated without federal deposit insurance.

1970

January 20, 1971 - With the signing of Executive Order 11580, President Richard Nixon establishes the original NCUA seal design. This design was the official seal of the agency until 2017.

1979 – A three-member Board replaces the NCUA Administrator as the governing body for the agency after Congress updates the Federal Credit Union Act. Congress also creates the Central Liquidity Facility. This facility is similar to the Federal Reserve's Discount Window and serves a similar function as the lender of last resort for the credit union system.

Share insurance coverage increases to $100,000, making it equal to the amount of deposit insurance coverage for banks provided by the FDIC.

1974 – Legislation increases insurance coverage on credit union member share deposits to $40,000.

1980

1981 – The NCUA's Central Liquidity Facility and U.S. Central Credit Union, at the time the nation's largest corporate credit union, sign an agreement nearly quadrupling the Central Liquidity Facility's membership and giving 90 percent of credit unions a permanent source of backup liquidity.

1982 – Legislation grants NCUA emergency merger authority and temporary conservatorship authority.

1984 – Administration of the Community Development Revolving Loan Fund is transferred to NCUA from the Department of Health and Human Services. Today, the Community Development Revolving Loan Fund provides grants and loans to low-income credit unions.

July 18, 1984 – The Deficit Reduction Act of 1984 is signed into law, recapitalizing the Share Insurance Fund, which had been experiencing financial stress for several years. Federally insured credit unions submit $850 million, or 1 percent of system assets, at the time to fully capitalize a new, restructured Share Insurance Fund.

1987 – On January 1, Governor Bruce Sundlun announces the Rhode Island Share Deposit Indemnity Corporation is insolvent and declares a "bank holiday" for 35 state-chartered credit unions and 10 state-chartered banks. The event precipitates a flood of insurance applications from privately insured credit unions nationwide. By 1991, 432 state-chartered credit unions converted to federal insurance coverage.

1987 – The NCUA adopts the CAMEL Rating System (Capital, Asset Quality, Management, Earnings and Liquidity) as its rating system for credit unions.

1989 – The Asset Liquidation and Management Center in Austin, Texas, is created to deal with problem assets the NCUA acquires from both operating and liquidating credit unions. Over the years, the office's role expands to include providing consulting services to the NCUA regional offices on such topics as lending analysis, records reconstruction, and fraud investigation. Renamed the Asset Management and Assistance Center in 1996, it also provides training to both NCUA and state credit union examiners.

1990

1990 – First National Bank & Trust in Asheboro, North Carolina, four other North Carolina Banks and the American Bankers Association sue the NCUA after the agency approved the field of membership expansion of AT&T Family Federal Credit Union so the credit union could serve small employee groups not related to the company. The lawsuit accuses the agency of violating the Federal Credit Union Act.

Sept. 1994 – The Washington D.C. District Court rules that NCUA's policy of allowing for multiple groups in one field of membership is allowed under the Federal Credit Union Act.

1995 – The NCUA introduces the Automated Integrated Regulatory Examination System (AIRES). Updated versions of AIRES are still used by federal examiners and state supervisory authorities.

February 25, 1998 – The Supreme Court rules that federal occupation-based credit unions must consist of an occupational group having a single common bond. The resulting decision leaves open the potential that millions of credit union members could lose their membership.

April 1, 1998 – The House of Representatives passes the Credit Union Membership Access Act.

July 28, 1998 – The Credit Union Membership Access Act is passed by the U.S. Senate.

August 7, 1998 – President Bill Clinton signs the Credit Union Membership Access Act into law and with it restores expansion privileges and provides for multiple-common-bond credit unions. The act also requires the NCUA to create a system of prompt corrective action. This system sets the minimal capital ratios that a credit union must maintain and establishes triggers that limit the activities of a federally insured credit union should it drop below those levels.

July 1996 – The U.S. District Court of Appeals for the D.C. Circuit overturns the lower court's decision and rules that all members of an occupation-based federal credit union must share one common bond. The appeals court orders the district court to apply its decision to AT&T Family Federal Credit Union. Additionally, in a separate lawsuit, the American Bankers Association and other banks ask for and are granted a nationwide injunction that applies to all federally chartered credit unions preventing them from adding new groups to their field of membership. The case is appealed to the U.S. Supreme Court.

2000

September 30, 2008 – President George W. Bush signs the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, which contains provisions temporarily removing a cap of $1.5 billion on the Central Liquidity Facility, allowing the facility to borrow up to its authorized limit to lend to credit unions to meet short-term liquidity needs. The lending limit increases to $41.5 billion.

October 3, 2008 – President George W. Bush signs the Emergency Economic Stabilization Act, creating the $700 billion Troubled Asset Relief Program and temporarily raising FDIC and NCUA insurance coverage from $100,000 per depositor to $250,000 per depositor through Dec. 31, 2009.

October 16, 2008 – The NCUA Board approves the Temporary Corporate Credit Union Liquidity Guarantee Program, providing a full faith and credit guarantee of the timely payment of principal and interest on certain unsecured debt of participating corporate credit unions.

2005

January 28, 2009 – The NCUA Board announces the Temporary Corporate Credit Union Share Guarantee Program, providing a full faith and credit guarantee of uninsured shares at all corporate credit unions through February 2009 and establishing a voluntary guarantee program for uninsured shares of credit unions through December 2010. The Board also approves a $1 billion capital purchase in U.S. Central Federal Credit Union.

On May 20, 2009 – Congress enacted and the President signed into law the Helping Families Save Their Homes Act of 2009 ("Helping Families Act"). The legislation amended the Federal Credit Union Act providing several provisions favorable to credit unions:

- Create a Temporary Corporate Credit Union Stabilization Fund ("Stabilization Fund") to mitigate near-term corporate stabilization costs with Board authority to assess premiums over 7 years;
- Extend through 2013 the $250,000 share and deposit insurance ceiling Congress had enacted as part of the Emergency Economic Stabilization Act of 2008;
- Provide the NCUSIF authority to assess premiums over 8 years to rebuild the equity ratio should the ratio fall below 1.20%;
- Increase NCUA borrowing authority to $6 billion; and
- Establish NCUA emergency borrowing authority of $30 billion.

2010

July 21, 2010 – President Barack Obama signs into law the Dodd-Frank Wall Street Reform and Consumer Protection Act that made permanent the $250,000 insurance protection for shares and deposits.

September 24, 2010 – The NCUA Board announces the Corporate System Resolution Program, a multi-stage plan for stabilizing the corporate credit union system, conserving an additional three corporate credit unions, 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 held by the failed corporate credit unions, and establishing a new regulatory framework for corporate credit unions.

2011

January 1, 2011 – The NCUA established the Office of Minority and Women Inclusion that 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.

March 9, 2011 – NCUA launches MyCreditUnion.gov, a website that provides consumers of all ages with in-depth personal finance information.

June 20, 2011 – The NCUA becomes the first federal financial institutions regulator to file suit in federal court against Wall Street firms to recover losses from sales of faulty mortgage-backed securities. The first lawsuits are filed against J.P Morgan Securities LLC and RBS Securities Inc. The agency eventually files 26 suits against 32 defendants in federal courts in California, Kansas, and New York related to corporate credit union losses. Net recoveries of these legal actions, to date, exceed $5.1 billion.

2012

August 12, 2012 – To streamline the low-income designation approval process, the NCUA notifies more than 1,000 federal credit unions directly of their eligibility. The designation provides several benefits, including access to supplemental capital, eligibility for loans and grants from the Community Development Revolving Loan Fund, ability to provide unlimited member business loans, and assistance from the NCUA. By the end of 2012, 690 additional federal credit unions with 7.5 million members and nearly $65.9 billion in assets accept designation a low-income credit union.

2013

January 1, 2013 – The Office of National Examinations and Supervision begins operations. This office supervises the nation's corporate credit unions and credit unions $10 billion or more in assets.

January 4, 2013 – The NCUA obtains more than $1.42 billion in gross recoveries from the U.S. government's historic settlement with JPMorgan Chase for selling faulty mortgage-backed securities to five corporate credit unions that failed in 2008–2010.

2014

2015

September 17, 2015 – The NCUA Board approves a final rule that raises the asset ceiling for what is defined as a small credit union from $50 million to $100 million.

November 19, 2015 — The NCUA Board establishes the Enterprise Solution Modernization Program, a multi-year effort to introduce emerging and secure technology that will support NCUA's examination, data collection, and reporting efforts.

2016

October 24, 2016 – The NCUA fully repays $1 billion of outstanding borrowing from the U.S Treasury. The NCUA's $6 billion borrowing line with Treasury remains available to satisfy future agency contingent funding needs, including obligations of the NGNs.

2017

July 21, 2017 – The NCUA announces that it is restructuring the agency to improve its efficiency and effectiveness. Specially, the NCUA will consolidate its regional structure by closing its offices in Albany, New York, and Atlanta, Georgia, by the end of 2018. The agency also consolidated its credit union development, grants and loans, minority depository institutions programs, and chartering and field-of-membership functions into new Office of Credit Union Resources and Expansion, along with other improvements.

September 28, 2017 – The NCUA Board approves the closing of the Stabilization Fund on Oct. 1, 2017.

December 11, 2017 – President Donald J. Trump signs an Executive Order establishing the new official seal for the NCUA. The new design brings the agency's seal more in line with the official seals of other federal financial services regulators

2018

February 15, 2018 – The NCUA Board approves a Share Insurance Fund distribution of $736 million to eligible federally insured credit unions that was paid in the third quarter of 2018.

2019

January 7, 2019 – The NCUA consolidates from five to three regions, closing the regional offices in Albany and Atlanta. The three newly reorganized regional offices are the Eastern, Southern, and Western Regions.

March 7, 2019 – The NCUA Board approves a $160.1 million equity distribution from the Share Insurance Fund that will be paid to eligible credit unions in the second quarter of 2019.

August 20, 2019 – D.C. Circuit Court of Appeals upholds much of the NCUA's 2016 field-of-membership regulations changes.

2020

March 16, 2020 – In response to the global coronavirus pandemic, 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. The NCUA and other financial regulators issue a joint statement encouraging credit unions and other financial providers to work with borrowers affected by financial and economic disruptions resulting from the COVID-19 pandemic.

June 29, 2020 – The Supreme Court of the United States denies an appeal from the American Bankers Association to review the NCUA's field-of-membership rule introduced in 2016.

Year in Review

Since the first official COVID-19 case was confirmed 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 2020 to supply the nation's small businesses and entrepreneurs with needed credit during the pandemic through the Small Business Administration's Paycheck Protection Program. Additionally, credit unions assisted 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. That strength allowed credit unions to adapt to operational challenges resulting from the pandemic and social distancing measures while still providing needed credit to members, businesses, and communities. By December 2020, credit union membership grew to more than 124.3 million members, assets in the credit union system increased to $1.85 trillion, and the system's aggregate net worth ratio stood at 10.3 percent, well above the 7-percent statutory level for being considered well-capitalized.

For its part, the NCUA's response to the COVID-19 pandemic has been robust. 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 2020, 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 risks 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 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, among others.

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 $210 million and $7.4 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 exam program. In 2020, the NCUA updated its supervisory priorities to reflect economic conditions that emerged in response to the COVID-19 pandemic and 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 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.

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 is designed to take into account and reflect 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 and 5 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-balance-sheet 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 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.

- **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. NCUA examiners reviewed credit unions' good faith efforts to comply with the CARES Act to ensure credit unions meet their obligations under the law.

- **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 2020.

- **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 reviewed credit union policies and the use of loan workout strategies, risk management practices, and new strategies implemented to assist borrowers impacted by the COVID-19 pandemic, including new programs authorized through the CARES Act. In particular, examiners evaluated a credit union's controls, reporting, and tracking of these programs. Examiners also ensured credit unions evaluated the impact of the COVID-19 pandemic decisions on their capital position and financial stability. The NCUA also reviewed the adequacy of loan and lease losses accounts to address the pro-cyclical effects of economic downturns.

- **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 transitioned its priority from performing Automated Cybersecurity Examination Tool (ACET) cybersecurity maturity assessments to evaluating critical security controls. The NCUA also published information for credit unions on the increased cybersecurity threats resulting from the COVID-19 pandemic and additional resources for protecting their members.

- **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. Planning for the LIBOR transition is an important operational and safety and soundness consideration for credit unions with material exposures.

- **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 2020 and into 2021. As a result, examiners continued to review liquidity risk management and planning in all credit unions.

In 2020, our field staff completed 4,176 supervisory contacts and reported 554,596 examination hours, compared to 5,035 supervisory contacts and 547,939 examination hours in 2019. The decrease in contacts was primarily due to the decrease in the number of federally insured credit unions from 5,236 at the start of 2019 to 5,099 at the end of 2020. The increase in hours was primarily due to the additional time required to complete examination activities with accommodations for the COVID-19 pandemic.

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. In all, the NCUA was the conservator of three credit unions at various times throughout 2020. As of December 31, 2020, there were two credit unions operating under the NCUA's conservatorship.[2]

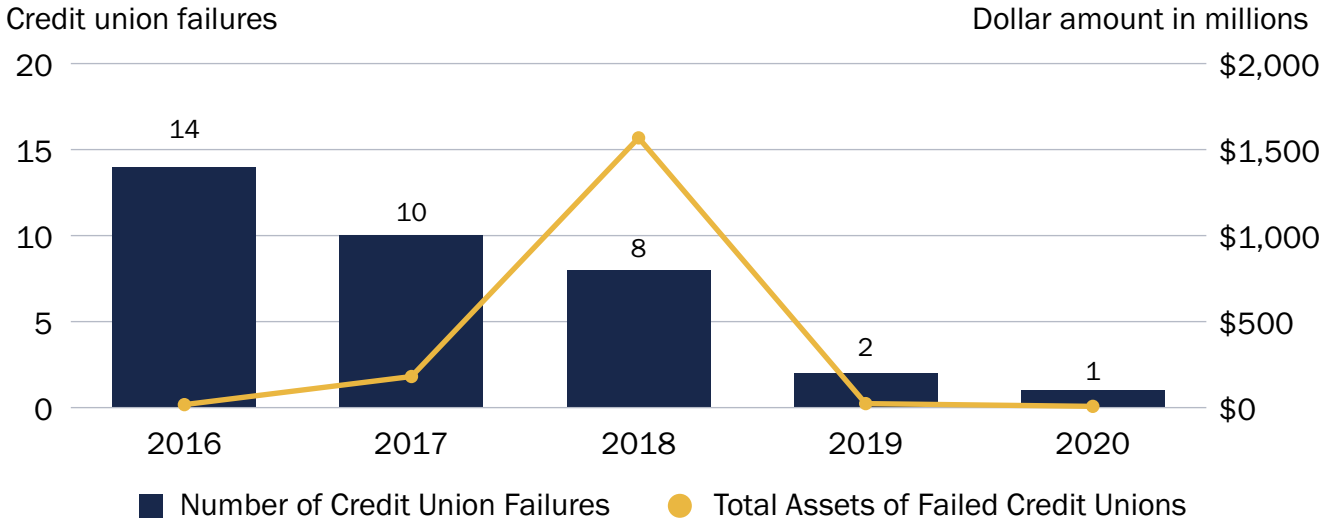
Protecting Member Deposits

In 2020, there was one credit union failure compared to two failures in 2019. The members of that federally insured credit union suffered no losses of their insured deposits and verified shares were paid out within five days of closure.

The cost to the Share Insurance Fund of this single failure was $1.6 million, a decrease from $40.3 million in 2019. The loss figure will change depending

[2] As of December 31, 2020 the NCUA was the conservator of Southern Pine Credit Union, located in Valdosta, Georgia, and Municipal Credit Union located in New York City.

Number of Credit Union Failures to Total Assets (2016–2020)



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

on the performance of the remaining assets of the liquidated credit union. The NCUA continues to evaluate all courses of action that will maximize potential recoveries from the liquidated credit union's assets and minimize losses to the Share Insurance Fund. The fund remains financially strong and has sufficient equity and reserves to cover any anticipated losses.

Gross assets managed by the NCUA's Asset Management and Assistance Center (AMAC), comprised primarily of loans, were approximately $0.4 billion at the end of 2020, a decrease from $1.9 billion at the end of 2019. The decrease in gross assets managed was due to the resolution of loans and real estate owned assets. On February 19, 2020, the NCUA sold the majority of its taxi-medallion loan portfolio. After thorough research and careful consideration, the NCUA determined this sale was the most appropriate action to meet its statutory obligation under the Federal Credit Union Act to achieve the least long-term cost to the Share Insurance Fund.

Providing High-Quality and Efficient Supervision

In 2020, the NCUA modified its examination and supervision program to address the new economic and operational changes resulting from the COVID-19 pandemic. 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.

The new obstacles imposed by the pandemic, including social distancing requirements, numerous state and local restrictions, and the national scope of the emergency, required the agency to identify new methods for supporting credit unions and maintaining the safety and soundness of the system. In response, the NCUA has three supervisory priorities, which support our enhanced offsite, forward-looking supervision and allows us to timely identify credit unions that are experiencing financial or operational difficulties. The first priority is to assist those credit unions with immediate operational or financial needs. The second priority includes working with credit unions and state regulators to identify operational and financial challenges. Examiners periodically contact each credit union to discuss their individual operational and financial status, including any associated challenges and needs. Lastly, due to the NCUA mandated strict offsite examination and supervision approach established on March 16, 2020, examination staff have been working with credit unions to obtain documentation and complete examination procedures offsite.

In 2020, having accomplished its baseline and benchmarks objectives, the agency transitioned the facilitated ACET cybersecurity maturity assessments in favor of providing the resource to credit unions for self-assessment activities. This decision paved the way for continuing the piloting of the Information Technology Risk Examination for Credit Unions (InTREx-CU). InTREx-CU harmonizes the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System, and many state financial regulators. This establishes a consistent approach across all community-based financial institutions. The InTREx-CU will continue to be deployed in 2021, allowing examiners and credit unions to identify and remediate potential high-risk areas by identifying critical information security program deficiencies.

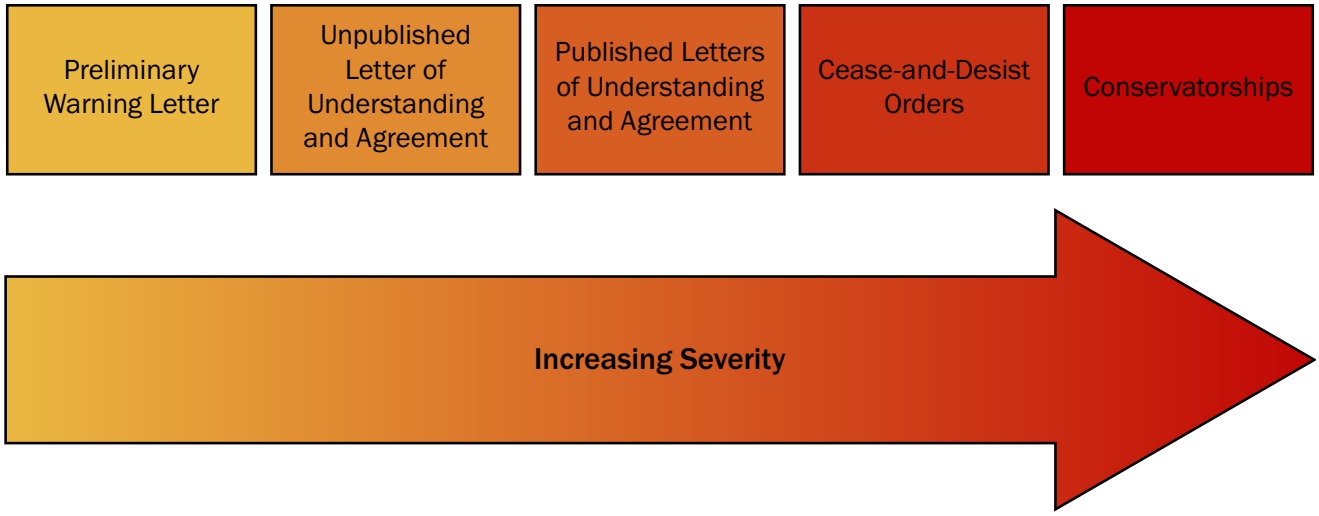
Using Supervisory Tools to Address Compliance Concerns

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 227 at the end of 2019 to 175 at the end of 2020.

Outstanding Enforcement Actions at Year-end (2016–2020)					
	2016	2017	2018	2019	2020
Federal Credit Unions					
Preliminary Warning Letters	56	51	47	38	30
Unpublished Letters of Understanding and Agreement	135	145	142	119	84
Published Letters of Understanding and Agreement	0	0	0	0	0
Cease-and-Desist Orders	1	0	0	2	3
Conservatorship	2	1	0	1	0
Federal Credit Union Totals	**194**	**197**	**189**	**160**	**117**
Federally Insured, State-Chartered Credit Unions					
Preliminary Warning Letters	11	13	14	6	4
Unpublished Letters of Understanding and Agreement	91	77	69	54	48
Cease-and-Desist Orders	8	7	5	6	4
Conservatorship	2	2	0	1	2
Federally Insured, State-Chartered Credit Union Totals	**112**	**99**	**88**	**67**	**58**
Federally Insured Credit Unions Totals	**306**	**296**	**277**	**227**	**175**

Source: NCUA Examination Data

Supervisory Tools and Enforcement Actions



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 2020, primarily due to the impact of COVID-19 on federally insured credit union operations. In 2019, 19 credit unions were assessed $10,085 in penalties. As required by law, the NCUA remitted 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 2020, the NCUA issued administrative actions prohibiting 35 individuals from participating in the affairs of any federally insured financial institution, compared to 38 issued in 2019.

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 credit union system's safety and soundness and, in turn, the Share Insurance Fund. COVID-19 forced the agency to recognize the way credit unions are doing business has changed, and some of the changes are likely permanent. In 2020, 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.

- **COVID-19 Related Rulemakings**—In April, the NCUA Board approved several regulatory relief measures on top of those implemented under the CARES Act. The Board approved a final rule to temporarily relieve credit unions of regulatory burdens that might have otherwise hindered

their ability to maintain operations and meet the needs of financially stressed borrowers. Specifically, the Board temporarily raised the maximum aggregate amount of loan participations that a federally insured credit union may purchase from a single originating lender without seeking a waiver from the appropriate NCUA Regional Director to the greater of $5,000,000 or 200 percent of a federally insured credit union's net worth. The Board also temporarily suspended limits on the types of eligible obligations a federal credit union may purchase and hold. Thus, a federal credit union would not have to refinance a purchased obligation to make a loan.

Finally, the CARES Act made critical amendments to the Central Liquidity Facility (CLF) provisions of the Federal Credit Union Act. The Board approved an interim rule that supplements the legislative changes resulting from the CARES Act to enhance the ability of the CLF to serve as a liquidity backstop to the nation's credit union system. This interim rule makes it easier for credit unions to join the facility as a regular member or through a corporate credit union as part of an agent relationship, and access emergency liquidity should the need arise. The Consolidated Appropriations Act, 2021 extended several provisions of the CARES Act, including the provisions that provided the CLF with increased flexibility and borrowing through December 31, 2021.

- **Prompt Corrective Action Rules**—The Board approved an interim final rule that makes two temporary changes to the agency's prompt corrective action regulations to provide relief to credit unions that temporarily fall below the well-capitalized level. This interim rule temporarily waives the earnings retention requirement for credit unions classified as adequately capitalized. Those credit unions unable to meet the earnings retention requirement will not have to submit a written application requesting approval to decrease their earnings retention amount. By statute, credit unions that fall to less than adequately capitalized must submit a net worth restoration plan to their NCUA Regional Director. This interim final rule temporarily permits an undercapitalized credit union to submit a streamlined net worth restoration plan when its net worth ratio reduction was caused predominantly by share growth and is a temporary condition due to the pandemic.

- **Derivatives**—The NCUA Board approved a proposed rule that amends the agency's derivatives rule

in Subpart B to Part 703 to allow more flexibility for federal credit unions to manage their interest rate risk through these financial instruments. The proposed changes include eliminating the preapproval process for federal credit unions that are complex with a Management CAMEL component rating of 1 or 2, the specific product permissibility, and the regulatory limits on the amount of derivatives a federal credit union may purchase.

- **Field of Membership**—In July, the Board approved a final rule that would allow 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. The final rule re-adopts a provision to allow a credit union applicant to designate a combined statistical area, or an individual, contiguous portion thereof, as a well-defined local community if the chosen area has a population of 2.5 million or fewer. The rule also clarifies existing requirements and adds an explicit provision to the NCUA's field-of-membership regulations to address concerns about potential discrimination in the selection process for combined statistical areas and core-based statistical areas.
- **Real Estate Appraisal**—In September, the NCUA Board approved a final rule amending the NCUA's regulations requiring appraisals of real estate for certain transactions. The current pandemic and related social distancing directives across the country have made it difficult to obtain timely appraisals. This, in turn, prevents borrowers from refinancing loans and gaining access to much-needed equity in their real estate. The final rule defers the requirement to obtain an appraisal or evaluation for up to 120 days following the closing of certain residential and commercial real estate transactions.

Besides these actions, in 2020 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;
- Issued a proposed rule revising the definition of a service facility for multiple common bond federal credit unions;
- Issued a proposed rule that permits federal credit unions to purchase mortgage-servicing rights from other federal credit unions;

- Issued a guidance letter that noted the flexibility federal credit unions have when scheduling annual meetings in 2020. The letter also includes a bylaw amendment that has an exception to the in-person quorum requirement; and
- Approved an extension of the effective date of its temporary final rule, which modified certain regulatory requirements to help ensure that federally insured credit unions remain operational and can properly conduct appropriate liquidity management to address economic conditions caused by the COVID-19 pandemic.

A full listing and description of the final and proposed rules approved by the NCUA Board in 2020 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, Federal Financial Institutions Examination Council, and 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.

On June 9, 2020, the NCUA and the Export-Import Bank of the United States (EXIM) launched a three-year collaborative effort to bring small businesses and credit unions together and expand awareness about EXIM programs. The NCUA and EXIM signed a memorandum of understanding to undertake a series of initiatives that will help credit unions better understand and make use of EXIM guaranteed loans and resources. Under this agreement, the NCUA will work with EXIM to develop educational and training initiatives on export financing opportunities to share with credit unions, so they can educate their small-business members about available opportunities to gain access to capital.

Enforcing Federal Consumer Financial Protection Laws and Regulations

In 2020, the NCUA's Office of Consumer Financial Protection spent 3,284 hours examining 19 credit unions for compliance with fair lending laws and regulations. Agency staff spent an additional 791 hours performing 32 offsite supervision contacts to review credit unions' loan policies and, if necessary, provide recommendations to

bring them into compliance with fair lending laws.

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 investigations to determine compliance with applicable federal consumer financial protection laws and regulations. During the year, the Consumer Assistance Center assisted 49,042 consumers and recorded more than $1,295,902 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.

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. On June 29, 2020, the U.S. Supreme Court denied an appeal from the American Bankers Association to review the NCUA's chartering and field of membership rules. This decision ended nearly four years of uncertainty and helped the NCUA in its efforts to foster greater financial inclusion for all Americans.

The table on the next page shows the number of applications to modify federal credit union fields of membership that the NCUA approved during the year. This will provide consumers and businesses with greater access to the national system of cooperative credit.

The NCUA issued one new federal credit union charter in 2020, to Growing Oaks Federal Credit Union in Goldsby, Oklahoma.

[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.

Expansion of Credit Union Eligible Members (2016–2020)					
TYPE	2016	2017	2018	2019	2020
Multiple Common-Bond Expansion	9,236	9,632	9,732	7,171	8,329
Community Expansion	29	52	53	52	42
Community Charter Conversion	21	21	18	24	10
Underserved Area Expansion	23	20	16	43	25

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, and lagging earnings.

Small credit unions, defined as those with less than $100 million in assets, made up 66.4 percent of all federally insured credit unions. These 3,387 credit unions had 9.4 million members and held more than $93.7 billion in assets at year-end 2020.

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:

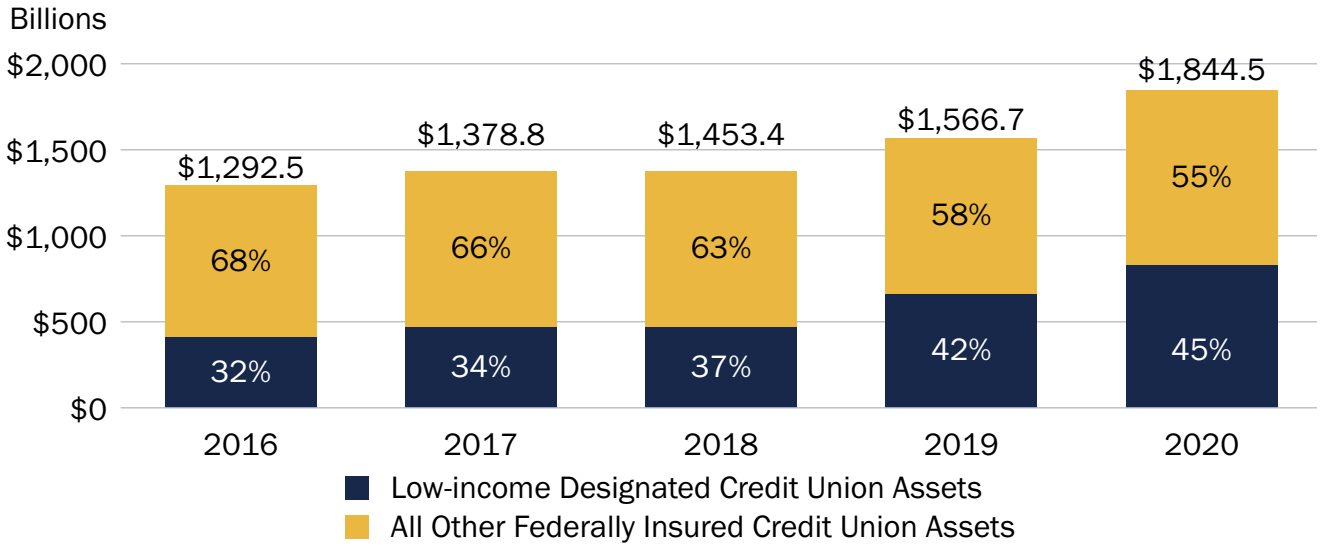
- An exemption from the statutory cap on member business lending, which expands access to capital for small businesses and helps credit unions diversify their portfolios;
- Eligibility for grants and low-interest loans from the Community Development Revolving Loan Fund (CDRLF);
- Ability to accept deposits from non-members;
- An authorization to obtain supplemental capital; and
- Consulting assistance.

By the end of 2020, there were 2,642 low-income credit unions, up from 2,605 at the end of 2019. This means 51.8 percent of all federally insured credit unions have a low-income designation. Together, low-income credit unions had 61.2 million members and $830.3 billion in assets at the end

of 2020, compared to 56.3 million members and $661.6 billion in assets at the end of 2019.

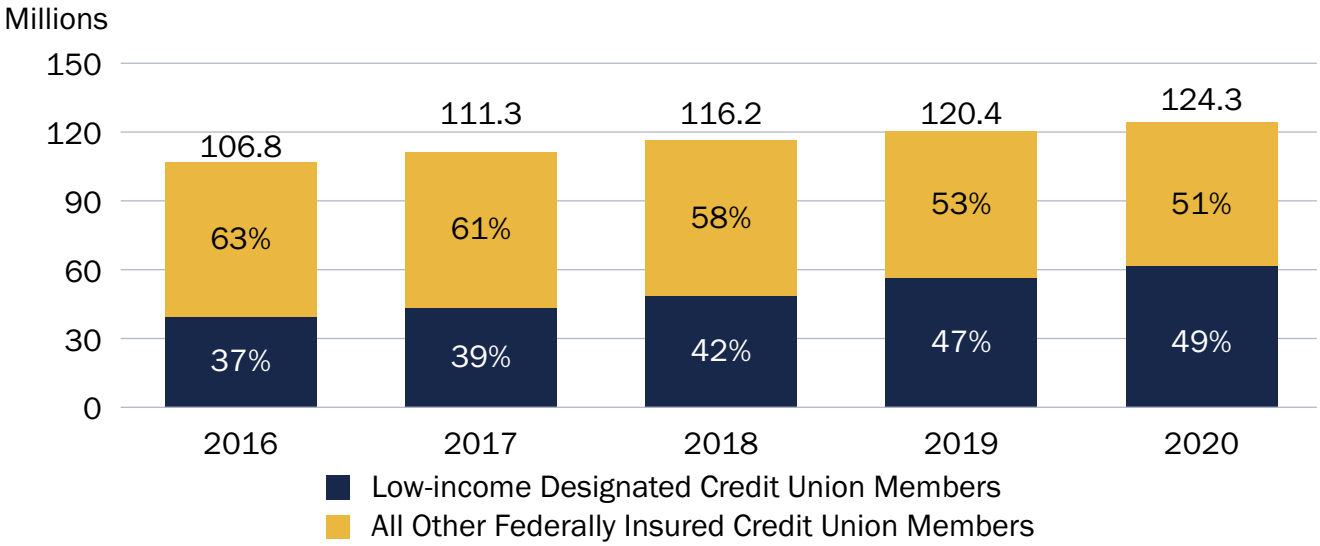
Another initiative the NCUA uses to support credit unions is its MDI preservation program. These credit unions play an important role in serving the financial needs of historically underserved populations such as African Americans, Hispanic Americans, Native Americans, and Asian Americans. In October 2020, the NCUA launched its Advancing Communities through

Distribution of Credit Union Assets by Income Designation (2016–2020)



Source: NCUA Call Report Data

Distribution of Credit Union Members by Income Designation (2016–2020)



Source: NCUA Call Report Data

Credit, Education, Stability, and Support (ACCESS) initiative brings together agency leaders to develop policies and programs that support financial inclusion within the NCUA and, more broadly, throughout the credit union system. 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 2020, 520 federally insured credit unions had self-certified as MDIs. These credit unions served 4.3 million members, held more than $51.1 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 2020, staff helped 30 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 response to the coronavirus pandemic, 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. Through this initiative, credit unions that have incurred COVID-19 related expenses were allowed to apply for grants up to $10,000. In 2020, the NCUA awarded more than $2.4 million in grants to 297 low-income credit unions through this initiative.

In addition, nine credit unions received $2.3 million in interest-free loans during the year to respond to COVID-19 related hardships and work to alleviate the impact of the crisis in their communities.

Maximizing Organizational Performance to Enable Mission Success

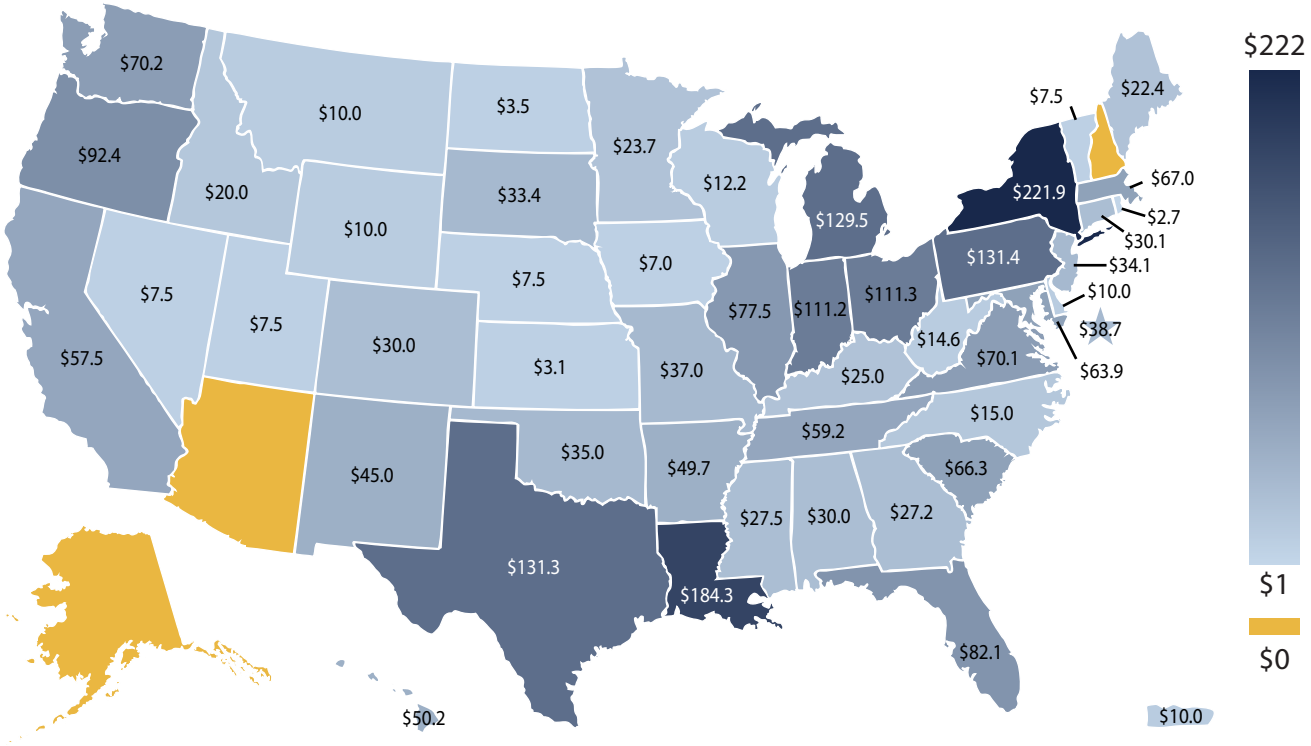
The NCUA's most important resource is a highly qualified and skilled staff. To maximize staff contributions to the agency's mission, the NCUA's operations must be supported by efficient processes, effective tools, and leading-edge technology. Throughout 2020, the agency took several steps to develop 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

Map of COVID-19 Emergency Fund Initiative Grants by Dollar Amount (in thousands)



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.

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.

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.

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.

NCUA's Employee Resource Groups (continued)

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.

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.

imperative. The NCUA outlined its commitment to diversity and inclusion in its *2018 – 2022 Diversity and Inclusion Strategic Plan*. In 2020, 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 build a stronger agency.

In 2020, the NCUA increased the percentage of women in senior staff positions. The number of women increased from 2019, by 4.2 percentage points (50.0 percent in 2020 compared to 45.8 percent in 2019), while minorities in the senior staff ranks decreased by 3.0 percentage points (22.0 percent in 2020 compared to 25.0 percent in 2019). Overall, the participation rate for minorities in the NCUA workforce was 30.5 percent in 2020, an increase from the 29.9 percent participation rate reported in 2019.

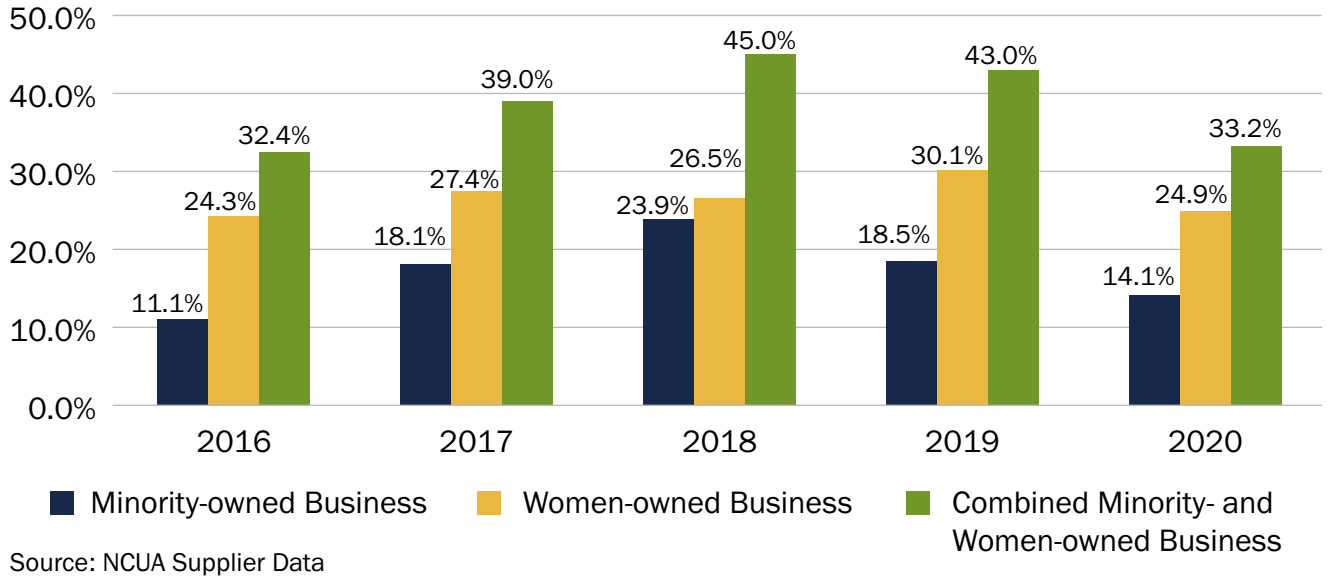
Self-reported rates of NCUA employees with disabilities exceeded the federal goals in 2020 as well. The federal goal is 12.0 percent for people with disabilities and 2.0 percent for targeted disabilities. The NCUA continues to exceed those goals, 15.4 percent and 4.2 percent of employees have self-reported 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.

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 on the previous page shows the NCUA's progress over the last five years.

In 2020, 33.2 percent of the agency's reportable contracting dollars were awarded to minority- and women-owned businesses, a decrease of 9.8 percentage points from 43.0 percent in 2019. While this figure is significantly lower than last year's, it still represents a high level of diversity among our supplier base.

Supplier Diversity as a Percentage of Total Awards (2016–2020)

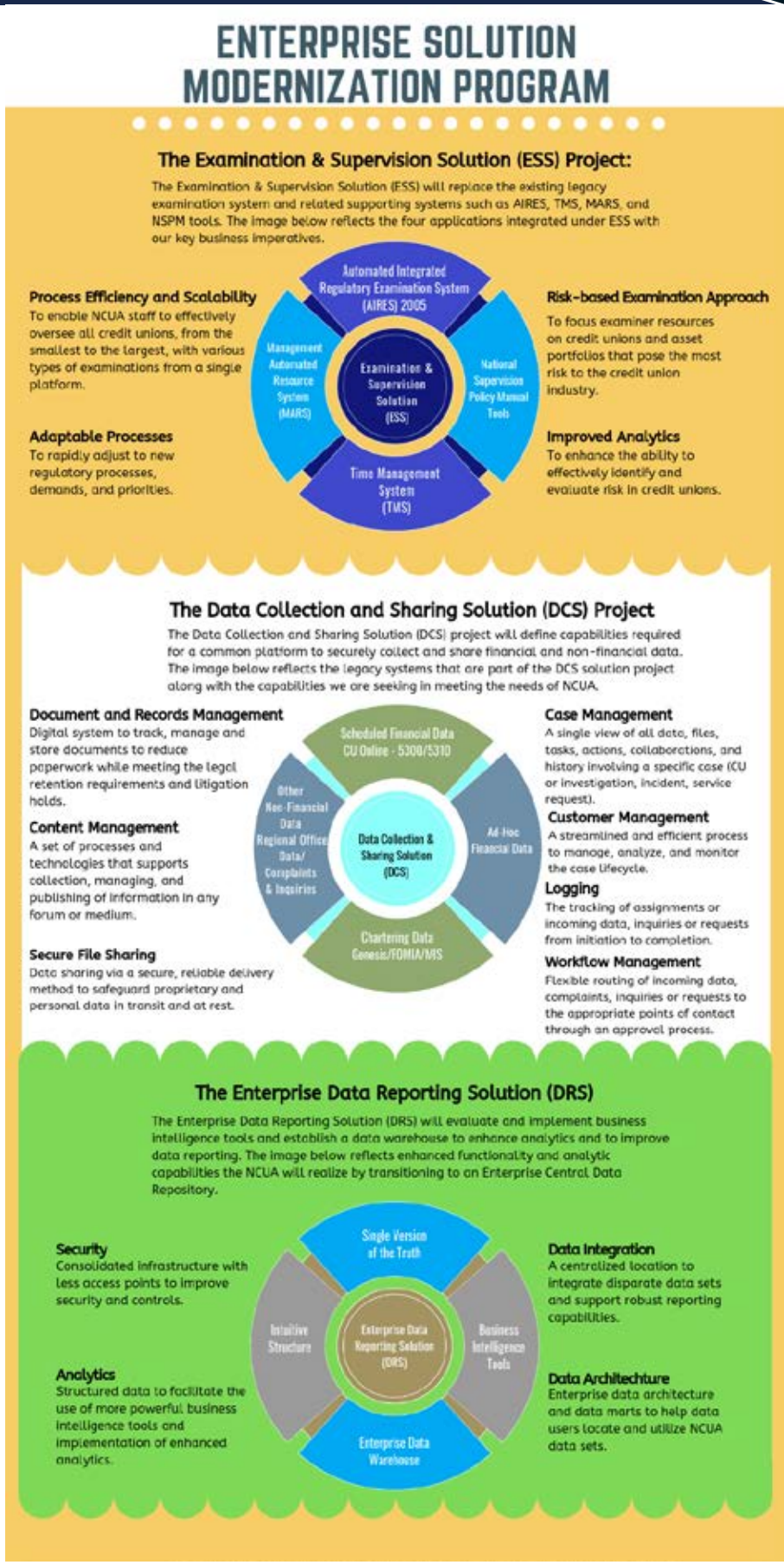


Source: NCUA Supplier Data

Implementing Secure, Reliable and Innovative Technology Solutions

In 2020, 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 – replace the existing legacy examination system and related supporting systems.
- Data Collection & Sharing – define capabilities required for a common platform to collect and share financial and non-financial data securely.
- Enterprise Data Reporting Solution – implement business intelligence tools and establish a data warehouse to enhance analytics and provide more robust data reporting.

To deploy the Examination & Supervision Solution, the NCUA first acquired the necessary infrastructure to support the full modernization program. The new examination solution, which is named the Modern Examination and Risk Identification Tool (MERIT), was released to the Office of National Examinations and Supervision in September 2019. Due to the COVID-19 pandemic, the NCUA postponed the release to the remaining regional staff scheduled for the summer of 2020. Instead, the NCUA extended the pilot to over 100 regional staff, 17 credit unions, and one State Supervisory Authority. The NCUA expects to fully deploy MERIT in 2021.

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 Automated Integrated Regulatory Examination System (AIRES), 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 NCUA continues working to streamline its 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 the agency improve its examination

efficiencies through new and improved examination procedures.

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.

On April 22, 2020, the NCUA created the new Office of Ethics Counsel. The new office will include a Chief Ethics Counsel who will serve as the agency's most senior ethics official and will report directly to the NCUA Board. The Office of Ethics Counsel will certify the agency's compliance with relevant federal ethics laws and regulations, promote accountability and ethical conduct, and help ensure the success of the NCUA's ethics programs.

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 2020, the budget included investments to strengthen agency process management and internal controls, improve tools and facilities for the NCUA staff, and acquire technological enhancements, including new systems to improve operational effectiveness and efficiency.

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 customers, and offsite examinations from their regulators. Credit unions' growing reliance on technology exposes the credit union system to escalating cyber-attacks. 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. In 2020, the NCUA Board approved the funding of two new positions to provide the NCUA with a dedicated focus on fintech practices and needs in the credit union system. The NCUA will 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 voting member, continues to highlight the importance of improving cybersecurity to combat the growing risks to individual institutions, financial market infrastructure, and the overall financial system. The Council 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 *2020 Annual Report*, one consistent theme is that COVID-19 is advancing, by necessity, an enhanced use of various forms of information technology on the part of the financial services industry. However, as the report noted, that enhanced use has opened up new and increased cyber risks to the system. Cyber attackers are actively working to take advantage of the pandemic, as witnessed by the marked increase in COVID-19-related phishing attacks reported by market participants. The report highlights the need for robust monitoring and enhanced information security at third-party service providers, particularly during this time of growing use of such providers, and recommends that Congress pass legislation that ensures the NCUA has adequate examination and enforcement powers to oversee third-party service providers.

The agency's focus is to advance consistency, transparency and accountability within its cybersecurity examination program. The NCUA is piloting InTREx-CU, which 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. The InTREx-CU will be deployed to identify gaps in security safeguards as represented by an array of critical security controls and practices. The identification of critical information security program deficiencies will allow examiners and credit unions to identify and remedy potential high-risk areas. Concurrently, ACET has completed its baseline and benchmarking objective and is now offered to credit unions as 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, such as detecting emerging threats, enhancing information sharing, identifying mitigation measures, and improving response and resiliency efforts. 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 and efforts to slow the spread of the virus led to a dramatic pull-back in spending and the economy contracted sharply. In the span of two months, between February and April, employment plunged by 22 million and the unemployment rate surged from a five-decade low of 3.5 percent to a post-war high of 14.7 percent.

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

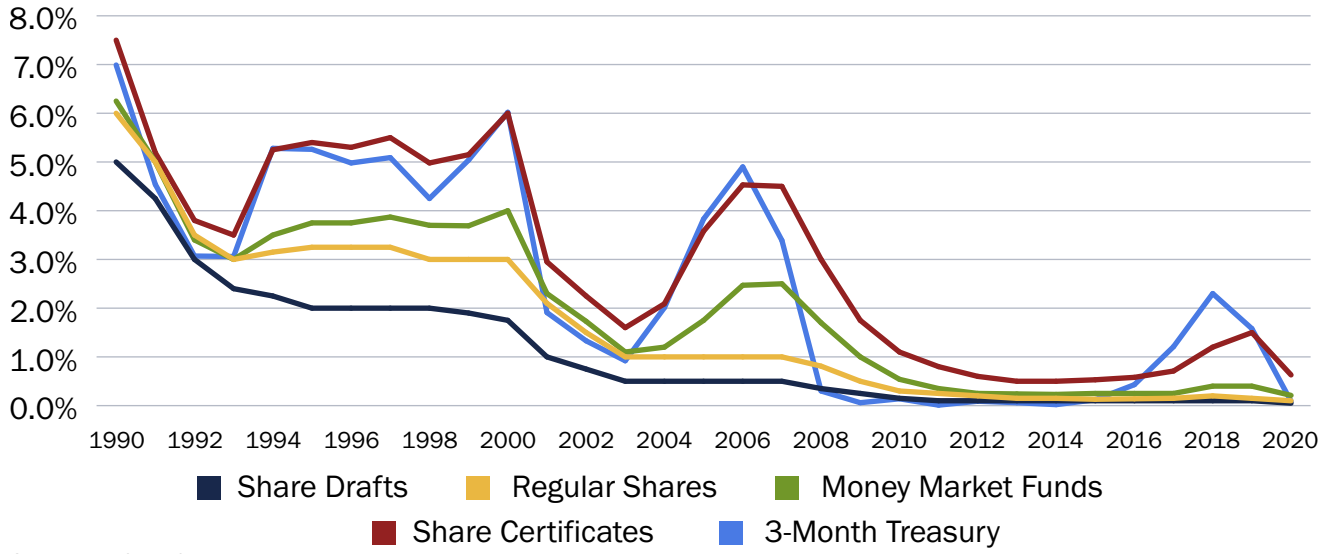
Economic conditions started to improve in late spring. Economic activity picked up sharply, employment began to rise and the unemployment rate moved lower. By the end of the year, a little over half of the jobs lost in the spring had

been restored, and the jobless rate had fallen to 6.7 percent. The outlook for the economy over the next two years has improved markedly with the advent of a COVID-19 vaccine.

A consensus of forecasters expects the economy to expand rapidly as households and businesses resume many of the activities put on hold during the pandemic. Employment is expected to increase and the unemployment rate will continue to decline, but neither is forecast to return to its pre-recession level during the next two years. By the end of 2022, the unemployment rate is expected to average 4.8 percent. Inflation is widely expected to remain below the Federal Reserve's 2.0 percent target.[4]

In light of these expectations, interest rates are forecast to remain low. Federal Reserve policymakers anticipate that it could be appropriate to hold the federal funds target rate in its current range of 0 to 0.25 percent until 2023.[5] Analysts expect other short-term interest rates, which largely determine the interest payments credit unions make, to remain near their current low levels through 2021, moving modestly higher in 2022. Longer-term rates, which largely determine the interest payments credit unions receive, are expected to edge higher as economic conditions improve. Private-sector forecasters expect the 10-year Treasury rate to rise from around 0.90 percent in early December 2020 to roughly 1.60 percent by the end of 2022.[6]

Credit Union Deposit Rates and 3-Month Treasury Bill Rate (1990–2020)



Source: NCUA Call Report Data

4 Blue Chip Economic Indicators, January 2021.
5 Federal Reserve Board *Summary of Economic Projections*, December 2020.
6 Blue Chip Economic Indicators, January 2021.

Managing Interest Rate Risk and Liquidity Risk

Despite the rapid and severe deterioration in economic conditions early last year, credit unions overall turned in a relatively solid performance in 2020. Even if the economy continues to recover as expected, the operating environment for credit unions over the next two years could prove to be more difficult than in prior years, and credit union performance could deteriorate. Credit unions should plan for a range of economic outcomes that could affect their performance and resource needs.

The NCUA and credit unions will need to focus on managing and mitigating interest rate risk. On the liability side, deposit rates have fallen since the start of 2020 and will likely remain low given the Federal Reserve's commitment to an accommodative monetary policy. Credit unions will continue to face pressure to offer competitive deposit rates to avoid deposit attrition, as many members have a number of 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.) A prolonged period of low interest rates also poses risks on the asset side. Credit unions that rely primarily on investment income may find their net income remaining low or falling. In addition, credit unions could resume their reach for yield by adding longer-term and higher-risk assets to their portfolios.

Even if the economy continues to expand as expected, the recent downturn will likely affect credit union performance going forward. For example, the high level of unemployment could weigh on loan demand, particularly for non-mortgage consumer loans, and affect credit quality. System-wide delinquency rates, which remained low through the third quarter of 2020, could begin to rise as the forbearance programs put in place during the spring of 2020 come to an end. Credit union shares could remain elevated as consumers eschew riskier investments and opt to keep their funds in insured credit union deposits.

Declining Membership in Small Credit Unions

While overall credit union membership continues to grow strongly, about half of federally insured credit unions had fewer members at the end of 2020 than a year earlier. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile. For example, 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

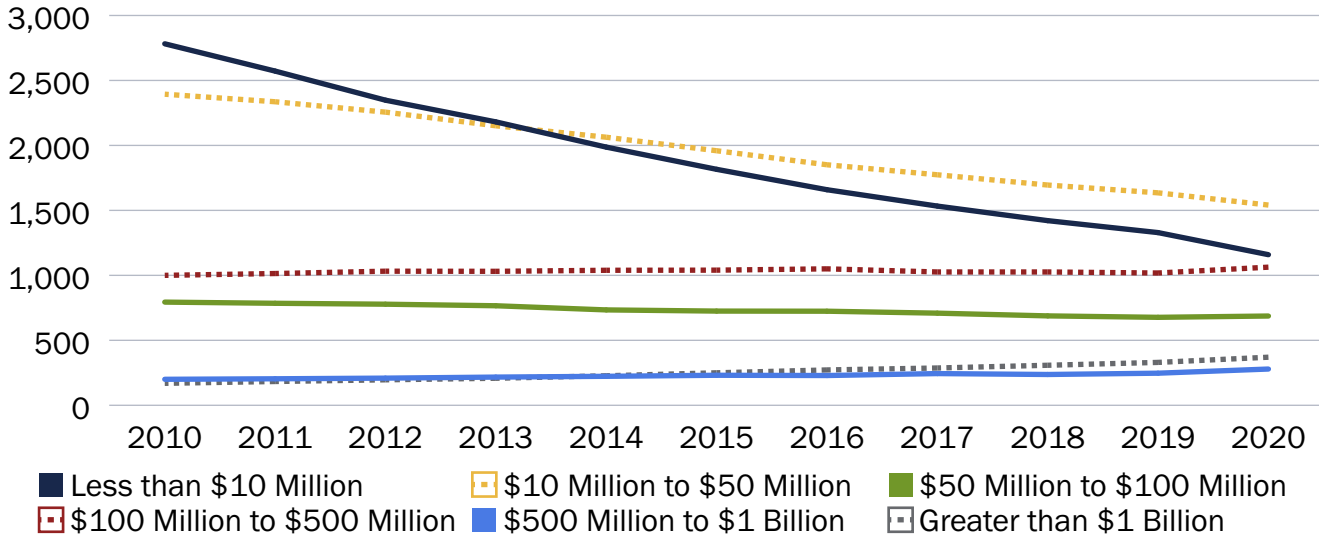
comfortable with utilizing digital services.

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 2021, 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.

Continuing 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, and elevated 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. In the fourth quarter of 2020, there were 649 federally insured credit unions with assets of at least $500 million, 34.9 percent more than five years earlier. These 649 credit unions accounted for 77.2 percent of credit union members and 82.0 percent of credit union assets. Large credit unions tend to offer more complex products and services and make more complex investments.

Number of Credit Unions by Asset Class at Year-end (2010–2020)



Source: NCUA Call Report Data

Increasingly complex institutions will pose management challenges for the institutions and the NCUA, since consolidation means the risks posed by individual institutions will become more significant 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 2020, 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 1.22 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 2020 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 1.38 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 12 basis points below the normal operating level as of December 31, 2020. 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.

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 2021 and beyond. In 2020, the NCUA continued to implement future-facing technology solutions for the NCUA's workforce and business processes. In 2021, the NCUA will:

- Finalize the deployment of the MERIT system and associated examination analytics, and transition new examinations from AIRES to MERIT. This transition includes the agency's primary examination platform as well as many business processes targeted to take advantage of MERIT's configurable platform.
- 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 established a Chief Human Capital Officer position to oversee the agency's human capital and workforce management and the agency 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. In 2021, the NCUA plans to deploy a new learning management system to better enable access to on-demand training for all employees. The NCUA will continue reviewing and revising its training curricula to respond to emergent industry trends, highlight regulatory and other changes to business context, and address employee feedback. The agency is also focused on developing and executing training to support the implementation of MERIT and the new NCUA multi-year leadership development strategy.

Performance Highlights

The performance information contained in this report is organized around the strategic goals and objectives identified in the 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.

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 2020, 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. 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.

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.

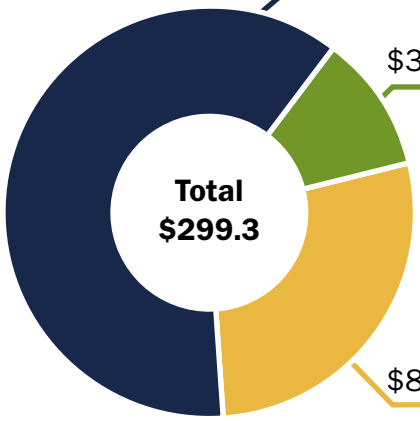
The NCUA's costs for 2020 totaled $299.3 million. The agency allocated the majority of this cost, $184.0 million, for Strategic Goal 1-related programs, followed by $82.4 million for Strategic Goal 3-related programs. These goals are largely comprised of our supervision and examination programs and talent management and information technology programs, respectively. Remaining costs were $32.9 million for Strategic Goal 2-related programs.

The majority of the NCUA's workforce in 2020 was allocated to Strategic Goal 1, followed by Strategic Goal 3. At the end of 2020, the NCUA had 1,149 employees on board.

Performance at a Glance

The NCUA identified 51 measures to help evaluate and assess 2020

The NCUA's 2020 Strategic Goals with Resource Allocation (in millions)



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

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

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

Source: NCUA Audited Financial Statements

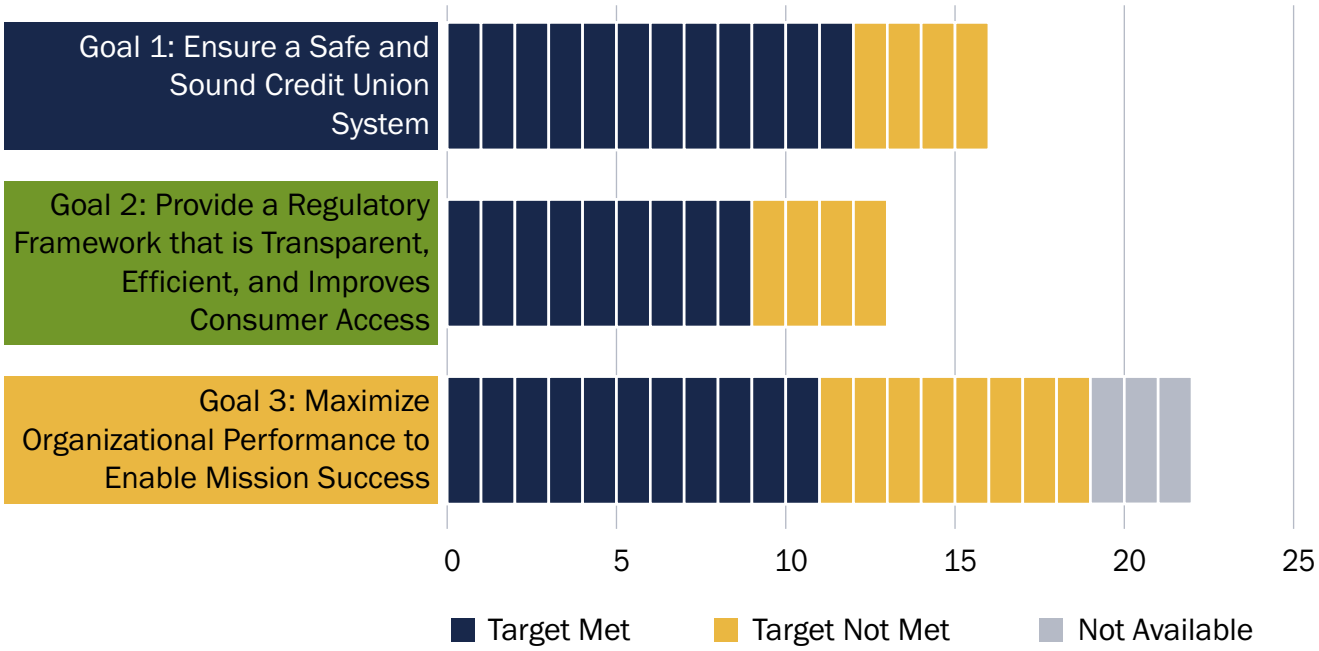
progress towards the goals stated in the *2018-2022 Strategic Plan*. The agency made steady progress against the goals it set during the year, meeting or exceeding the target for 32 performance measures.

The NCUA's overall performance in 2020 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 reasons for variance or changes in trends for each performance indicator. For three indicators, data was not collected by a third-party; therefore, results for the impacted measures are not available.

Summary Results of Agency Priority Goals

The NCUA's agency priority goals are its highest-priority performance goals. In 2020, the agency focused on three agency priority goals, each supporting one of the strategic goals. The following tables show the priority goals, their associated measures, and whether performance targets were met in 2020.

2020 Performance by Strategic Goal



Source: NCUA Performance Data

Target Met	The 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 impact of the COVID-19 pandemic on agency operations; 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. Some strategies may have been delayed or de-prioritized as the agency responded to exigent circumstances, such as the COVID-19 pandemic.	✗

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

Strategic Objective 1.1 – Maintain a strong Share Insurance Fund

To maintain a strong Share Insurance Fund, the NCUA monitors credit union performance, conducts credit union examinations, enforces regulations, and provides guidance to assist credit unions in understanding regulations and emerging risks. Examinations, supervision contacts, and credit union Call Report data provide information that helps to identify high-risk credit unions and emerging risks that may affect the entire credit union system. Active risk management, early detection of problems, and timely resolution is critical to preserving the system.

The agency's examination and supervision program is the most important component of managing risk to the Share Insurance Fund and protecting credit union members. The NCUA's examination program institutes standards for a high quality, efficient, and effective examination process, and establishes guidelines to:

- Identify and mitigate current and emerging risks
- Ensure credit unions are in compliance with applicable laws and regulations
- Initiate appropriate corrective actions supported by a sufficiently detailed administrative record
- Facilitate timely resolution of supervisory concerns and, when appropriate, ensure effective communication to credit union members to make informed decisions regarding their interests.

In 2017, based on recommendations from the agency's Examination Flexibility Initiative, the NCUA revised its examination frequency and transitioned well-managed, low-risk federal credit unions that meet certain criteria to an extended examination cycle. The NCUA affirmed its commitment to this examination frequency in July 2020, with the issuance of Letter to Credit Unions, 20-CU-22, Update to NCUA's 2020 Supervisory Priorities.

Additionally, NCUA examiners perform streamlined examination procedures for most financially and operationally sound credit unions with assets less than $50 million. The agency's Office of National Examinations and Supervision (ONES) is responsible for supervision and oversight of the largest and most complex credit unions.

To the extent possible, the NCUA coordinates examinations of federally insured, state-chartered credit union with state regulators in accordance with state scheduling practices. The NCUA and six state regulators are also piloting an alternating-year examination program for federally insured, state-chartered credit unions. The pilot program, based on recommendations in the 2016 Exam Flexibility Initiative Report, will run for one full alternating cycle, or approximately three years. The pilot will continue into 2021, after which time the NCUA and its state partners will assess how and whether the results of the initiative can improve the examination program. The pilot results will help the NCUA and state regulators determine how to make the best use of federal and state resources by improving coordination.

When risks in a credit union are unmanageable and the credit union is no longer viable, the NCUA may liquidate it. The liquidation process allows the NCUA to mitigate potential risks these institutions pose to the system. Through the NCUA's asset management program, the NCUA ensures members are paid promptly after any liquidation, and limits losses to the Share Insurance Fund and other creditors through effective management of the failed credit union's assets. The NCUA evaluates all courses of action that will maximize potential recoveries from the assets of liquidated credit unions and minimize losses to the Share Insurance Fund.

In 2020, the agency used three performance indicators to gauge its efforts to fully and efficiently execute the requirements of the agency's examination and supervision program:

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
1.1.1 Fully and efficiently execute the requirements of the agency's examination and supervision program— Agency Priority Goal								
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%	95%	92%	✗
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%	95%	97%	✓
Resolve troubled credit unions[7] within an average of 24 months of initial CAMEL composite downgrade.	19	29	22	19	21	24	24	✓

Discussion. The NCUA's offsite posture in response to the COVID-19 pandemic resulted in a slight extension of federal credit union examination timeframes. Examiners and credit unions faced challenges meeting certain prescribed timeframes at historical compliance rates. Ninety-two percent of federal credit union examinations completed in 2020 met prescribed program timeframes. Meanwhile, the NCUA improved its compliance with completion timeframes for scheduled federally insured, state-chartered credit union examinations.

The NCUA continued to resolve troubled credit unions within targeted timeframes; however, the COVID-19 related offsite examination posture contributed to average resolution timeframes in 2020 (24 months) exceeding the result for 2019 (21 months).

[7] As defined in Part 701.14 of the NCUA's regulations.

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 increases the risks to the Share Insurance Fund. The NCUA's examination and supervision program must continue to evolve with the credit union system.

The NCUA's Office of the Chief Economist provides economic information and enhances the agency's understanding of emerging microeconomic and macroeconomic risks. This office also provides insight on regional and industry specific economics and potential risks. This risk analysis supports the NCUA's efforts in stress testing and development of the supervisory program.

Each year the NCUA evaluates current and potential supervisory risks to the industry. Future risks to credit unions include escalating cybersecurity threats, interest rate and liquidity challenges, real estate and member business loan concentrations, and technology-driven changes in the financial landscape. Each risk requires continual monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures.

Cybersecurity threats and other technology-related issues continue to be of interest and concern to the NCUA. Increasingly sophisticated cyberattacks pose a significant threat to credit unions, financial regulators, and the broader financial services sector. The availability, confidentiality, and integrity of credit union member information remains a key supervisory priority for the NCUA. Advances in financial technology, the prevalence of remote workers, and the increased use of mobile technology for financial transactions has increased the likelihood of cyber threats adversely affecting credit unions and consumers. 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. The NCUA will continue to provide guidance and resources to assist credit unions with this critical threat.

ONES' adoption of a data-driven supervision approach supports the agency's mission by identifying changing risks early in large credit unions. ONES is using this approach to not only conduct supervisory stress testing for Tier III credit unions but to develop reports providing early indicators of changing risk. This data-driven supervision approach was critical for modeling the potential impact of the COVID-19 pandemic on the nation's largest credit unions. In 2020, the agency used four performance indicators to gauge its efforts for this priority goal:

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
1.2.2 Effectively identify and evaluate risk in complex credit union portfolios— Agency Priority Goal								
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 in-house supervisory stress testing on all Tier III credit unions, as defined by NCUA Rules and Regulations Part 702, by the second quarter of 2020 and perform multi-path valuation analysis (stochastic) on all credit unions with assets greater than $10 billion, by the fourth quarter of 2020.	--	--	--	--	--	Achieve	Achieved	✓
Evaluate cybersecurity risk in 100 percent of federal credit unions with assets greater than $250 million using the Automated Cybersecurity Examination Toolbox (ACET) maturity assessment by December 31, 2020.			56 Credit Unions as Part of Initial Pilot	86% of credit unions greater than $1 billion	100% of credit unions greater than $1 billion, and 43% of credit unions between $250 million and $1 billion	100% of FCUs > $250 Million	73%	✗
Evaluate cybersecurity risk as part of 100 percent of insurance reviews of federally insured, state-chartered credit unions with assets greater than $100 million in 2020 using the ACET maturity assessment.						100% of insurance reviews for FISCUs Greater Than $100 million	29%	✗

Discussion. The deadline for Tier III capital plan submissions was delayed to August 31, 2020 in response to the COVID-19 pandemic. Capital plan reviews commenced in the third quarter of 2020 and were completed by November 2020. Tier III credit union supervisory stress testing was completed in the third quarter. Stochastic analysis of credit unions greater than $10 billion was completed by year end.

In 2020, having accomplished the baseline and benchmark objectives, the agency transitioned the facilitated Automated Cybersecurity Evaluation Toolbox (ACET) cybersecurity maturity assessments in favor of providing the resource to credit unions for self assessment activities. This decision paved the way for continuing the piloting of the Information Technology Risk Examination for Credit Unions (InTREx-CU). InTREx-CU harmonizes the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System, and many state financial regulators. This establishes a consistent approach across all community-based financial institutions. The InTREx-CU will continue to be deployed in 2021, allowing examiners and credit unions to identify and remediate potential high-risk areas by identifying critical information security program deficiencies.

The NCUA has also published information for credit unions on the increased cybersecurity threats resulting from the pandemic and provided additional resources for protecting their members. For more information, visit the NCUA's Cybersecurity Resources webpage.

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

Strategic Objective 2.1 – Deliver an effective and transparent regulatory framework

Targeted regulation, accompanied by a thoughtfully tailored supervisory and examination program, will help the credit union community grow, thrive, and prosper. With the goal of empowering innovation and growth within the federally insured credit union system, the NCUA implements meaningful regulatory relief for credit unions through an extensive review of existing rules and regulations, along with reforming and enhancing our supervision and examination programs.

The NCUA improves the effectiveness and transparency of its regulations by increasing communications with credit unions and examiners to

ensure greater understanding and fair application of these regulations. New or revised rules and regulations are generally issued for a minimum of 30 days for public comment, with most issued for 60 days of public comment. The NCUA evaluates and considers comments received from stakeholders to understand the impact regulations may have on credit union operations. In 2020, the agency used one performance indicator to gauge its efforts for this priority goal:

Performance Indicator	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
2.1.1 Promulgate efficient, targeted regulation tailored to offer meaningful relief without undermining safety and soundness — Agency Priority Goal								
Review one-third of all regulations, annually.	--	Achieved	Achieved	--	Achieved	Achieve	Achieved	✓

Discussion. The NCUA reviews all of its existing regulations every three years. The NCUA's Office of General Counsel maintains a rolling review schedule that identifies one-third of the NCUA's existing regulations for review each year and provides notice to the public of those regulations under review so the public may have an opportunity to comment. The list of rules the agency is evaluating can be found on the agency's Regulatory Review webpage.

Strategic Goal 3: Maximize Organizational Performance to Enable Mission Success

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

The efficiency and effectiveness of the agency's workforce is dependent upon the resiliency of the NCUA's information technology infrastructure and availability of technological applications. The NCUA is committed to implementing new technology responsibly and delivering secure, reliable, and innovative technological solutions to support its mission. This necessitates investments funded through the agency's capital budget and staff to provide the analytical tools and technology the workforce needs to achieve the NCUA's mission.

In 2020, the agency used one performance indicator to gauge its efforts for this priority goal:

Performance Indicator	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
3.2.3 Implement secure, reliable and innovative technology solutions— Agency Priority Goal								
Conduct examinations and supervision contacts for all credit unions using the Modern Examination and Risk Identification Tool (MERIT), commencing December 1, 2020.	--	--	--	--	MERIT Released to ONES/ Select States	Examinations conducted using MERIT by 12/1/2020	Delayed	✗

Discussion. Due to the COVID-19 pandemic, MERIT deployment and training for most agency staff and state regulators was postponed. As a result, the majority of examination and supervision contacts were not conducted in MERIT starting December 1, 2020. The NCUA's ONES and select state regulators were already using MERIT before the COVID-19 pandemic began and received an updated release in July 2020. The MERIT pilot was also expanded to some regional staff and credit unions during 2020, and information gathered from the pilot has been used to improve the MERIT system in anticipation of nationwide deployment. The NCUA expects to fully deploy MERIT in 2021 as discussed in the *2021 Annual Performance Plan*.

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 the CLF reimburse the Operating Fund for certain administrative support while support for the CDRLF is not reimbursed.

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, 2020 and 2019.[8]

The following highlights provide an overview of the NCUA's 2020 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 124.3 million members at federally insured credit unions up to $250,000. As of December 31, 2020, the Share Insurance Fund insured 5,099 credit unions, with insured member shares reaching $1.47 trillion. These federally insured credit unions held nearly $1.85 trillion in total assets at the end of 2020.

The financial performance of the Share Insurance Fund can be measured by comparing the equity ratio to the normal operating level. The normal operating level is the desired equity level for the Share Insurance Fund. The

[8] 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.

NCUA Resources and How They Are Used

	Share Insurance Fund	Operating Fund	CLF	CDRLF
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	✓	✓	✓	

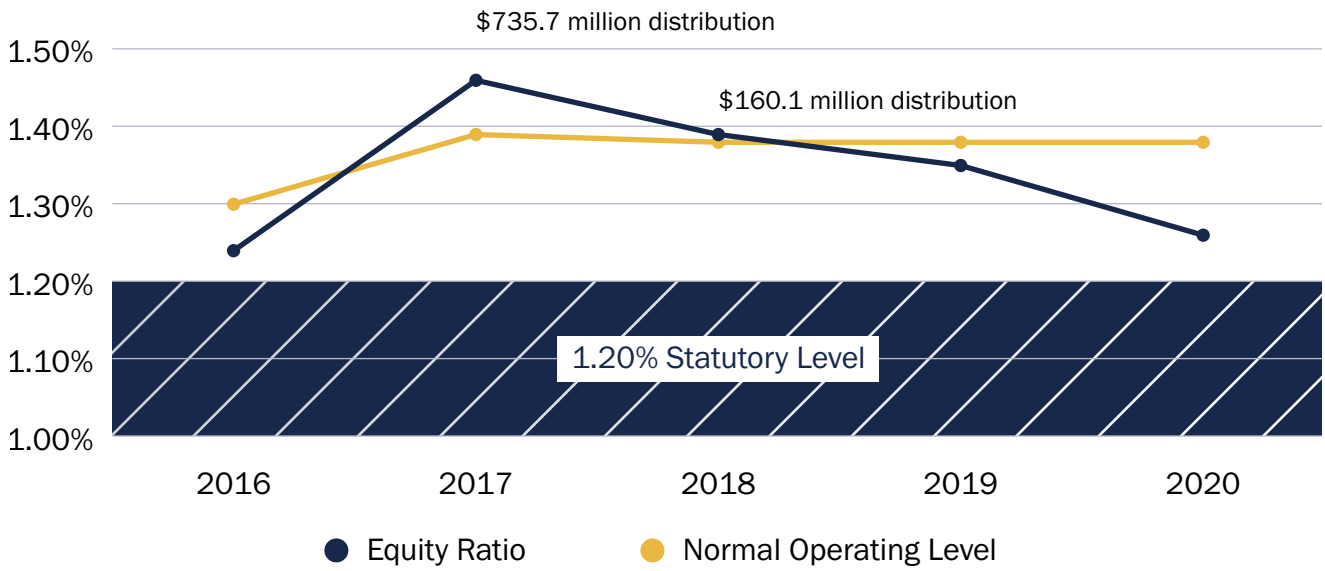
NCUA Board sets the normal operating level between 1.20 percent and 1.50 percent. On December 17, 2020, the NCUA Board set the normal operating level at 1.38 percent, equal to the previous level of 1.38 percent set on December 12, 2019.[9]

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 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 normal operating level 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, 2020 and 2019 was 1.26 percent and 1.35 percent, respectively, which was below the established normal operating level of 1.38 percent. As a result, the NCUA did not estimate or record a distribution in 2020.

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

Equity Ratio to Normal Operating Level (2016–2020)



Source: NCUA Call Report Data and Audited Financial Statements

[9] 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.

Share Insurance Fund ended 2020 with a net position of $18.9 billion, an increase of 14.1 percent, or $2.3 billion, from 2019. The increase was primarily attributable to an increase in the carrying amount of investments.

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 $272.0 million in 2020, a decrease of $34.5 million from 2019. The decrease in interest income over the prior year was primarily due to the decrease in the rate of interest earned on investments. The average interest rate earned for the years ending in December 31, 2020 and 2019, was 1.59 percent and 1.98 percent, respectively, and reflects an increase in the weighted average maturity of U.S. Treasury securities from 2.9 years to 3.3 years. Investments in U.S. Treasury securities account for approximately 95.5 percent of total Share Insurance Fund assets.

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 2020 was $239.1 million, an increase of $102.3 million from 2019. The increase is primarily attributable to an increase in the provision for insurance losses.

The provision for insurance losses consists of the reserve expense and a bad debt allowance for the natural-person credit union and corporate credit union asset management estates (AMEs). The reserve expense increased by $11.3 million, which reflects the overall risk of projected losses for actual and potential credit union failures. The bad debt allowance for the AMEs increased by $98.0 million, reflecting a deterioration in asset recovery rates for failed credit unions.[10]

Share Insurance Fund Financial Position

Dollars in thousands	2020	2019	Percentage Change
Total Assets	$19,128,944	$16,721,557	14.4%
Total Liabilities	$ 186,103	$ 121,596	53.1%
Net Position	$18,942,841	$16,599,961	14.1%

[10] 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.

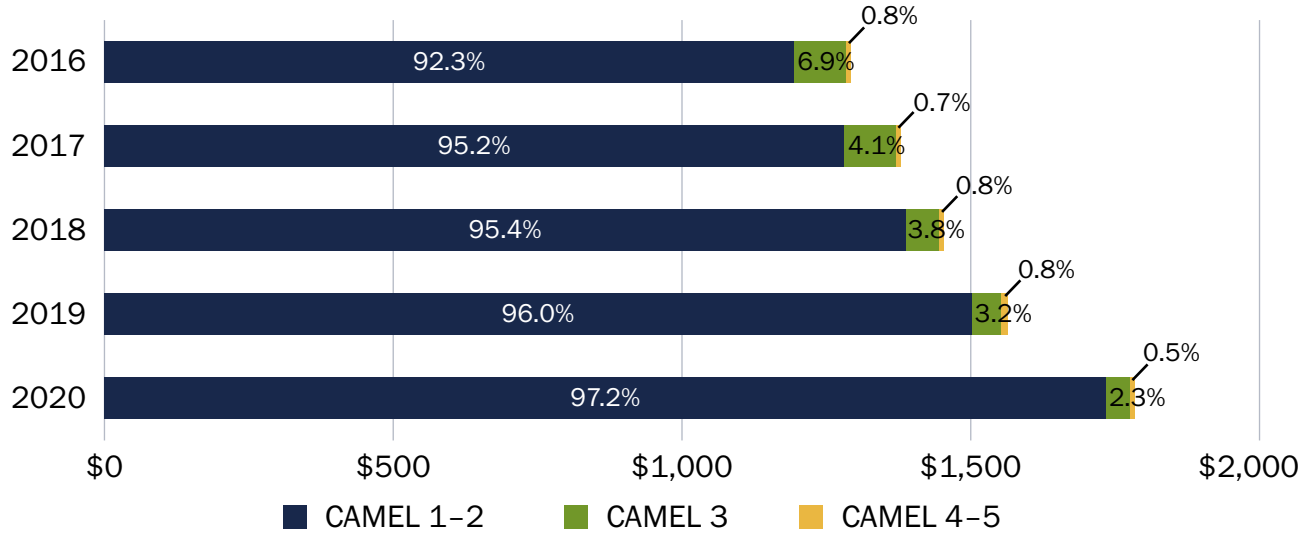
Share Insurance Fund Results of Operations			
Dollars in thousands	**2020**	**2019**	**Percentage Change**
Gross Costs:			
Operating Expenses	$ 181,037	$ 191,077	-5.3%
Provision for Insurance Losses	68,688	(40,595)	269.2%
Other Losses	63	87	-27.6%
Total Gross Costs	**$ 249,788**	**$ 150,569**	**65.9%**
Exchange Revenue	**$ 10,648**	**$ 13,768**	**-22.7%**
Total Net Cost of Operations	**$ 239,140**	**$ 136,801**	**74.8%**

The aggregate net worth ratio decreased during the year, ending at 10.3 percent versus 11.4 percent on December 31, 2019. 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 best rating. Assets in CAMEL composite 3, 4, and 5 rated credit unions decreased slightly to $50.3 billion at the end of 2020 versus $52.5 billion at the end of 2019.[11]

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 year-end, the total number of federal credit unions was 3,185 with $931.2 billion in total assets. Funding for the NCUA's operations comes through operating fees paid by federal credit unions and through reimbursements from the Share

Distribution of Assets by CAMEL Ratings at Year-end 2016–2020 (dollars in billions)



Source: NCUA Call Report

[11] Additional information for the CAMEL rating system can be found on page 14.

Insurance Fund. Each federal credit union is required to pay this fee based upon a fee schedule that is applied to its assets reported as of the preceding year-end. 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. In 2020, the NCUA Board approved revisions to the operating fee methodology and the associated regulation governing the calculation of the operating fee, both of which will be implemented for the 2021 operating fee billing cycle.

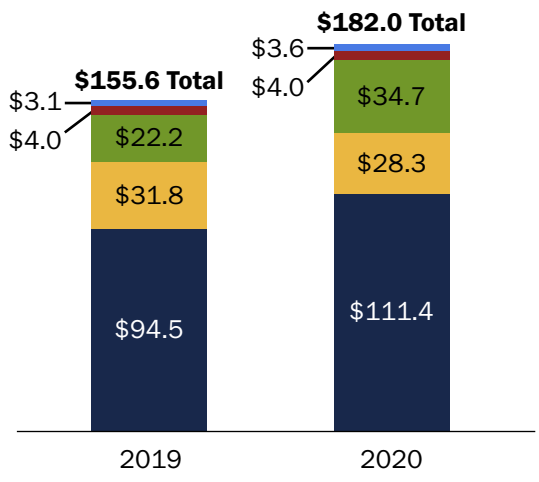
Operating Fund Financial Position

Dollars in thousands	2020	2019	Percentage Change
Total Assets	$ 182,016	$ 155,598	17.0%
Total Liabilities	45,722	49,647	-7.9%
Fund Balance	**$ 136,294**	**$ 105,951**	**28.6%**

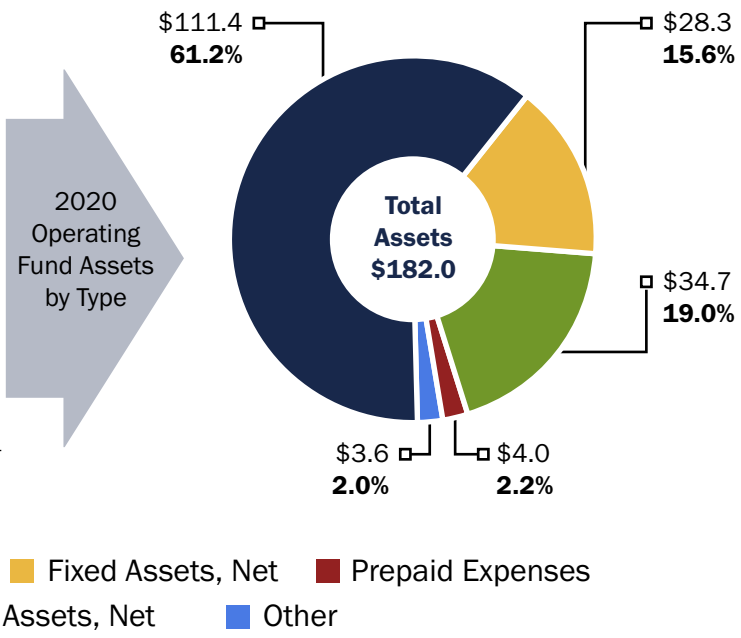
The Operating Fund ended 2020 with a fund balance of $136.3 million, an increase of $30.3 million from 2019. This change was attributed primarily to an increase in intangible assets related to NCUA's Enterprise Solution Modernization Program.

Employment-related costs are the single largest driver of the NCUA's expenses. The NCUA continues to assess and balance its mission workload needs

Operating Fund Assets Comparison 2020 and 2019 (dollars in millions)

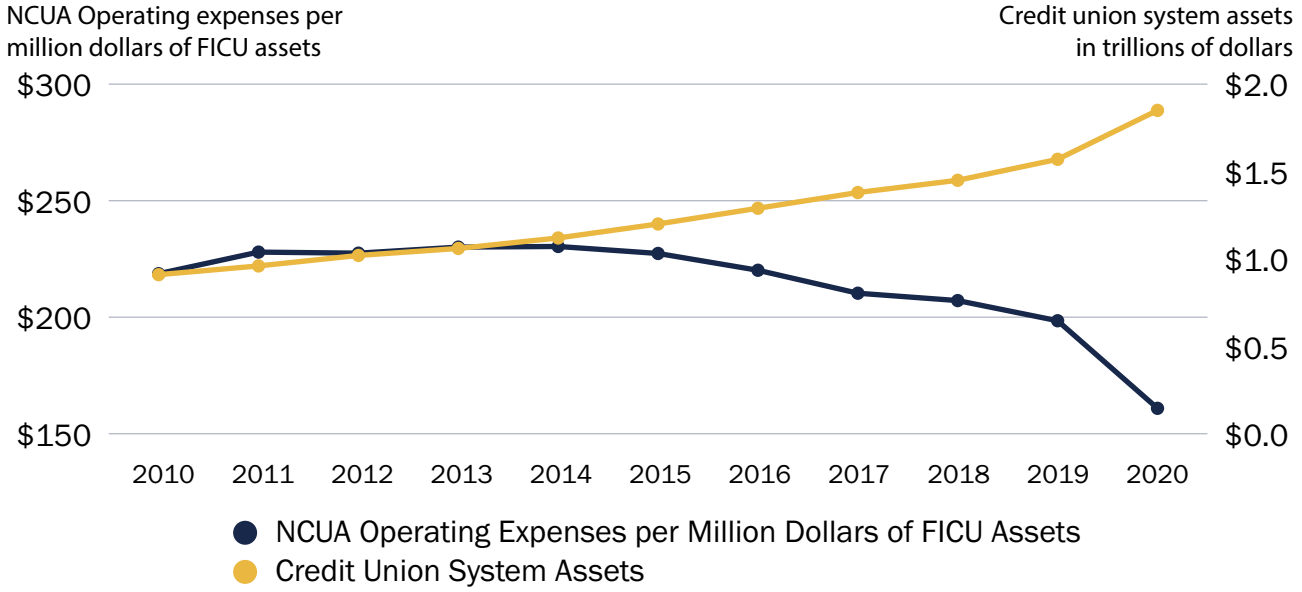


Operating Fund Assets by Type 2020 (dollars in millions)



Source: NCUA Audited Financial Statements

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 reimbursement received by the Operating Fund for support services divided by the current year's end-of year FICU assets (e.g., 2020 Operating Fund Expenses ($116.1M) + 2020 Share Insurance Fund Operating Expenses ($181.0M) + 2020 CLF reimbursement ($0.86M) / FICU assets as of 2020Q4 ($1.85T) = $161.1 of NCUA operating expenses per $1M in FICU assets).

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.

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 2020 mid-session budget analysis presented to the Board, the NCUA estimated that its spending would be $7.2 million below the approved operating budget level.[12] Nearly all of this reduction was due to the restrictions placed on employee travel due to COVID-19 precautions and the shift to remote examinations.

In 2020, the NCUA spent $291.6 million of its operating budget, of which $183.6 million was reimbursed from the Share Insurance Fund for insurance-related activities. This spending was $24.3 million, or 7.7 percent, less than the Board-approved level for the year. Employee pay and benefits were below the approved budget level by $3.4 million, or 1.4 percent. Travel spending was $21.7 million, or 79.1 percent, less than the budgeted level. Combined, spending for the remaining budgetary categories exceeded the approved budget levels by $0.7 million, or 1.2 percent. As discussed in the mid-session presentation to the NCUA Board, the restrictions placed on employee travel due to the COVID-19 pandemic was the primary driver reducing spending on personnel and travel. These unspent resources offset increased spending resulting from a decline in the agency's vacancy rate compared to 2019 and the liquidation of a portion of the NCUA's liabilities associated with employees' accrued leave. Other spending above the budgeted levels reflected the shift to offsite work resulting from COVID-19, such as remote communications and supply reimbursements to employees working from home, software licensing costs and associated technology equipment required for remote work, additional cleaning supplies, and facility cleaning and maintenance.

The NCUA also maintains a discrete capital budget. In 2020, the Board approved $25.1 million for a variety of projects related to information technology and NCUA-owned facilities. Of this amount, the agency spent $21.8 million, or 86.8 percent in 2020.

[12] 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.

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 2020 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.[13]

A credit union becomes a member by purchasing shares of the CLF's capital stock. In response to the COVID-19 pandemic, several temporary changes to the Federal Credit Union Act and the NCUA's Rules and Regulations §725 (the "CLF rule") were made by Congress and the NCUA Board, respectively. 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 until December 31, 2021, for a corporate credit union to become an agent member of the CLF. Also, it allowed temporary increases in borrowing authority from 12 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,

CLF Financial Position

Dollars in thousands	2020	2019	Percentage Change
Total Assets	$ 1,054,859	$ 333,926	215.9%
Total Liabilities	4,737	10,272	-53.9%
Total Members' Equity	**$ 1,050,122**	**$ 323,654**	**224.5%**

CLF Results of Operations

Dollars in thousands	2020	2019	Percentage Change
Total Revenues	$ 5,614	$ 6,351	-11.6%
Total Expenses	903	672	34.4%
Net Income	**$ 4,711**	**$ 5,679**	**-17.0%**

[13] The CLF's borrowing arrangement is exclusively with the Federal Financing Bank. The NCUA maintains a note purchase agreement with Federal Financing Bank with a current maximum principal amount of $25.0 billion.

2020 through December 31, 2021, after which time the limit reverts to 12 times subscribed capital stock and surplus. As of December 31, 2020, the CLF had 356 members that contributed $594.9 million of capital stock. As of December 31, 2019, the CLF had 278 members that contributed $288.7 million of capital stock. In addition, agent members contributed $417.8 million in capital stock in 2020.

Total members' equity at December 31, 2020, was $1.1 billion, an increase of $726.5 million from 2019. This change was attributed primarily to an increase in the issuance of required capital stock of $731.5 million partially offset by the redemption of capital stock.

Net income for the year ended December 31, 2020, was $4.7 million, a decrease of $969.0 thousand from 2019. This change was attributed to a decrease in investment income. Investments totaled $615.7 million at year-end, and investment income totaled $5.6 million, which funded operations and paid $2.3 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 2020, the dividend rates were $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. For 2019, the dividend rates were $0.75 per share for the first and second quarters, and $0.875 per share for the third and fourth quarters.

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 residents in their communities, enhance their capacity to better serve their members, and respond to emergencies.

The CDRLF fund balance at December 31, 2020, was $15.3 million, a decrease of $0.6 million from 2019. This change was attributed to an increase in technical

CDRLF Financial Position

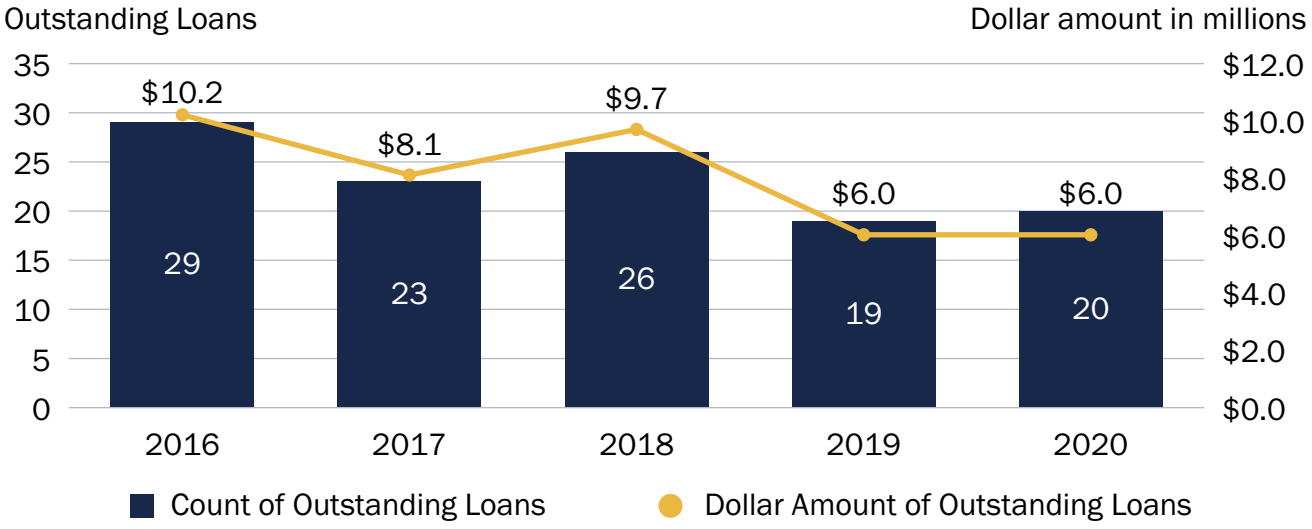
Dollars in thousands	2020	2019	Percentage Change
Total Assets	$ 17,866	$ 19,728	-9.4%
Total Liabilities	2,518	3,803	-33.8%
Fund Balance	**$ 15,348**	**$ 15,925**	**-3.6%**

assistance grants awarded and partially offset by the decrease of interest income, canceled technical assistance grants, and reduction of allowance for loan losses.

In 2020, CDRLF developed the COVID-19 Emergency Fund Initiative to provide grants (up to $10,000) and three-year interest-free loans (up to $250,000) to assist low-income credit unions as they respond to COVID-19 related hardships and work to alleviate the impact of the crisis in their communities.

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, 2020, the CDRLF loan portfolio had $6.0 million in outstanding loans, 20 loans outstanding to 19 credit unions, of which, $2.3 million, nine outstanding loans were related to the COVID-19 Emergency Fund Initiative.

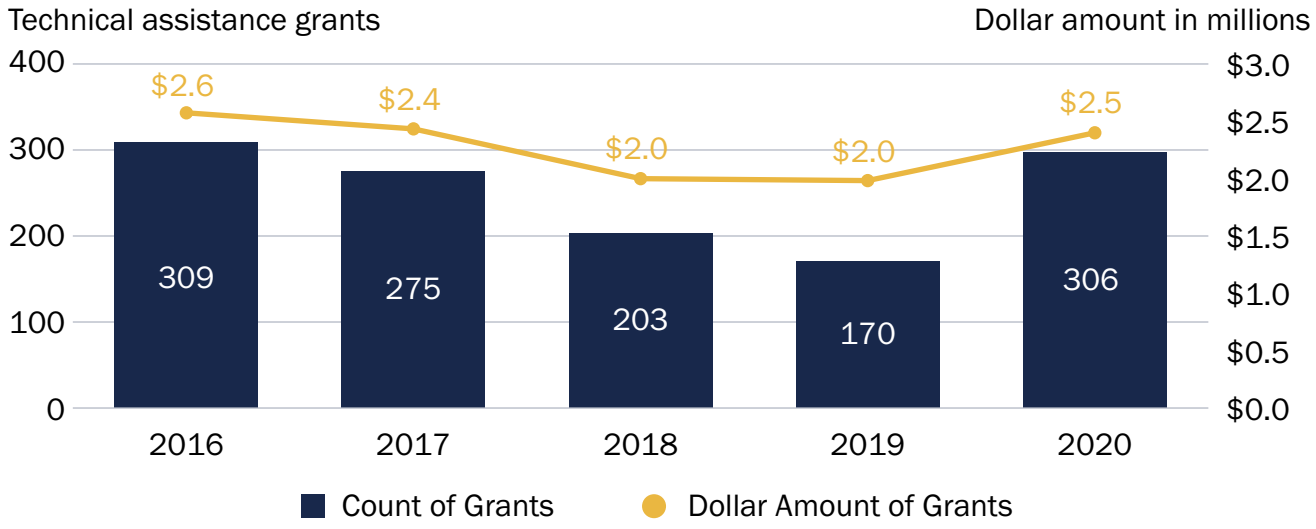
Count and Dollar Amount of Outstanding CDRLF Loans (2016–2020)



Source: NCUA Audited Financial Statements

In 2020, Congress enacted multi-year appropriations of $1.5 million, a decrease of $0.5 million from 2019 for the technical assistance program. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used. The fund awarded 156 technical assistance grants totaling $1.6 million from the multi-year appropriations received, of which $1.5 million was awarded to low-income credit unions under the COVID-19 Emergency Fund Initiative. In addition to the amounts appropriated, CDRLF awarded $930.1 thousand technical assistance grants from the existing revolving fund to support COVID-19 relief efforts.

Count and Dollar Amount of Technical Assistance Grants (2016–2020)



Source: NCUA Audited Financial Statements

Management Assurances and Compliance with Laws

National Credit Union Administration
Office of the Chairman

February 16, 2021

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

Dear Mr. President:

The National Credit Union Administration (NCUA) management 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 (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, NCUA can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of December 31, 2020.

Respectfully,

Todd M. Harper
Chairman

1775 Duke Street – Alexandria, VA 22314-3428 – 703-518-6570

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 2020, 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.[14] The purpose of the Federal Financial Management Improvement Act is to advance federal financial management by verifying that financial

[14] 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.

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 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. The NCUA will monitor each office's development and implementation of mitigating controls through the next reporting year.

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 2020. 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 2020 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.[15] 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 20-04, "Fiscal Year 2019 – 2020 Guidance on Federal Information Security and Privacy Management Requirements." The NCUA submitted the annual FISMA report for fiscal year 2020 to OMB on October 31, 2020.

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 2020 audit in October 2020. The outcome of the NCUA's 2020 joint FISMA assessment and resulting Cybersecurity Performance Summary ratings are represented in Table 1.

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

2020 FISMA		
Controls	**OIG**	**CIO**
Identify	Defined (2)	Managing Risk
Protect	Defined (2)	Managing Risk
Detect	Defined (2)	Managing Risk
Respond	Managed and Measurable (4)	At Risk
Recover	Managed and Measurable (4)	
Overall	Managing Risk	

Table 1: 2020 Cybersecurity Performance Summary

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 proceeds 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 Revolving

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 March 2018 assessment, to continue to conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary. The Inspector General's report and others are available on the NCUA's website.

Performance Results

About the Performance Results Section

Throughout 2020, 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 2020 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 goals 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 51 performance indicators set for 2020.

- **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 indicators or measures.
- **Performance indicators** or measures present a quantitative level of performance, or a target to be accomplished, within a specific timeframe.
- **Strategies** are plans 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.
- **Values** are statements that articulate the beliefs that support the agency's culture and provide a framework for decision-making.

The diagram illustrates the relationship between these performance components:

Performance Planning and Process

The *2020 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 executive 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 outcome performance goals to show efficiency, effectiveness, and results. The agency uses the results of these data-driven reviews and its annual performance report as data points for future development of strategies, goals, measures, and targets. In 2020, the NCUA also evaluated the impact of the COVID-19 pandemic on its planned outcomes. Any impact to specific indicators or targets is discussed in the Performance Results section of this report.

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 2020 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 2020 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 Rules and Regulations, formal instructions, or policy statements guide our target selection.

Measure Quality

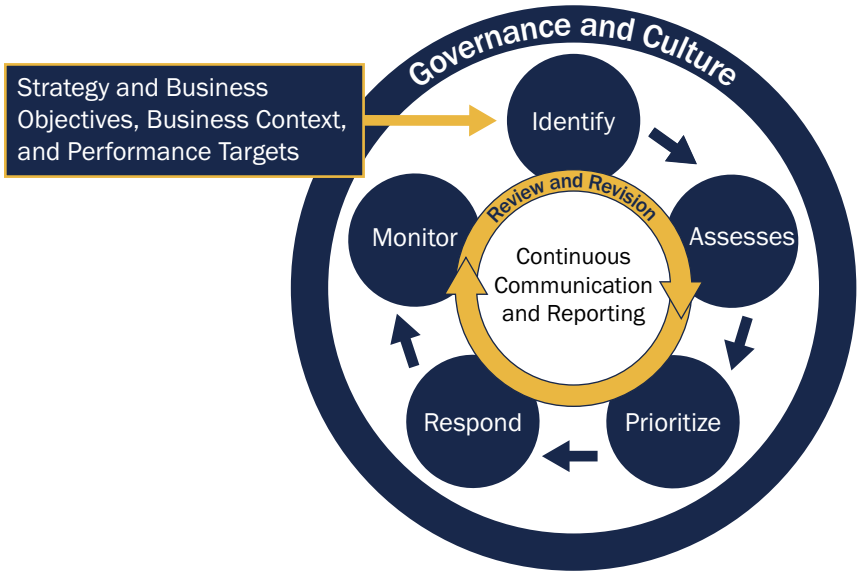
The NCUA has not developed outcome performance goals in all cases, and in certain instances uses input and output measures that support outcomes, lead to outcomes, or provide valuable indicators of how the agency is progressing toward achieving its strategic goals and objectives.

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 on the following page. 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. Looking forward, the NCUA plans to review and refresh, as necessary, its risk management philosophy and inventory of enterprise risks as part of developing a new strategic plan.

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 committees and their many associated task forces and working groups contribute to the success of the NCUA's mission.

Performance Results by Strategic Goal

The agency made progress across all three strategic goals in 2020, meeting or exceeding 32 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	The 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. Some strategies may have been delayed or de-prioritized as the agency responded to exigent circumstances, such as the COVID-19 pandemic.	✗

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 – Agency Priority Goal
	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 – Agency Priority Goal
	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 2020. 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 continuous 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. Staff from the Asset Management and Assistance Center also assist with conducting examinations of large, complex loan portfolios and participate in conservatorships.

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
1.1.1 Fully and efficiently execute the requirements of the agency's examination and supervision program— Agency Priority Goal								
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%	95%	92%	✗
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%	95%	97%	✓
Resolve troubled credit unions[1] within an average of 24 months of initial CAMEL composite downgrade.	19	29	22	19	21	24	24	✓

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

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
1.1.2 Effectively manage losses to the Share Insurance Fund								
Maintain 2 percent or less of credit union system assets in CAMEL composite 4 and 5 rated credit unions.	0.7%	0.8%	0.7%	0.8%	0.8%	≤ 2%	0.5%	✓
Maintain the Share Insurance Fund equity ratio at or above 1.3 percent and at or below the normal operating level.	1.26%	1.24%	1.46%	1.39%	1.35%	≥ 1.3% and ≤ 1.38%	1.26%	✗
Issue payments or provide access to members for the balance of their verified insured funds within 3 business days following a credit union failure.	1.5	3.2	0[2]	3	1	≤ 3 days	0	✓
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% of incidents (including emergency and supervisory mergers).	--	57%	100%	91%	100%	≥ 85%	100%	✓

Discussion:

Performance Goal 1.1.1 – The NCUA did not 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. The NCUA's offsite posture in response to the COVID-19 pandemic resulted in a slight extension of federal credit union examination timeframes. Examiners and credit unions faced challenges meeting certain prescribed timeframes at historical compliance rates.

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

Ninety-two percent of federal credit union examinations completed in 2020 met prescribed program timeframes. Meanwhile, the NCUA improved its compliance with completion timeframes for scheduled federally insured, state-chartered credit union examinations.

Performance Goal 1.1.2 – The NCUA did not maintain the Share Insurance Fund equity ratio at or above 1.3 percent and at or below the normal operating level. 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. In 2007, the Board affirmed that the Share Insurance Fund would maintain a "counter-cyclical posture." A counter-cyclical posture means the Share Insurance Fund's equity should be built up during periods of economic prosperity and allowed to decline during periods of economic adversity. This approach helps ensure the Share Insurance Fund's equity is adequate to withstand adverse economic developments with a lower likelihood of premium assessments or impairment of credit unions' contributed capital deposits during an economic downturn and early phase of a recovery. The current normal operating level is 1.38 percent, which was most recently reviewed by the Board in December 2020. The NCUA has committed to establishing a working group in 2021 to review the factors impacting the Share Insurance Fund equity ratio and the agency's methods and assumption for determining the normal operating level. The working group will report its findings to the NCUA Board.

The COVID-19 pandemic resulted in an increase in share deposits at most credit unions in 2020. The equity ratio is determined as the sum of the Share Insurance Fund's actual retained earnings, net of any direct or contingent liabilities, and contributed capital, divided by insured shares. Because of government stimulus and other factors – including elevated savings rates – insured shares increased more rapidly than retained earnings and contributed capital in the Share Insurance Fund. This meant the equity ratio fell in 2020. As a result of the increase in insured shares, the Share Insurance Fund will invoice credit unions for approximately $866.6 million for the one percent capital deposit adjustment in March of 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 increases 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 works continuously to improve its supervision program and operate more efficiently. In 2020, the NCUA advanced this objective during the offsite posture resulting from the COVID-19 pandemic. Besides examinations, the agency conducted outreach to the credit union industry to discuss each credit union's operational and financial status, including any associated challenges, and the need for any assistance.

The NCUA's Office of the Chief Economist provides economic information and enhances the agency's understanding of emerging microeconomic and macroeconomic risks. This office also provides insight on regional and industry specific economics and potential risks. Future risks to credit unions include escalating cybersecurity threats, interest rate and liquidity challenges, borrower concentrations within credit union loan portfolios, and technology-driven changes in the financial landscape. Each risk requires on-going monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures.

The NCUA's Office of National Examinations and Supervision (ONES) adoption of a data-driven supervision approach supports the agency's mission by identifying changing risks early in large credit unions. ONES 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. This data-driven supervision approach was critical for modeling the potential impact of the COVID-19 pandemic for the nation's largest credit unions.

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
1.2.1 Enable continuous risk analysis, identify key trends and target examinations where most needed								
Publish the *Quarterly U.S. Map Reviews* on the NCUA website to assist with identifying regional and national risks.	4	4	4	4	4	4	4	✓
Provide examiners with timely reports to identify trends in targeted risk areas throughout 2020.	–	–	–	–	4	10	10	✓

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
1.2.2 Effectively identify and evaluate risk in complex credit union portfolios – Agency Priority Goal								
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 in-house supervisory stress testing on all Tier III credit unions, as defined by NCUA Rules and Regulations Part 702, by the second quarter of 2020 and perform multi-path valuation analysis (stochastic) on all credit unions with assets greater than $10 billion, by the fourth quarter of 2020.	--	--	--	--	--	Achieve	Achieved	✓
Evaluate cybersecurity risk in 100 percent of federal credit unions with assets greater than $250 million using the Automated Cybersecurity Examination Toolbox (ACET) maturity assessment by December 31, 2020.	--	--	56 Credit Unions as Part of Initial Pilot	86% of credit unions greater than $1 billion	100% of credit unions greater than $1 billion, and 43% of credit unions between $250 million and $1 billion	100% of FCUs > $250 Million	73%	✗
Evaluate cybersecurity risk as part of 100 percent of insurance reviews of federally insured, state-chartered credit unions with assets greater than $100 million in 2020 using the Automated ACET maturity assessment.	--	--				100% of insurance reviews for FISCUs Greater Than $100 million	29%	✗

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
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	7	28	✓
Train NCUA staff and industry stakeholders in the use and implementation of the enhanced credit union ACET maturity assessment.	--	--	--	--	--	6	10	✓
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 2020.	--	--	--	--	--	Implement procedures by Q2 2020	Achieved	✓

Discussion:

Performance Goal 1.2.2 – The NCUA did not evaluate cybersecurity risk using the Automated Cybersecurity Examination Toolbox (ACET) maturity assessment by December 31, 2020. In 2020 having accomplished the baseline and benchmark objectives, the agency transitioned the facilitated ACET cybersecurity maturity assessments in favor of providing the resource to credit unions for self-assessment activities. This decision paved the way for continuing the piloting of the Information Technology Risk Examination for Credit Unions (InTREx-CU). InTREx-CU harmonizes the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System, and many state financial regulators. This establishes a consistent approach across all community-based financial institutions. The InTREx-CU will continue to be deployed in 2021, allowing examiners and credit unions to identify and remediate potential high-risk areas by identifying critical information security program deficiencies.

The NCUA has also published information for credit unions on the increased cybersecurity threats resulting from the pandemic and provided additional resources

for protecting their members. For more information, visit the NCUA's Cybersecurity Resources webpage.

Performance Goal 1.2.3 – The NCUA implemented enhanced examination procedures, including supervisor concurrence and additional quality controls, for credit unions with very high concentrations in specific loan types in Q1 2020; however the program requirements were quickly deferred due to the COVID-19 pandemic and the agency's extended offsite posture. In lieu of the program requirements in 2020, credit unions with very high concentrations were evaluated during regular quarterly monitoring. The enhanced examination procedures resumed in January 2021.

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 13 indicators to support this strategic goal. The NCUA performed moderately well within Strategic Goal 2, meeting our target for nine performance indicators in 2020. 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 better 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 will continue work accomplished in 2020 to provide regulatory relief where possible to give federally insured credit unions the flexibility they need to continue providing financial services to their members during and after the COVID-19 pandemic.

The NCUA's Regulatory Reform Task Force's final report, issued in 2018, provides a blueprint for the agency's regulatory agenda. The agency continues to make progress advancing its regulatory reform agenda including issuing proposed and final rules as outlined on the agency's website. In 2020, the NCUA also continued its three-year rolling review of its regulations.

In 2020, 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	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
2.1.1 Promulgate efficient, targeted regulation tailored to offer meaningful relief without undermining safety and soundness — Agency Priority Goal								
Review one-third of all regulations, annually.	--	Achieved	Achieved	--	Achieved	Achieve	Achieved	✓
2.1.2 Increase awareness of regulatory activities								
Increase web traffic to regulatory and related supervisory information on NCUA.gov by five percent.	--	--	Baseline	-7%	+45%	+5%	+5%	✓

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 2020, the Division of Consumer Compliance Policy and Outreach spent 3,284 hours examining 19 credit unions for compliance with fair lending laws and regulations. Agency staff spent an additional 791 hours performing 32 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 2020, the NCUA's Consumer Assistance Center assisted more than 49,042 consumers.

The NCUA also promotes the importance of making smart financial decisions through its consumer-focused website, MyCreditUnion.gov. Available in both English and Spanish, this site is a valuable resource for personal finance information for individuals of all ages.

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
2.2.1 Assess compliance with consumer lending and deposit laws and regulations								
Complete 30 fair lending examinations, annually.	25	24	26	26	25	Greater than or Equal to 30	19	✗
Complete 40 offsite fair lending supervision contacts, annually.	50	50	49	40	43	Greater than or Equal to 40	32	✗
Perform a quality control review on a sample of examination reports each quarter to determine if the consumer financial protection supervisory priorities outlined in Letter to Credit Unions No. 20-CU-01 were sufficiently addressed during safety and soundness examinations.	--	--	--	--	--	Quarterly	Achieved	✓
2.2.2 Empower consumers with information to make independent and informed financial decisions								
Develop and maintain direct to consumer financial literacy public awareness initiatives such as events, videos, or materials, focused on current consumer financial protection and financial literacy issues.	--	--	2	5	5	4	10	✓
Expand the NCUA's digital consumer financial literacy outreach efforts through the agency's consumer-facing website, MyCreditUnion.gov, including espanol.	742,613	829,064	753,588	865,195	723,911	850,000	1,350,598	✓

Discussion:

Performance Goal 2.2.1 – The NCUA did not complete the targeted number of fair lending examinations and supervision contacts in 2020. The onset of the COVID-19 pandemic caused delays in the completion of the agency's fair lending program. The NCUA mandated a strict offsite examination and supervision approach on March 16, 2020. As the agency and the credit unions addressed the impact of the COVID-19 pandemic on their operations, employees and members, the NCUA did not require credit unions to address examination requests until they were able to do so. As a result, some fair lending examinations and supervision contacts were rescheduled into 2021.

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	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
2.3.1 Efficiently administer viable credit union charters and expansion requests								
Make a determination on completed field-of-membership expansion applications within an average of 60 days.	42 days	40 days	54 days	57 days	62 days	Average 60 days	50 days	✓
Develop an implementation plan for modernizing the Federal Credit Union chartering process by December 31, 2020.	--	--	--	--	--	12/31/ 2020	Achieved	✓
Promote the use of the automated Proof of Concept tool by groups interested in chartering a new credit union.	--	--	--	--	Tool Released	20	16	✗
2.3.2 Support small, low-income, minority and newly chartered credit unions								
Award funds to 40 percent of the minority depository institutions applying for grants.	72%	40%	69%	91%	63%	40%	51%	✓
Award up to five MDI mentorship pilot program grants in 2020, subject to availability of funds.	--	--	--	--	--	5	3	✓
Increase the number of registered users of the Learning Management Service training tool by 30 percent.	--	--	--	37%	55%	+ 30%	+12.8%	✗

Discussion:

Performance Goal 2.3.1 – The Proof of Concept tool was not used by 20 groups interested in chartering a new credit union. This automated tool was used by 16 groups in 2020. The Chartering Proof of Concept tool is an automated system that will help credit union organizers better understand the chartering process and how to prepare a charter

application. It streamlines the process by allowing the NCUA's Office of Credit Union Resources and Expansion to preview the information to be included in an application.

Credit union organizers use the tool to evaluate how well they meet the requirements for starting a credit union by reviewing the four critical application elements: purpose and core values, field of membership, capital, and subscribers. They address questions specific to these critical areas and submit answers to the agency for review.

Performance Goal 2.3.2 – The NCUA did not increase the number of registered users of the Learning Management Service training tool by 30 percent. The agency believes the COVID-19 pandemic and its effects on credit union operations may have impacted the ability of credit union users to take advantage of training services in 2020, such as those offered by NCUA and the Learning Management Service training tool.

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
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 2020 on the three strategic objectives, ten performance goals and 22 indicators supporting this strategic goal. The agency met its target for 11 performance indicators; for three other indicators, results could not be determined because of revisions that the Office of Personnel Management (OPM) made to the Federal Employee Viewpoint Survey (FEVS). Targets were not met for the remaining eight performance indicators, the majority of which were negatively impacted by the agency's response to the COVID-19 pandemic. 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 builds 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	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
3.1.1 Deliver timely and relevant training and leadership development programs for all staff								
Obtain at least an 85 percent average rating in training class evaluations.	88%	88%	85%	85%	85%	85%	90%	✓
Initiate the acquisition of a new Learn Management System for NCUA employees and state examiners by December 31, 2020.	--	--	--	--	Delayed	12/31/2020	7/16/2020	✓
Provide effective leadership development programs to NCUA staff.	--	--	--	--	--	Establish baseline	Achieved	✓
3.1.2 Promote inclusive leadership that values diverse perspectives and maximizes employees' contributions								
Improve NCUA's score for the Partnership for Public Service's Support for Diversity Indicator (Employee Viewpoint Survey Questions 34, 45, and 55) by one percentage point.	68.0%	67.3%	65.7%	65.0%	69.5%	70.5%	N/A	N/A
Improve NCUA's score for OPM's Inclusion Quotient by one percentage point. The Inclusion Quotient identifies behaviors that help create an inclusive environment.	67%	67%	65%	63%	65%	66%	N/A	N/A

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
3.1.3 Apply employee feedback that measures engagement to support continuous improvement of the workplace								
Improve NCUA's Federal Employee Viewpoint Survey Employee Engagement Index by 2 percentage points.	72%	73%	69%	67%	69%	Greater than or Equal to 71%	76%	✓
Obtain at least an 89 percent (3.56 out of 4) average satisfaction rating in new employee surveys.	--	87%	82%	89%	86%	Greater than or Equal to 89%	92.5%	✓

Discussion:

Performance Goal 3.1.2 – The NCUA was unable to evaluate its scores for the Partnership for Public Service Diversity Indicator or OPM's Inclusion Quotient. The FEVS was revised in 2020 and did not include all of the questions necessary to measure progress on these indicators. Results for 2020 are not available.

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 (OCIO) 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 (OBI) partners with the OCIO to implement future-facing technology solutions for the NCUA workforce and the agency's business processes. An integral part of OBI'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 (OCSM) 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. OCSM 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	2015	2016	2017	2018	2019	2020 Target	2020 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%	75% of all offices	88.9%	✓
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%	✓
Obtain 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".	76%	82%	76%	76%	86%	Greater than or Equal to 75%	N/A	N/A

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
3.2.3 Implement secure, reliable and innovative technology solutions – Agency Priority Goal								
Conduct examinations and supervision contacts for all credit unions using the Modern Examination and Risk Identification Tool (MERIT), commencing December 1, 2020.	--	--	--	--	MERIT Released to ONES/ Select States	Examinations conducted using MERIT by 12/1/2020	Delayed	✗
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%	≥ 70%	58%	✗
Enhance project and acquisition management practices by ensuring 70% of OCIO staff are certified as Level II Contracting Officer Representatives (COR) and 30% are Certified as Level III CORs by year-end.	--	--	--	67% COR I certified / 48% COR II certified	93% COR I certified, 60% COR II certified	70%/30%	59%/41%	✗
Complete the selection of a Data Management Maturity Assessment model and develop a model implementation plan by December 31, 2020.			--	--	--	Achieve by 12/31/2020	Achieved	✓
Improve the NCUA's annual National Archives and Records Administration Records Management Self-Assessment score by 5 points in 2020.			--	--	--	+ 5 points	Achieved (+11 pts from previous score)	✓

Discussion.

Performance Goal 3.2.2 – The NCUA could not determine the result for Federal Employee Viewpoint Survey Question 36. The FEVS was revised in 2020. Question 36 was removed and therefore a result was not reported. However, question 15 asks if employees are protected from health and safety hazards. NCUA scored 89 percent on question 15.

Performance Goal 3.2.3 – The NCUA did not commence conducting examinations and supervision contacts for all credit unions using the Modern Examination and Risk Identification Tool (MERIT) by December 1, 2020. Due to the COVID-19 pandemic, MERIT deployment and training to most agency staff and state regulators was postponed. As a result, examination and supervision contacts were not conducted in MERIT starting December 1, 2020. The NCUA's ONES and select state regulators had already started using MERIT before the start of the COVID-19 pandemic and received an updated release in July 2020. The MERIT pilot was also expanded to some regional staff and credit unions during 2020, and information gathered from the pilot has been used to improve the MERIT system in anticipation of nationwide deployment. The NCUA expects to fully deploy MERIT in 2021 as discussed in the 2021 Annual Performance Plan.

Performance Goal 3.2.4 – The NCUA did not achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent in 2020. The overall first contact resolution rate was adversely affected during 2020 due to the Service Desk Tier 1 team not being fully staffed until August 2020, the implementation of multiple planned and unplanned IT systems and services in support of agency operations during a fully remote work posture, and a significant number of calls that required higher-tier resources to resolve.

Performance Goal 3.2.4 – The NCUA did not meet its target of enhancing project and acquisition management practices by reaching certain Level II and Level III Contracting Officer Representative (COR) thresholds in 2020. While the OCIO was able to achieve its COR Level III goal, the Level II certifications of several staff members lapsed during the second half of the year bringing the percentage of staff with Level II certifications below the targeted threshold. The COVID-19 pandemic resulted in the NCUA adopting a nearly-fully-remote work posture for its employees, which created an additional workload for many staff within the OCIO, and which resulted in fewer training opportunities for impacted employees. Staff with lapsed certifications will take the required courses to regain their certifications in 2021.

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	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
3.3.1 Foster an effective risk management and internal control environment								
Develop initial risk response plans for 75 percent of the NCUA's tier 1 enterprise risks.	--	ERM Program Established	--	25%	50%	75%	50%	✗
Complete at least 90 percent of OIG and GAO recommendations due in 2020 within the established timeframes.	--	--	--	76%	83%	90%	72%	✗
Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment.				Baseline Established	3.93	Weighted average score of 4 out of 5	3.77	✗
3.3.2 Align NCUA's resources to focus on executing and supporting the core mission								
Improve quality of services provided to internal NCUA stakeholders.	--	--	--	--	--	Establish survey and baseline	Not Achieved	✗
Continue maturation of the NCUA Enterprise Risk Management (ERM) program; reassess the agency's risk inventory and prioritization of enterprise risks.	--	--	--	--	--	Achieve	Not Achieved	✗

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
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	✓
Award at least 70 percent of total eligible contract dollars as competitive actions.	--	--	--	79%	91%	70%	88%	✓

Discussion:

Performance Goals 3.3.1 and 3.3.2 – The NCUA did not develop initial risk response plans for 75 percent of the NCUA's tier 1 enterprise risks nor did it mature its ERM program in 2020. The NCUA did not progress its risk response plans for tier 1 enterprise risks in 2020 or reassess and reprioritize the agency's risk inventory. As part of the agency's response to the COVID-19 pandemic, the NCUA's senior managers prioritized operational reforms and analytical work, delaying efforts and progress on the ERM program in 2020. The NCUA aims to mature its ERM program in 2021 by reassessing its inventory of enterprise risks and conducting additional risk reviews.

Performance Goal 3.3.1 - The agency did not complete at least 90 percent of corrective actions on OIG and Government Accountability Office (GAO) audit recommendations due in 2020 within established timeframes. The agency strives to implement the recommendations resulting from OIG and GAO audits within the established timeframes and made great progress toward this goal. The agency completed 72 percent of audit recommendations in 2020, compared to 83 percent of recommendations in 2019. The agency is committed to continuous improvement, leading to self-identification of additional actions the agency can take to further address the audit recommendations. Recommendations remain open until all actions are completed to the satisfaction of the OIG and GAO.

Performance Goal 3.3.1 – In 2020, 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 are used to measure this indicator. The weighted average of 3.77 in 2020 was slightly lower than the 2019 result of 3.93.

Performance Goal 3.3.2 – The NCUA did not establish a survey and baseline results in order to track the quality of services provided to internal NCUA stakeholders. Due to higher-priority workload that resulted from the agency's response to COVID-19, the agency did not develop a survey about the services provided to its internal stakeholders. In 2020, the NCUA discussed internally the quality of services provided by various offices to the NCUA workforce and stakeholders through management meetings, employee engagement webinars, and other feedback sessions. During this initial collection process, the agency determined a formal survey mechanism for such feedback was not necessary, and the agency expects to continue to use its existing feedback mechanisms to improve its internal support services. In 2021, the agency will focus on developing a mechanism that solicits feedback from credit union stakeholders about their experiences with agency interactions and processes.

Validation and Verification of Performance Data

The agency's 2020 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, National Examination and Supervision, the Chief Economist, and our regional offices review the data. These offices, with support provided by OCIO, 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 2020, 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 2020 financial statements for 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.

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 third Certificate of Excellence in Accountability Reporting for our 2019 Annual 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 disruption from the COVID-19 global pandemic significantly impacted all of us. Like many other organizations, the NCUA workforce transitioned to mandatory offsite work in March 2020. Despite the operational challenges brought about by the pandemic, the NCUA made important strategic progress in 2020. We evaluated the impact of the COVID-19 pandemic on planned outcomes, adjusted strategies to align with the public health emergency

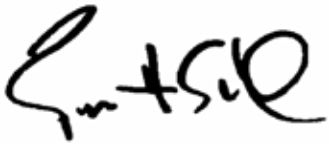
backdrop and took appropriate steps to implement them. Any impact to specific indicators or targets is discussed in the Performance Results section of this report.

The NCUA continued to facilitate transparency and public input into its annual budgeting processes. On December 18, 2020, 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 is the only financial institutions regulator that publishes such a detailed draft budget and solicits public comments at a meeting with its Board or other agency leadership.

Looking forward, we are committed to sustaining progress in financial management and reporting, strengthening internal controls, modernizing business processes, and improving data quality. 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.

I appreciate the NCUA professionals who showed resilience, agility and dedication while learning new ways to plan, execute, and account for the agency's resources in these challenging times. Their unwavering commitment to ensuring sound financial management provides the foundation for our strong stewardship and ensures that reliable financial information is delivered to our stakeholders.

Sincerely,



Eugene H. Schied
Chief Financial Officer
February 16, 2021

Message from the Office of Inspector General

National Credit Union Administration

Office of Inspector General

February 16, 2021

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 ending December 31, 2020 and 2019. 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, 2020. 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 2020 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.

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 16, 2021, 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.

The Inspector General's Statement on the NCUA's Management and Performance Challenges

The Inspector General is required by law[3] to provide a summary statement on management and performance challenges facing the agency. Below is a brief overview of the NCUA's organizational structure, its mission, and vision, as well as what I believe are the key challenges to agency management in the coming year.

Organizational Structure

Created by Congress, the NCUA is an independent federal agency with the unique role of insuring deposits at all federal and most state-chartered credit unions, protecting the members who own credit unions, and regulating federally chartered credit unions. A three member politically appointed Board oversees the NCUA's operations by setting policy, approving budgets, and adopting rules. As of December 31, 2020, over 124 million members have $1.5 trillion in insured deposits at approximately 5,110 federally insured credit unions. These credit unions have approximately $1.9 trillion in assets.

Agency Mission and Vision

Throughout 2021, the NCUA will implement initiatives to continue meeting its mission to "provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit," and its vision to ensure that the "NCUA will protect consumer rights and member deposits."

3 Reports Consolidation Act of 2000 (Pub. L. No.106-531).

Agency Challenges

In deciding whether to identify an issue as a challenge, we consider its significance in relation to the NCUA's mission; its susceptibility to fraud, waste, and abuse; and the NCUA's progress in addressing the challenge. We compiled the attached statement on the basis of our past and ongoing audit, evaluation, investigation, and review work; our knowledge of the NCUA's programs and operations; and information from the U.S. Government Accountability Office and NCUA management and staff.

We also consider the economic environment as a key determinant of credit union performance and for the last several years, the economy has supported solid performance of the credit union system. However, the NCUA will continue to face several risks that threaten the safety and soundness of the system and the Share Insurance Fund, as well as a number of complex challenges that could potentially impact its operations in the future. As a result, the NCUA must remain diligent in its supervisory efforts.

For calendar year 2021, we have again identified the following as areas where the NCUA faces management and performance challenges to varying degrees: cyber threats, technology driven changes to the financial landscape, interest rate risk, and membership trends. However, we believe the economy and credit unions' recovery from the COVID-19 pandemic will be the NCUA's greatest management challenge going forward in 2021 and possibly beyond.

Economic Outlook – After several years of solid growth, the economy entered a recession at the start of 2020.The COVID-19 pandemic and efforts to slow the spread of the virus led to a dramatic pull-back in spending and the economy contracted sharply with employment plunging by 22 million and the unemployment rate surging from a five-decade low of 3.5 percent to a post-war high of 14.7 percent. In reaction to the recession, the Federal Reserve cut short-term interest rates, increased asset holdings, and established a number of lending programs to support financial conditions and the flow of credit to households, businesses, and state and local governments.

Interest rates fell to historically low levels and are forecast to remain low. Analysts expect other short-term interest rates, which largely determine the interest payments credit unions make, to remain near their current low levels through 2021, moving modestly higher in 2022. Longer-term rates, which largely determine the interest payments credit unions receive, are expected to edge higher as economic conditions improve. Even if the economy continues to recover as expected, the operating environment for credit unions over the next two years could prove to be more difficult than in prior years, and credit union performance could deteriorate. Credit unions should plan for a range of economic outcomes that could affect their performance and resource needs.

Cyber Threats — I have noted this same challenge over the past several years, that is, credit unions' increasing use of technology exposes the credit union system to increasing cyber-attacks. Specifically, malware, ransom ware, distributed denial of service (DDOS) attacks, and other forms of cyber intrusion affect credit unions of all sizes and will continue to require on going measures for containment. These threats continue to pose significant dangers to the stability and soundness of the credit union industry and are expected to only increase in frequency and severity. Cybersecurity, therefore, remains a pressing concern for all financial institutions,including credit unions. As I noted over these last several years, with credit unions and others mall financial institutions increasingly targeted, credit unions must continue to harden, monitor, and enhance the security of their systems.

For 2021, I am encouraged that the NCUA continues to update its supervisory priorities, which continues to include cybersecurity where the NCUA plans to advance consistency, transparency, and accountability within the cybersecurity examination program. The NCUA is piloting InTREx-CU, which 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. InTREx-CU will be deployed to identify gaps in security safeguards, allowing examiners and credit unions to identify and remedy potential high-risk areas through the identification of critical information security program deficiencies.

Technology-driven Changes — Last year I spoke of emerging financial products that mimic deposit and loan accounts such as mobile payment systems, pre-paid shopping cards, and peer-to-peer lending that pose a competitive challenge to credit unions as does the increasing importance of digital currencies. In addition to these products, credit unions will also face challenges from financial technology (Fintech) companies in underwriting and lending. Fintech companies may be able to automate these services at a cost below levels associated with more traditional financial institutions but may not be subject to the same regulations and safe guards that credit unions and other traditional financial institutions face. As these companies and products gain popularity, credit unions may have to be more active in marketing their products and services and rethink their business models.

Interest Rate Risk — Even if the economy continues to recover as expected, the operating environment for credit unions over the next two years could prove to be more difficult than in prior years, and credit union performance could deteriorate. Credit unions should plan for a range of economic outcomes that could affect their performance and resource needs.

As I noted in prior years, the NCUA and credit unions will need to focus on managing and mitigating interest rate risk. On the liability side, deposit rates have fallen since the start of 2020 and will likely remain low. 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. A prolonged period of low interest rates also poses risks on the asset side. Credit unions that rely primarily on investment income may find their net income remaining low or falling. In addition, as I noted a year ago, credit unions could resume their "reach for yield" by adding longer-term and higher-risk assets to their portfolio.

Not only will credit union managers need to take appropriate actions to ensure their balance sheets remain stable in a variety of interest rate environments, but the NCUA must also continue to help credit unions plan and prepare for a range of economic outcomes that can affect their performance.

Membership Trends— As I have noted over the last several years, the NCUA and credit unions face the challenge of an aging demographic, and unfortunately, these same membership concerns continue. Although overall credit union membership continues to grow strongly, close to half of federally insured credit unions had fewer members at the end of the third quarter of 2020 than a year earlier. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile and I am encouraged that the NCUA continues to seek to promote financial inclusion to better serve a changing population and economy. The Office of Credit Union Resources and Expansion continues to provide an array of technical assistance to credit unions, including chartering and field-of-membership expansions, grants and loans training, and the preservation program for minority credit unions. In 2021, the NCUA plans to 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.

Respectfully,

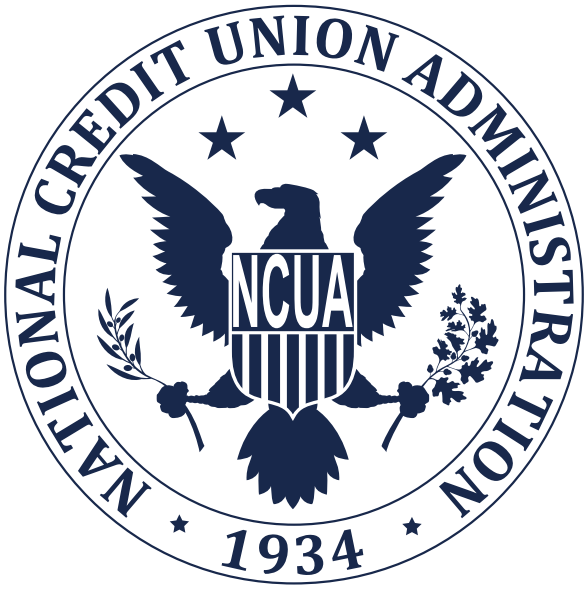
James W. Hagen
Inspector General

cc: Executive Director Larry Fazio
Deputy Executive Director (Audit Follow-up Official) Rendell Jones
General Counsel Frank Kressman
OEAC Acting Director and Special Assistant to the ED Joy Lee
Chief Financial Officer Eugene Schied
Chief Information Officer Rob Foster
CURE Director Martha Ninichuk
Regional Director and AMAC President Keith Morton
E&I Director Myra Toeppe
E&I, Division of Capital and Credit Markets, Associate Director J. Owen Cole, Jr.

Financials

National Credit Union Share Insurance Fund

Financial Statements as of and for the Years Ended December 31, 2020 and 2019, 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, 2020, the NCUSIF insures $1.5 trillion in member shares in approximately 5,110 credit unions.

Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operations. 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).

1 The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2020. 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.

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 2020 and 2019, the following additional measures should be considered:

2020 and 2019 Performance Measures		
	December 31, 2020	December 31, 2019
Equity Ratio	1.26%	1.35%
Insured Shares	$1.5 trillion	$1.2 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	1	2
Assets in CAMEL[2] 3, 4 and 5 rated Credit Unions	$50.3 billion	$52.5 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 17, 2020, the Board set the NOL at 1.38%, equal to 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, 2020, the equity ratio was 1.26%, which is below the NOL. Previously, the equity ratio was 1.35% as of December 31, 2019, 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 2020, there was one credit union failure compared to two failures in 2019. The cost of this failure in 2020, or the estimated cost of resolution at the time of liquidation, for the current year is $1.6 million compared to $40.3 million for failures that occurred in 2019.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2020, there were two 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 aggregate net worth ratio decreased during 2020 ending at 10.3% versus 11.4% at December 31, 2019. Assets in CAMEL 3, 4 and 5 rated credit unions decreased slightly to $50.3 billion at the end of 2020 versus $52.5 billion at the end of 2019.

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 2020 with an increase in Total Assets and Net Position. Net Cost of Operations increased to $239.1 million, primarily as a result of an increase in the Reserve Expense within the Provision for Insurance Losses, partially offset by a decrease in Operating Expenses. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	2020	2019	Increase / (Decrease) $	%
Net Position				
Assets:				
Investments, Net	18,276,711	16,019,816	2,256,895	14.1%
Receivables from Asset Management Estates (AMEs), Net	761,816	610,227	151,589	24.8%
Other	90,417	91,514	(1,097)	-1.2%
Total Assets	**$19,128,944**	**$16,721,557**	**$2,407,387**	**14.4%**
Total Liabilities	**$186,103**	**$121,596**	**$64,507**	**53.1%**
Net Position (Assets minus Liabilities)	**$18,942,841**	**$16,599,961**	**$2,342,880**	**14.1%**
Net Cost				
Gross Costs:				
Operating Expenses	181,037	191,077	(10,040)	-5.3%
Provision for Insurance Losses	68,688	(40,595)	109,283	269.2%
Other Losses	63	87	(24)	-27.6%
Total Gross Costs	**$249,788**	**$150,569**	**$99,219**	**65.9%**
Exchange Revenue	**$10,648**	**$13,768**	**($3,120)**	**-22.7%**
Total Net Cost of Operations	**$239,140**	**$136,801**	**$102,339**	**74.8%**
Cumulative Results of Operations				
Beginning Balance	**$4,632,574**	**$4,394,392**	**$238,182**	**5.4%**
Financing Sources:				
Interest Revenue - Investments	272,005	306,467	(34,462)	-11.2%
Distribution to Credit Unions	-	(160,099)	160,099	100.0%
Net Unrealized Gain - Investments	466,728	228,615	238,113	104.2%
Total Financing Sources	**$738,733**	**$374,983**	**$363,750**	**97.0%**
Net Cost of Operations	**$239,140**	**$136,801**	**$102,339**	**74.8%**
Cumulative Results of Operations	**$5,132,167**	**$4,632,574**	**$499,593**	**10.8%**
Contributed Capital	**$13,810,674**	**$11,967,387**	**$1,843,287**	**15.4%**
Net Position	**$18,942,841**	**$16,599,961**	**$2,342,880**	**14.1%**

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 outstanding principal balance of the NGNs was $431.3 million and $3.2 billion as of December 31, 2020 and 2019, respectively. This amount represents the maximum potential future guarantee payments that the NCUA could be required to make. The losses from the guarantees of the NGNs are expected to be significantly less than the above maximum potential exposure. 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.

As of December 31, 2020 and 2019, the NCUA Board, as liquidating agent of the Corporate AMEs, held approximately $3.5 billion and $0.9 billion in post-securitized assets, respectively. Generally, post-securitized assets are the Legacy Assets that are no longer secured by the NGNs. The table below represents the composition of Legacy Assets collateralizing the remaining two NGNs with an aggregate unpaid principal balance of $844.5 million and recovery value of approximately $422.9 million as of December 31, 2020. There were nine NGNs with an aggregate unpaid principal balance of $5.4 billion and recovery value of approximately $4.3 billion as of December 31, 2019.

Composition of Legacy Assets Collateralizing the NGN Trusts

		Based on Recovery Value				Based on Unpaid Principal Balance			
Asset Type and Credit Rating[1]		December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
RMBS	AAA	72%	2%	87%	0%	55%	1%	85%	0%
	AA		2%		2%		1%		2%
	A		3%		3%		2%		2%
	BBB		3%		3%		2%		3%
	Below Investment Grade		75%		85%		83%		87%
	NA		15%		7%		11%		6%
CMBS	AAA	14%	0%	2%	0%	7%	0%	1%	0%
	AA		0%		0%		0%		0%
	A		3%		3%		3%		3%
	BBB		9%		0%		9%		0%
	Below Investment Grade		88%		97%		88%		97%
	NA		0%		0%		0%		0%
ABS[2]	AAA	9%	0%	5%	64%	31%	0%	8%	31%
	AA		0%		0%		0%		0%
	A		0%		0%		0%		0%
	BBB		62%		13%		10%		7%
	Below Investment Grade		25%		22%		71%		52%
	NA		13%		1%		19%		10%
Agency		2%	100%	4%	100%	1%	100%	4%	100%
Corporate	AAA	3%	0%	2%	0%	6%	0%	2%	0%
	AA		0%		0%		0%		0%
	A		0%		0%		0%		0%
	BBB		0%		0%		0%		0%
	Below Investment Grade		0%		0%		0%		0%
	NA		100%		100%		100%		100%

Percentages may not total 100% due to rounding.

[1] The rating is based on the lowest published rating by S&P, Moody's, or Fitch.

[2] The collateral underlying the ABS included in the table above is primarily student loans.

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 investments, which are available to meet urgent liquidity needs of the NCUSIF.

2020 and 2019 Fund Balance with Treasury and Investments		
	December 31, 2020	December 31, 2019
Fund Balance with Treasury	$ 4.8 million	$ 7.9 million
U.S. Treasury Securities		
Overnight	1,336.0 million	516.3 million
Available-for-Sale	16,940.7 million	15,503.5 million

During 2020, the NCUSIF's Investments increased primarily due to capital contributions of $1.8 billion from credit unions.

The NCUSIF has multiple funding sources to 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 the NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with the 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), and the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), 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
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 Financial Statements

We have audited the accompanying financial statements of the National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2020 and 2019, 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.

KPMG

Other Matters

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, although not a part of the basic financial statements, is required by 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2020, we considered the NCUSIF's internal control over financial reporting (internal control) to determine the 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 Manager's 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements 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 determination of financial statement amounts. 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. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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, the communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 16, 2021

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 4,782	$ 7,947
Investments, Net - U.S. Treasury Securities (Note 3)	18,276,711	16,019,816
Accrued Interest Receivable - Investments (Note 3)	84,484	76,631
Note Receivable - Note due from the NCUA Operating Fund (Note 5)	-	5,028
Total Intragovernmental Assets	18,365,977	16,109,422
PUBLIC		
Accounts Receivable - Guarantee Fee on NGNs, Net (Note 4)	79	775
General Property, Plant and Equipment, Net (Note 6)	54	113
Advances and Prepayments	1,018	1,020
Receivables from Asset Management Estates (AMEs), Net (Note 7)	761,816	610,227
Total Public Assets	762,967	612,135
TOTAL ASSETS	$ 19,128,944	$ 16,721,557
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 10)	$ 3,262	$ 2,308
Total Intragovernmental Liabilities	3,262	2,308
PUBLIC		
Accounts Payable	4,353	463
Insurance and Guarantee Program Liabilities (Note 8)	177,300	116,978
Other Liabilities (Note 9)	1,188	1,847
Total Public Liabilities	182,841	119,288
TOTAL LIABILITIES	186,103	121,596
Commitments and Contingencies (Note 8)		
NET POSITION		
Contributed Capital (Note 13)	13,810,674	11,967,387
Cumulative Results of Operations	5,132,167	4,632,574
Total Net Position	18,942,841	16,599,961
TOTAL LIABILITIES AND NET POSITION	$ 19,128,944	$ 16,721,557

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, 2020 and 2019
(Dollars in thousands)

	2020	2019
GROSS COSTS		
Operating Expenses	$ 181,037	$ 191,077
Provision for Insurance Losses		
Reserve Expense (Note 8)	50,097	38,835
AME Receivable Bad Debt Expense (Reduction) (Note 7)	18,591	(79,430)
Total Provision for Insurance Losses	68,688	(40,595)
Other Losses	63	87
Total Gross Costs	249,788	150,569
LESS EXCHANGE REVENUES		
Interest Revenue on Note Receivable from the NCUA Operating Fund (Note 5)	(71)	(112)
Guarantee Fee Revenue - NGNs	(7,917)	(13,167)
Other Revenue	(2,660)	(489)
Total Exchange Revenues	(10,648)	(13,768)
TOTAL NET COST OF OPERATIONS	$ 239,140	$ 136,801

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, 2020 and 2019
(Dollars in thousands)

	2020	2019
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 4,632,574	$ 4,394,392
BUDGETARY FINANCING SOURCES		
Non-Exchange Revenue		
Interest Revenue - Investments	272,005	306,467
Distribution to Credit Unions	-	(160,099)
Total Budgetary Financing Sources	272,005	146,368
OTHER FINANCING SOURCES		
Non-Exchange Revenue		
Net Unrealized Gain - Investments (Note 3)	466,728	228,615
Total Financing Sources	738,733	374,983
Net Cost of Operations	(239,140)	(136,801)
Net Change	499,593	238,182
CUMULATIVE RESULTS OF OPERATIONS	5,132,167	4,632,574
CONTRIBUTED CAPITAL (Note 13)		
Beginning Balances	11,967,387	11,327,234
Change in Contributed Capital	1,843,287	640,153
CONTRIBUTED CAPITAL	13,810,674	11,967,387
NET POSITION	$ 18,942,841	$ 16,599,961

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, 2020 and 2019
(Dollars in thousands)

	2020	2019
BUDGETARY RESOURCES (Notes 11, 12 and 15)		
Unobligated balance from prior year budget authority, net	$ 15,874,237	$ 15,186,319
Spending authority from offsetting collections (mandatory)	3,412,495	1,272,155
TOTAL BUDGETARY RESOURCES	$ 19,286,732	$ 16,458,474
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 1,981,161	$ 584,237
Unobligated balance, end of year:		
Exempt from apportionment	17,305,571	15,874,237
Total unobligated balance, end of year	17,305,571	15,874,237
TOTAL BUDGETARY RESOURCES	$ 19,286,732	$ 16,458,474
OUTLAYS, NET		
Outlays, net (discretionary and mandatory)	$ (1,443,704)	$ (672,771)
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	$ (1,443,704)	$ (672,771)

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, 2020 and 2019

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 27, 2020.

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.

In its accounting structure, the NCUSIF records both proprietary and budgetary accounting transactions. Following 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 proprietary and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays in Note 15. 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 proprietary 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. Public accounts receivable 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 2020 and 2019.

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 11. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 13. The remaining information required to be disclosed is discussed further in Note 8.

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 8.

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 14.

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. The NCUA lists credit unions currently under conservatorship on its website.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 17,305,571	$ 15,874,406
Obligated Balances Not Yet Disbursed	26,012	5,621
Non-Budgetary Investment Accounts	(17,242,317)	(15,795,449)
Non-Budgetary FBWT Accounts	(84,484)	(76,631)
Total	$ 4,782	$ 7,947

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, 2020 and 2019, 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, 2020 and 2019, 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, 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
As of December 31, 2019:						
U.S. Treasury Securities						
Available-for-Sale	$ 15,557,172	$ (97,974)	$ 76,631	$ 15,350,000	$ 44,349	$ 15,503,547
Held to Maturity	516,269	-	-	516,269	-	516,269
Total	$ 16,073,441	$ (97,974)	$ 76,631	$ 15,866,269	$ 44,349	$ 16,019,816

Maturities of U.S. Treasury securities as of December 31, 2020 and 2019 were as follows (in thousands):

	2020 Fair Value	2019 Fair Value
Held to Maturity (Overnights)	$ 1,336,040	$ 516,269
Available-for-Sale:		
Due in one year or less	1,870,156	4,511,563
Due after one year through five years	9,952,398	7,372,156
Due after five years through ten years	5,118,117	3,619,828
Total	$ 18,276,711	$ 16,019,816

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019 (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, 2020:						
Available-for-Sale:						
U.S. Treasury Securities	$ (7,555)	$ 1,804,837	$ -	$ -	$ (7,555)	$ 1,804,837
As of December 31, 2019:						
Available-for-Sale:						
U.S. Treasury Securities	$ (32,629)	$ 4,093,188	$ (3,094)	$ 1,609,594	$ (35,723)	$ 5,702,782

4. ACCOUNTS RECEIVABLE

Public – Accounts Receivable

Accounts Receivable Due from Insured Credit Unions
As of December 31, 2020 and 2019, no accounts receivable were due from insured credit unions.

NGN Guarantee Fee Receivable
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, 2020 and 2019, the NGN guarantee fee receivable was $78.8 thousand and $0.8 million, respectively.

The allowance for doubtful accounts on public accounts receivable as of December 31, 2020 and 2019 was $0.

5. NOTE RECEIVABLE

Intragovernmental – Note Receivable

Note Due from the NCUA Operating Fund
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. The note receivable balance as of December 31, 2020 and 2019 was $0 and $5.0 million, respectively. Interest income recognized was approximately $71.3 thousand and $112.4 thousand for the years ended December 31, 2020 and 2019, respectively. The variable rate on the note was equal to the NCUSIF's prior-month yield on investments. The average interest rate during 2020 and 2019 was 1.59% and 1.98%, respectively.

6. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of General Property, Plant and Equipment, Net as of December 31, 2020 and 2019 were as follows (in thousands):

	Cost	Accumulated Depreciation	Net Book Value
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
As of December 31, 2019:			
Assets under Capital Lease	$ 176	$ (63)	$ 113
Internal-Use Software	2,017	(2,017)	-
Total General Property, Plant and Equipment, Net	$ 2,193	$ (2,080)	$ 113

7. 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, 2020 and 2019 were as follows (in thousands):

	2020			2019		
	NPCU AMEs	Corporate AMEs	Total	NPCU AMEs	Corporate AMEs	Total
Gross Receivable from AMEs	$ 1,399,721	$ 3,329,220	$ 4,728,941	$ 1,800,089	$ 2,804,049	$ 4,604,138
Allowance for Loss, beginning balance	1,457,205	2,536,706	3,993,911	1,459,868	2,606,305	4,066,173
AME Receivable Bad Debt Expense (Reduction)	(18,165)	36,756	18,591	(9,831)	(69,599)	(79,430)
Increase/(Decrease) in Allowance	(10,225)	-	(10,225)	40,048	-	40,048
Write-off of Canceled Charters	(35,152)	-	(35,152)	(32,880)	-	(32,880)
Allowance for Loss, ending balance	1,393,663	2,573,462	3,967,125	1,457,205	2,536,706	3,993,911
Receivable from AMEs, Net	$ 6,058	$ 755,758	$ 761,816	$ 342,884	$ 267,343	$ 610,227

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 expectations and assumptions about the recovery value of the Corporate AMEs' assets, as further discussed in Note 14.

8. OTHER LIABILITIES – 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: **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, and **L**iquidity/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 $177.3 million and $117.0 million as of December 31, 2020 and 2019, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	2020	2019
Beginning balance	$ 116,978	$ 119,053
Reserve expenses (reduction)	50,097	38,835
Payments to settle claims	(25,173)	(51,418)
Recoveries and other adjustments	35,398	10,508
Ending balance	$ 177,300	$ 116,978

The Insurance and Guarantee Program Liabilities at December 31, 2020 and 2019 were comprised of the following:

- Specific reserves were $18.1 million and $6.4 million, respectively.
- General reserves were $159.2 million and $110.6 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 2020 or as of December 31, 2020. There were no guarantees outstanding during 2019 or as of December 31, 2019.

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, 2020 and 2019 were approximately $4.2 million and $3.5 million, respectively. The insured credit unions borrowed $0 and $1.3 million from the third-party lender under these lines-of-credit guarantees as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the NCUSIF reserved $77.6 thousand and $75.5 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, 2020 and 2019.

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, administers 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. These notes were issued as a series of floating and fixed-rate NGNs and have final maturities ranging from 2016 to 2021. As payments are made on the collateral underlying the Legacy Assets, the NGN Trusts are required to distribute the cash flows received in the following order: guarantee fees, guarantee payments of principal and interest, guarantor reimbursements and residuals (recovery values).

The NCUA receives a guarantee fee payment from the NGN Trusts on each NGN payment date equal to 35 basis points of the outstanding NGN balance prior to the distribution of principal on the payment date. In exchange for this fee, the NCUSIF ensures the timely payment of principal and interest due to NGN investors and guarantees parity payments if there are differences between the expected and actual unpaid principal balance on the monthly payment date.

Guarantor reimbursements from the NGN Trusts to the NCUA will not occur until the applicable NGNs have been repaid in full. Once the NGNs are repaid in full, any cash flows received on the Legacy Assets underlying the NGN Trusts are directed toward reimbursement until the NCUA is reimbursed in full. The NCUA earns interest on any guarantee payments not yet reimbursed by the NGN Trusts at a rate equal to the interest rate on the associated NGNs.

As of December 31, 2020, the outstanding principal balance of the NGNs was $431.3 million. This amount represents the maximum potential, but not the expected, future guarantee payments that the NCUA could be required to make. The gross estimated guarantee payments of $124.4 million were offset by contractual guarantor reimbursements and earned interest of $122.4 million and receivables from the Corporate AMEs based on the value of their economic residual interests in the NGN Trusts of up to $260.5 million.

At December 31, 2019, the outstanding principal balance of the NGNs was $3.2 billion. The gross estimated guarantee payments of $2.4 billion were offset by contractual guarantor reimbursements and earned interest of $2.4 billion and receivables from the Corporate AMEs based on the value of their economic residual interests in the NGN Trusts of up to $1.6 billion.

There were no probable losses for the guarantee of NGNs associated with the re-securitization transactions as of December 31, 2020 and 2019.

The NCUA uses a model to estimate the guarantee liability associated with the NGN Program. The guarantee liability is comprised of NCUA's estimated guarantee payments, guarantor reimbursements, and the recovery values, if any, of the Corporate AMEs' economic residual interests in the NGN Trusts are derived using a model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the governing documents of each NGN Trust. The estimated cash flows incorporated the NCUA's assumptions about discount rates. The NCUSIF recorded no liabilities on its Balance Sheet for NGNs as of December 31, 2020 and 2019.

The model produced estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA's expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgages and other assets. Assumptions about prepayments, defaults and loss severity were developed based on the characteristics and historical

performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rate and housing prices, among other factors.

The model used to derive the expected losses from the guarantee of the NGNs is sensitive to assumptions made about Legacy Asset performance. Key assumptions in the modeling include borrower status, prepayments, default, loss severity, discount rates, forward interest rate curves, house price appreciation forecasts, legal and regulatory changes, property locations, and unemployment expectations. Management evaluates these inputs and variables regularly to determine the reasonableness of the assumptions over time.

9. 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, 2020 and 2019 was $60.0 thousand and $118.8 thousand, respectively.

The future minimum lease payments to be paid over the remaining life as of December 31, 2020 are as follows (in thousands):

Years Ending December 31	Minimum Lease Payments
2021	61
Total Future Lease Payments	$ 61
Less: Imputed Interest	(1)
Net Capital Lease Liability	$ 60

The capital lease liability is covered by budgetary resources. The remaining balance in Other Liabilities includes payroll and other accrued liabilities, totaling $1.1 million and $1.7 million at December 31, 2020 and 2019, respectively.

10. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Program costs and revenues are separated between Intragovernmental and Public to facilitate government-wide financial reporting. Intragovernmental revenue and costs arise from transactions with other federal entities. Public revenue and costs arise from transactions with persons and organizations outside of the federal government. Intragovernmental costs and exchange revenue as of December 31, 2020 and 2019 were as follows (in thousands):

Intragovernmental Costs and Exchange Revenue	2020	2019
Intragovernmental Costs	$ 183,629	$ 182,894
Public Costs/(Cost Reduction)	66,159	(32,325)
Total	249,788	150,569
Intragovernmental Exchange Revenue	(71)	(112)
Public Exchange Revenue	(10,577)	(13,656)
Total	(10,648)	(13,768)
Net Cost	$ 239,140	$ 136,801

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 2020 and 2019, the allocation to the NCUSIF was 61.3% and 60.5% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled approximately $183.6 million and $182.9 million for the years ended December 31, 2020 and 2019, respectively, is reflected as an expense in the Statements of Net Cost and above in Intragovernmental Costs. 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	2020	2019
Employee Salaries	$ 101,308	$ 93,211
Employee Benefits	39,703	36,715
Employee Travel	2,968	13,946
Rent, Communications, and Utilities	3,336	3,962
Contracted Services	27,718	26,356
Depreciation and Amortization	5,229	3,940
Administrative Costs	3,367	4,764
Total Services Provided by the NCUA Operating Fund	$ 183,629	$ 182,894

As of December 31, 2020 and 2019, amounts due to the NCUA Operating Fund for allocated expenses were $3.3 million and $2.3 million, respectively.

11. 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, 2020 and 2019, 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.

As of December 31, 2020 and 2019, the CLF had statutory borrowing authority of $33.0 billion and $7.3 billion, respectively. As of December 31, 2020 and 2019, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $25.0 billion and $2.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2021. The NCUSIF did not exercise its borrowing authority in 2020 or 2019.

12. 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, 2020 and 2019. 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, 2020 and 2019, the NCUSIF's resources in budgetary accounts were $19.3 billion and $16.5 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 $17.3 million and $1.3 million in unpaid undelivered orders, and $1.0 million and $1.0 million in paid undelivered orders, as of December 31, 2020 and 2019, respectively. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2020 and 2019 are as follows (in thousands):

	2020		2019	
Undelivered Orders	Paid	Unpaid	Paid	Unpaid
Federal	$ -	$ -	$ -	$ -
Non-federal	1,018	17,342	1,020	1,271
Total Undelivered Orders	$ 1,018	$ 17,342	$ 1,020	$ 1,271

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.

13. CONTRIBUTED CAPITAL

As of December 31, 2020 and 2019, contributed capital owed to the NCUSIF totaled $0. Contributed capital due to insured credit unions was $0 as of December 31, 2020 and 2019.

On December 17, 2020, the Board set the NOL at 1.38%, which is equal to the previously set NOL level on December 12, 2019.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio is 1.26% as of December 31, 2020. This equity ratio is based on insured shares of $1.5 trillion as of December 31, 2020, and is below the normal operating level of 1.38%.

As of December 31, 2019, the NCUSIF equity ratio of 1.35% was below the normal operating level of 1.38%. Therefore, the NCUSIF did not estimate or record a distribution in 2020. Total contributed capital as of December 31, 2020 and 2019 was $13.8 billion and $12.0 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2020 and 2019 was 1.23% and 1.30%, based on total insured shares as of December 31, 2020 and 2019 of $1.5 trillion and $1.2 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.

14. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2020 and 2019 (in thousands):

Schedule of Fiduciary Activity	2020	2019
Fiduciary Net Liabilities, beginning of year	$ (1,463,387)	$ (1,467,231)
Net Realized Losses upon Liquidation	(1,614)	(40,198)
Revenues		
Interest on Loans	8,818	30,596
Other Fiduciary Revenues	91	132
Expenses		
Professional & Outside Services Expenses	(10,941)	(18,253)
Compensation and Benefits	(361)	(537)
Other Expenses	(303)	(803)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain on Loans	44,784	9,177
Net Gain/(Loss) on Real Estate Owned	1,445	(802)
Other, Net Loss	(29,347)	(8,348)
(Increase)/Decrease in Fiduciary Net Liabilities	12,572	(29,036)
Write-off of Fiduciary Liabilities for Canceled Charters	35,152	32,880
Fiduciary Net Liabilities, end of year	**$ (1,415,663)**	**$ (1,463,387)**

The NPCU AMEs' fiduciary net liabilities decreased by $47.7 million from 2019 to 2020 due to canceled charter write-offs of $35.1 million, combined with a decrease in fiduciary net liabilities of $12.6 million.

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, 2020 and 2019 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	2020	2019
Fiduciary Assets		
Loans	$ 7,620	$ 316,346
Real Estate Owned	897	2,731
Other Fiduciary Assets	(432)	48,642
Total Fiduciary Assets	8,085	367,719
Fiduciary Liabilities		
Insured Shares	223	472
Accrued Liquidation Expenses	14,807	27,314
Unsecured Claims	7,403	1,563
Uninsured Shares	1,594	1,668
Due to the NCUSIF (Note 7)	1,399,721	1,800,089
Total Fiduciary Liabilities	1,423,748	1,831,106
Total Fiduciary Net Assets/(Liabilities)	**$ (1,415,663)**	**$ (1,463,387)**

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2020 and 2019, gross receivables related to criminal restitution orders were $251.9 million and $247.1 million, of which we determined $6.1 thousand and $40.6 thousand were collectible, respectively.

(b) Corporate AMEs (Legacy TCCUSF AMEs)

Following are the Schedules of Fiduciary Activity for the periods ended December 31, 2020 and 2019 (in thousands):

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

Schedule of Fiduciary Activity	For the Year Ended December 31, 2019			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2018	$ 393,271	$ -	$ -	$ 393,271
Revenues				
Interest on Loans	(966)	-	-	(966)
Income from AMEs on Re-Securitized Assets	-	(121,139)	121,139	-
Income from Investment Securities	(185,979)	-	-	(185,979)
Settlements and Legal Claims	(23,092)	-	-	(23,092)
Other Fiduciary Revenues	(12,752)	-	-	(12,752)
Expenses				
Professional and Outside Services Expenses	8,813	-	-	8,813
Interest Expense on Borrowings and NGNs	33	107,972	-	108,005
Payments to NGN Trusts	121,139	-	(121,139)	-
Guarantee Fees	-	13,167	-	13,167
Other Expenses	445	-	-	445
Net Change in Recovery Value of Assets and Liabilities	(233,291)	-	-	(233,291)
(Decrease) in Fiduciary Net Liabilities	(325,650)	-	-	(325,650)
Fiduciary Net Liabilities, December 31, 2019	$ 67,621	$ -	$ -	$ 67,621

For the year ended December 31, 2020, the Corporate AMEs' Fiduciary Net Liabilities increased by $180.3 million. This increase represents a loss to the AME claimants, of which a portion was

recognized by the NCUSIF through an increase in the AME Receivable Bad Debt Expense, as discussed in Note 7.

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, 2020 and 2019 (in thousands):

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	-	-	-	-
Receivable from AMEs	4	114,236	(114,236)	4
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 7)	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)

Schedule of Fiduciary Net Assets/Liabilities	As of December 31, 2019			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Assets				
Cash and Cash Equivalents	$ 710,759	$ 316,462	$ -	$ 1,027,221
Legacy Assets	409,165	-	-	409,165
Legacy Assets/Investments Collateralizing the NGNs	4,303,121	237,094	-	4,540,215
Loans	27	-	-	27
Receivable from AMEs	-	2,655,418	(2,655,418)	-
Total Fiduciary Assets	5,423,072	3,208,974	(2,655,418)	5,976,628
Fiduciary Liabilities				
Accrued Expenses	31,120	5,910	-	37,030
NGNs	-	3,203,064	-	3,203,064
Due to NGN Trusts	2,655,418	-	(2,655,418)	-
Unsecured Claims and Payables	106	-	-	106
Due to the NCUSIF (Note 7)	2,804,049	-	-	2,804,049
Total Fiduciary Liabilities	5,490,693	3,208,974	(2,655,418)	6,044,249
Total Fiduciary Net Assets/(Liabilities)	$ (67,621)	$ -	$ -	$ (67,621)

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, 2020 and 2019. Certain claims against the Corporate AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein.

During 2020, seven NGN Trusts matured on their legal matured dates. There were no maturities of NGN principal balances during 2019.

15. 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 2020 and 2019 is shown below (in thousands):

	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)
Dividend Distribution to Insured Credit Unions	-	-	-
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)

Reconciliation of Net Cost of Operations to Net Outlays	2019 Intra-governmental	2019 With the Public	2019 Total
Net Cost of / (Income from) Operations	$ 182,782	$ (45,981)	$ 136,801
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(38,835)	(38,835)
AME Receivable Bad Debt Expense (Reduction)	-	79,430	79,430
Depreciation Expense	-	(99)	(99)
Increase / (decrease) in assets:			
Accounts Receivable	(35)	(425)	(460)
Other Assets	-	25	25
(Increase) / decrease in liabilities:			
Accounts Payable	1,715	393	2,108
Other Liabilities	-	(723)	(723)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	1,680	39,766	41,446
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivable from AMEs	-	(126,844)	(126,844)
Interest Revenue - Investments	(292,289)	-	(292,289)
Change in Contributed Capital	-	(640,153)	(640,153)
Dividend Distribution to Insured Credit Unions	-	160,099	160,099
Other Adjustments that do not affect Net Cost of Operations	47,833	336	48,169
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(244,456)	(606,562)	(851,018)
Net Outlays	$ (59,994)	$ (612,777)	$ (672,771)

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 16, 2021, 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, 2020.

Financials

National Credit Union Administration Operating Fund

Financial Statements as of and for the Years Ended December 31, 2020 and 2019, 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 Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Operating Fund (the Fund), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statement of revenues, expenses, and changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund as of December 31, 2020 and 2019, and its revenues, expenses, changes in fund balance and cash flow for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2020, we considered the Fund's internal control over financial reporting (internal control) to determine the 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 Manager's 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements 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 determination of financial statement amounts. 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. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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, the communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 16, 2021

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
As of December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
ASSETS		
Cash and cash equivalents (Note 3)	$ 111,387	$ 94,492
Due from National Credit Union Share Insurance Fund (Note 7)	3,262	2,309
Employee advances	16	7
Other accounts receivable, Net (Note 7)	315	361
Prepaid expenses and other assets	4,034	4,014
Assets held for sale (Note 6)	-	423
Fixed assets – Net of accumulated depreciation of $38,720 and $34,651 as of December 31, 2020 and 2019, respectively (Note 4)	28,344	31,758
Intangible assets – Net of accumulated amortization of $24,059 and $20,422 as of December 31, 2020 and 2019, respectively (Note 5)	34,658	22,234
TOTAL ASSETS	$ 182,016	$ 155,598
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued other liabilities	$ 8,089	$ 9,302
Obligations under capital leases (Note 8)	89	1,193
Accrued wages and benefits	10,589	10,026
Accrued FECA and unemployment benefits	154	169
Accrued actuarial FECA benefits	4,381	4,276
Accrued annual leave	22,338	18,945
Accrued employee travel	82	708
Note payable to National Credit Union Share Insurance Fund (Note 7)	-	5,028
TOTAL LIABILITIES	45,722	49,647
COMMITMENTS AND CONTINGENCIES (Notes 7, 8, 11, 12 and 13)		
FUND BALANCE	136,294	105,951
TOTAL LIABILITIES AND FUND BALANCE	$ 182,016	$ 155,598

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, 2020 and 2019
(Dollars in thousands)

	2020	2019
REVENUES		
Operating fees	$ 145,589	$ 137,731
Interest	354	2,485
Other	517	1,008
Total Revenues	146,460	141,224
EXPENSES, NET (Notes 7 and 8)		
Employee wages and benefits	89,023	84,827
Travel	1,874	9,105
Rent, communications, and utilities	2,106	2,587
Contracted services	17,499	17,208
Depreciation and amortization	3,081	2,543
Administrative	2,534	3,067
Total Expenses, Net	116,117	119,337
EXCESS OF REVENUES OVER EXPENSES	30,343	21,887
FUND BALANCE—Beginning of year	105,951	84,064
FUND BALANCE—End of year	$ 136,294	$ 105,951

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 30,343	$ 21,887
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization (Notes 4 and 5)	8,311	6,483
Provision for (gain)/loss on disposal of assets held for sale	(11)	96
Loss on fixed and intangible asset retirements	220	30
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	(953)	1,714
Employee advances	(9)	336
Other accounts receivable, net	46	69
Prepaid expenses and other assets	(20)	(1,336)
(Decrease) increase in liabilities:		
Accounts payable	(1,213)	(972)
Accrued wages and benefits	563	(400)
Accrued FECA and unemployment benefits	(15)	(13)
Accrued actuarial FECA benefits	105	107
Accrued annual leave	3,393	166
Accrued employee travel	(626)	89
Net Cash Provided by Operating Activities	40,134	28,256
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed and intangible assets	(17,458)	(23,445)
Purchases of assets held for sale	-	(919)
Proceeds from sale of assets held for sale	434	400
Net Cash Used in Investing Activities	(17,024)	(23,964)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of note payable to National Credit Union Share Insurance Fund	(5,028)	(1,341)
Principal payments under capital lease obligations	(1,187)	(581)
Net Cash Used in Financing Activities	(6,215)	(1,922)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,895	2,370
CASH AND CASH EQUIVALENTS—Beginning of year	94,492	92,122
CASH AND CASH EQUIVALENTS—End of year	$ 111,387	$ 94,492
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Acquisition of equipment under capital lease	$ 83	$ 61
CASH PAYMENTS FOR INTEREST	$ 71	$ 112

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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 upon a fee schedule that is applied to its prior year-end assets.

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 2020 and 2019. 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 2020 and 2019 are cash equivalents and are stated at cost, which approximates fair value.

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
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

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.

Assets Held for Sale – The Fund may have real estate held for sale. These assets are ready for immediate sale in their present condition. Real estate held for sale is recorded at the fair value less cost to sell. If an asset's fair value less cost to sell, based on a review of available financial information including but not limited to appraisals, markets analyses, etc., is less than its carrying amount, the carrying value of the asset is adjusted to its fair value less cost to sell.

Gains on disposition of real estate are recognized upon sale of the underlying asset. The Fund evaluates each real estate transaction to determine if it qualifies for gain recognition under the full accrual method. If the transaction does not meet the criteria for the full accrual method, the appropriate deferral method is used.

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 recorded 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 are 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 assets as of December 31st 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 programs. 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, obligations under capital leases, and note payable to NCUSIF 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.

Commitments and 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.

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

3. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as of December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Deposits with U.S. Treasury	$ 10,001	$ 10,920
U.S. Treasury Overnight Investments	101,386	83,572
Total	$ 111,387	$ 94,492

4. FIXED ASSETS

Fixed assets are comprised of the following as of December 31, 2020 and 2019 (in thousands):

	2020	2019
Office building and land	$ 58,704	$ 56,213
Furniture and equipment	5,210	4,830
Leasehold improvements	513	513
Equipment under capital leases	1,972	1,889
Total assets in-use	66,399	63,445
Less accumulated depreciation	(38,720)	(34,651)
Assets in-use, net	27,679	28,794
Construction in progress	665	2,964
Fixed assets, net	$ 28,344	$ 31,758

Depreciation expense for the years ended December 31, 2020 and 2019 totaled $4.3 million and $3.6 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.

5. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2020 and 2019 (in thousands):

	2020	2019
Internal-use software	$ 56,443	$ 24,901
Less accumulated amortization	(24,059)	(20,422)
Total internal-use software, net	32,384	4,479
Internal-use software under development	2,274	17,755
Intangible assets, net	$ 34,658	$ 22,234

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 2020, approximately $32.2 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, 2020 and 2019 totaled $4.0 million and $2.9 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.

6. ASSETS HELD FOR SALE

Real estate available for sale is purchased from employees enrolled in the agency's home purchase program who are unable to sell their homes within a specified time period. It is the agency's intent to dispose of these properties as quickly as possible. Sales of homes are generally expected to occur within one year, pending market forces. Ongoing costs to maintain properties are expensed as incurred. Impairment charges for 2020 and 2019 were $0 and $96.4 thousand, respectively, and are recorded as an Administrative expense within the Statements of Revenues, Expenses and Changes in Fund Balance. The balance of real estate available for sale as of December 31, 2020 was $0. The balance of real estate available for sale as of December 31, 2019 was $423.0 thousand net of impairment and costs to sell of $49.6 thousand.

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 on an annual Board approved allocation factor derived from a study of actual usage. In 2020 and 2019, the allocation to the NCUSIF was 61.3% and 60.5% of all expenses, respectively. The cost of the services allocated to the NCUSIF totaled $183.6 million and $182.9 million for 2020 and 2019, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2020 and 2019, amounts due from the NCUSIF totaled $3.3 million and $2.3 million, respectively.

In 1992, the Fund entered into a commitment to borrow up to $42.0 million in a 30-year secured term note with the NCUSIF. The monies were drawn as needed to fund the costs of constructing a building in 1993. In December 2020, the Operating Fund paid off the remaining note balance of $3.7 million. The note payable balance as of December 31, 2020 and 2019 was $0 and $5.0 million, respectively. Interest costs incurred were $71.3 thousand and $112.4 thousand for 2020 and 2019, respectively. The variable rate on the note is equal to the NCUSIF's prior-month yield on investments. The average interest rate during 2020 and 2019 was 1.59% and 1.98%, 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 $857.5 thousand and $542.4 thousand for the years ending December 31, 2020 and 2019, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. Other accounts receivable include $242.6 thousand and $193.1 thousand due from the CLF as of December 31, 2020 and 2019, 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, 2020 and 2019, unreimbursed administrative support to the CDRLF is $816.7 thousand and $630.5 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, 2020 and 2019, FFIEC assessments totaled $1.0 million and $1.4 million, respectively. In addition, the NCUA received refunds of $146.7 thousand and $1.1 million in 2020 and 2019, respectively, due to lower than anticipated costs related to prior year payments. The NCUA's 2021 budgeted assessments from the FFIEC total $1.4 million.

(e) Real Estate Available for Sale

The Fund may purchase homes from employees enrolled in the agency's home purchase program who are unable to sell their homes within a specified time period. It is the agency's intent to dispose of these properties as quickly as possible. Sales of homes are generally expected to occur within one year, pending market conditions. Ongoing costs to maintain properties are expensed as incurred.

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 $896.0 thousand and $1.4 million for 2020 and 2019, respectively.

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

The future minimum lease payments to be paid over the next four years as of December 31, 2020, before reimbursements, are as follows (in thousands):

Years Ending December 31	Operating Leases	Capital Leases
2021	$ 415	$ 66
2022	426	15
2023	326	9
2024	-	5
Total Future Lease Payments	1,167	95
Less: Imputed Interest	-	(6)
Net Lease Liability	$ 1,167	$ 89

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 2020, an increase of $500 ($1,000 for age 50 and above) from 2019. In addition, the Fund matches up to 5.0% of the employee's gross pay.

As of December 31, 2020 and 2019, the Fund's contributions to the plans were approximately $32.3 million and $27.8 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 2020 and 2019. The Fund's match of 2.0% remains in effect for the duration of the CBA. The NCUA's contributions as of December 31, 2020 and 2019 were $7.3 million and $7.0 million, respectively. The gross operating expenses associated with the NCUA Savings Plan in 2020 and 2019 were $82.9 thousand and $95.7 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.

(a) Non-recurring Fair Value Measures

Assets held for sale is presented at aggregate fair value less cost to sell. The fair value measurement recorded during the period includes pending purchase contracts, the lower of list prices of appraisals if less than six months old (if no pending purchase contracts exist), or recent market analyses (if no recent list prices or appraisals are readily available). Additionally, the fair value incorporates estimated reductions in the fair value to recognize costs to sell the properties. These measurements fairly reflect the most current valuation of the assets.

The carrying amounts and established fair values of the Fund's assets held for sale as of December 31, 2020 and 2019 are as follows (in thousands):

Assets held for sale	Cost Basis	Fair Value	Impairment at Year-end
2020	$ -	$ -	$ -
2019	$ 423	$ 423	$ 50

(b) Summary Financial Instrument Fair Values

The following table presents the carrying values and established fair values of the Fund's financial instruments as of December 31, 2020 and 2019 (in thousands):

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 111,387	$ 111,387	$ 94,492	$ 94,492
Due from NCUSIF	3,262	3,262	2,309	2,309
Employee advances	16	16	7	7
Other accounts receivable, net	315	315	361	361
Obligations under capital leases	89	89	1,193	1,193
Note payable to NCUSIF	-	-	5,028	5,028

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 2021.

Employee advances – The carrying amount for receivables from employees approximates fair value as the amount is scheduled to be paid in 2021.

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, 2020 and 2019, the Fund's other accounts receivable, net includes an allowance in the amount of $15.8 thousand and $14.7 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.

Note payable to NCUSIF – The carrying amount for note payable to NCUSIF approximates fair value due to its variable rate nature.

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, 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 has recorded an estimated contingent liability of $200.0 thousand in the accompanying financial statements. The NCUA did not have any probable losses from asserted and pending legal claims as of December 31, 2019.

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 complete by 2021.

In accordance with FASB ASC 420, *Exit or Disposal Cost Obligations*, the NCUA estimates total restructuring costs to be $13.0 million. This estimate includes employee termination benefits of $855.0

thousand, relocation costs of $2.4 million, and other administrative costs of $9.8 million. To date, $11.5 million in costs have been incurred for this plan including approximately $752.7 thousand and $6.5 million in 2020 and 2019, respectively.

In 2019, the NCUA did not incur any costs associated with employee termination benefits and paid $240.0 thousand of the 2018 liability. As of December 31, 2020, the NCUA does not have a liability associated with employee termination benefits. To date, the NCUA has incurred $882.5 thousand in costs for employee termination benefits.

In 2019, the NCUA incurred $117.4 thousand for relocation expenses, of which $135.0 thousand was a liability. In 2020, the NCUA reduced the estimated relocation costs by $9.3 thousand and paid $105.0 thousand of the liability. As of December 31, 2020, the NCUA has a $20.7 thousand liability associated with relocation. To date, the NCUA has incurred $1.8 million in costs for relocation expenses.

In 2019, the NCUA incurred $6.4 million in other administrative costs, of which $424.9 thousand was a liability. In 2020, the NCUA incurred an additional $762.0 thousand in other administrative costs and paid $424.9 thousand of the liability. As of December 31, 2020, the NCUA does not have a liability associated with other administrative costs. To date, the NCUA has incurred $8.8 million in 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.

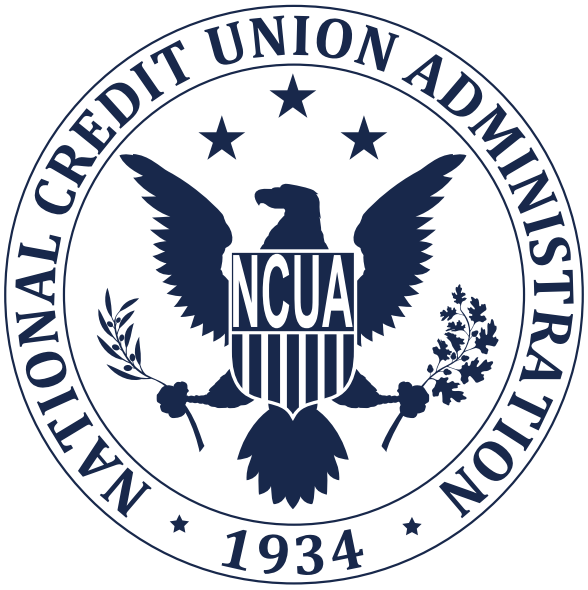
14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 16, 2021, 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, 2020.

Financials

National Credit Union Administration Central Liquidity Facility

Financial Statements as of and for the Years Ended December 31, 2020 and 2019, 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 Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Central Liquidity Facility (CLF), which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No.19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No.19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility as of December 31, 2020 and 2019 and its operations, members' equity, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2020, 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 may exist that have not been identified.

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, 2020 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 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.19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 16, 2021

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
As of December 31, 2020 and 2019
(Dollars in thousands, except share data)

	2020	2019
ASSETS		
Cash and Cash Equivalents (Notes 3 and 5)	$ 438,138	$ 14,071
Investments Held to Maturity (Net of $684 and $838 unamortized discount as of 2020 and 2019, respectively, fair value of $623,709 and $321,692 as of 2020 and 2019, respectively) (Notes 4 and 5)	615,706	318,528
Accrued Interest Receivable (Note 5)	1,015	1,327
TOTAL ASSETS	$ 1,054,859	$ 333,926
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts Payable (Notes 5 and 9)	$ 346	$ 270
Dividends and Interest Payable (Note 5)	382	1,310
Stock Redemption Payable (Note 5)	-	3,196
Member Deposits (Notes 5 and 7)	4,009	5,496
Total Liabilities	4,737	10,272
MEMBERS' EQUITY		
Capital Stock – Required ($50 per share par value authorized: 40,508,340 and 11,547,711 shares; issued and outstanding: 20,254,170 and 5,773,856 shares as of 2020 and 2019, respectively) (Note 6)	1,012,708	288,693
Retained Earnings	37,414	34,961
Total Members' Equity	1,050,122	323,654
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 1,054,859	$ 333,926

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
REVENUE		
Investment Income	$ 5,614	$ 6,348
Interest On Loan	-	3
Total Revenue	5,614	6,351
EXPENSES (Note 9)		
Personnel Services	507	306
Personnel Benefits	226	160
Other General and Administrative Expenses	149	128
Total Operating Expenses	882	594
Interest – Federal Financing Bank Notes Payable (Note 8)	-	3
Interest – Member Deposits (Note 7)	21	75
Total Expenses	903	672
NET INCOME	$ 4,711	$ 5,679

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands, except share data)

	Capital Stock			
	Shares	Amount	Retained Earnings	Total
BALANCE – December 31, 2018	5,491,692	$ 274,584	$ 33,933	$ 308,517
Issuance of Required Capital Stock	384,633	19,232		19,232
Redemption of Required Capital Stock	(102,469)	(5,123)		(5,123)
Dividends Declared (Notes 6 and 7)			(4,651)	(4,651)
Net Income			5,679	5,679
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

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 4,711	$ 5,679
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization of Investments	(512)	(13)
Interest - Member Deposits	21	75
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accrued Interest Receivable	312	(46)
Increase/(Decrease) in Accounts Payable	76	141
Net Cash Provided by Operating Activities	4,608	5,836
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(783,942)	(81,193)
Proceeds from Maturing Investments	487,275	66,000
Net Cash Used in Investing Activities	(296,667)	(15,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Required Capital Stock	726,313	15,958
Redemption of Capital Stock	(10,134)	(1,845)
Withdrawal of Member Deposits	(53)	(347)
Net Cash Provided by Financing Activities	716,126	13,766
NET INCREASE IN CASH AND CASH EQUIVALENTS	424,067	4,409
CASH AND CASH EQUIVALENTS–Beginning of Year	14,071	9,662
CASH AND CASH EQUIVALENTS–End of Year	$ 438,138	$ 14,071

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, 2020 and 2019

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 the COVID-19 pandemic, several temporary changes to the Federal Credit Union Act (FCU Act) and the 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 by President Trump 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 provisions.

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 its members. Also, it allowed temporary increases in 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 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. 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'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. 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 (if any) 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 is 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. In addition, the Board has permanently changed the Regulation §725 allowing the CLF to use a collateral margins table to calculate a security interest in the assets of the member. The CLF collateral margins table provides the advance rates that the CLF applies to the value of pledged assets to determine the amount of credit available to the pledging credit union.

The CLF does not currently charge additional fees for its lending activities. There was no lending activity in 2020 and one lending activity in 2019, which was fully repaid in 2019. As of December 31, 2020 and 2019, 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.

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.

Commitments and 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 CLF functions.

3. CASH AND CASH EQUIVALENTS

The CLF's cash and cash equivalents as of December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
U.S. Treasury Overnight Investments	$ 437,138	$ 13,071
Deposits with U.S. Treasury	1,000	1,000
Total	$ 438,138	$ 14,071

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, 2020 and 2019 were as follows (in thousands):

	2020	2019
Carrying Amount, December 31,	$ 615,706	$ 318,528
Gross Unrealized Holding Gains	8,212	3,495
Gross Unrealized Holding Losses	(209)	(331)
Fair Value	$ 623,709	$ 321,692

Maturities of debt securities classified as held-to-maturity were as follows:

(Dollars in thousands)	2020		2019	
	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Due in one year or less	$ 129,195	$ 129,906	$ 76,409	$ 76,309
Due after one year through five years	443,439	447,454	205,253	207,430
Due after five years through ten years	43,072	46,349	36,866	37,953
Total	$ 615,706	$ 623,709	$ 318,528	$ 321,692

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, 2020 and 2019.

(Dollars in thousands)	Losses Less than 12 Months		Losses More than 12 Months		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2020						
U.S. Treasury Securities	$ (209)	$ 232,773	$ -	$ -	$ (209)	$ 232,773
As of December 31, 2019						
U.S. Treasury Securities	$ (185)	$ 42,770	$ (146)	$ 75,410	$ (331)	$ 118,180

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 at 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, 2020 and 2019. The carrying values and approximate fair values of financial instruments are as follows:

(Dollars in thousands)	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 438,138	$ 438,138	$ 14,071	$ 14,071
Investments held-to-maturity	615,706	623,709	318,528	321,692
Accrued interest receivable	1,015	1,015	1,327	1,327
Accounts payable	346	346	270	270
Dividends and Interest payable	382	382	1,310	1,310
Stock redemption payable	-	-	3,196	3,196
Member deposits	4,009	4,009	5,496	5,496

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 until December 31, 2021 for a corporate credit union to become an agent member of the CLF. 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 its respective members (as opposed to all); 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 ("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 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, 2020 and 2019 (dollars in thousands, except share data):

	2020		2019	
	Shares	Amounts	Shares	Amounts
Regular Members	11,897,951	$ 594,897	5,773,856	$ 288,693
Agent Members	8,356,219	417,811	-	-
Total	20,254,170	$ 1,012,708	5,773,856	$ 288,693

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 quarter-end. The dividend rates paid on capital stock for regular and agent members change quarterly. 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. For 2019, the dividend rates were $0.75 per share for the first and second quarters, and $0.875 per share for the third and fourth quarters.

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, 2020 and 2019, the CLF's statutory borrowing authority was $33.0 billion and $7.3 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 the FFB on behalf of the CLF with a current maximum principal amount of $25.0 billion. Under the terms of its agreement, the CLF borrows from the FFB as needed. Under terms prescribed by the note purchase agreement, the CLF executes promissory notes 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, 2021. During 2020, the CLF borrowed $0 from the FFB. During 2019, the CLF borrowed $1.0 million from the FFB under one loan agreement, which the CLF then

loaned to a member credit union. In 2019, the member credit union repaid the CLF for the full amount of the loan. The CLF subsequently repaid the loan to the FFB in 2019.

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 $857.5 thousand and $542.4 thousand, respectively, for December 31, 2020 and 2019. Accounts payable includes approximately $242.6 thousand and $193.1 thousand, respectively, for December 31, 2020 and 2019, due to the NCUA OF for services provided.

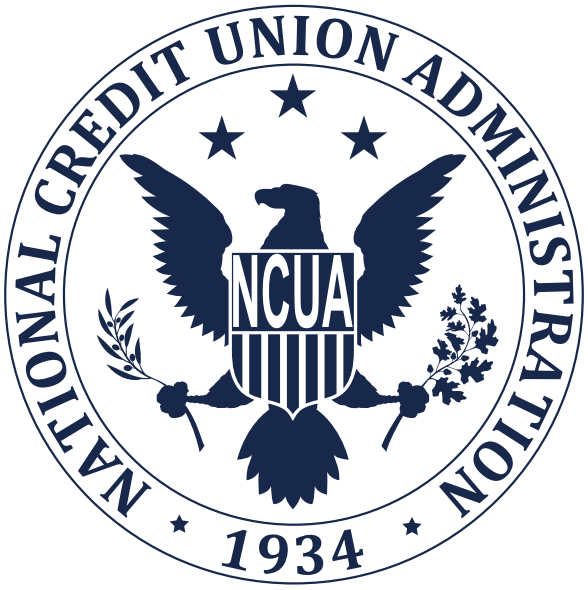
10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 16, 2021, 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, 2020.

Financials

National Credit Union Administration Community Development Revolving Loan Fund

Financial Statements as of and for the Years Ended December 31, 2020 and 2019, 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 Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Community Development Revolving Loan Fund (the CDRLF), which comprise the balance sheets as of December 31, 2020 and 2019 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No.19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No.19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2020 and 2019 and its operations, changes in fund balance and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2020, 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 may exist that have not been identified.

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, 2020 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 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.19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section 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 16, 2021

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
As of December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
ASSETS		
Cash and Cash Equivalents (Notes 3 and 7)	$ 11,834	$ 13,688
Loans Receivable, Net (Notes 4 and 7)	6,025	6,030
Interest Receivable (Note 7)	7	10
TOTAL ASSETS	$ 17,866	$ 19,728
LIABILITIES AND FUND BALANCE		
Accrued Technical Assistance Grants (Note 7)	$ 2,518	$ 3,803
Fund Balance		
Fund Capital	14,180	13,999
Accumulated Earnings	1,168	1,926
Total Fund Balance	15,348	15,925
TOTAL LIABILITIES AND FUND BALANCE	$ 17,866	$ 19,728

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, 2020 and 2019
(Dollars in thousands)

	2020	2019
REVENUES		
Interest on Cash Equivalents	$ 34	$ 171
Interest on Loans	33	39
Appropriations Used (Note 5)	1,561	1,983
Canceled Technical Assistance Grants (Note 5)	(285)	(340)
TOTAL REVENUES	1,343	1,853
EXPENSES		
Technical Assistance Grants (Note 5)	2,529	2,000
Canceled Technical Assistance Grants (Note 5)	(303)	(340)
Provision for Loan Losses	(125)	125
TOTAL EXPENSES	2,101	1,785
NET INCOME/(LOSS)	$ (758)	$ 68

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, 2020 and 2019
(Dollars in thousands)

	Fund Capital				
	For Loans	For Technical Assistance	Total Fund Capital	Accumulated Earnings	Total Fund Balance
December 31, 2018	$ 13,388	$ 287	$ 13,675	$ 1,858	$ 15,533
Appropriations Received (Note 5)	-	2,000	2,000	-	2,000
Appropriations Used (Note 5)	-	(1,983)	(1,983)	-	(1,983)
Canceled Appropriations Returned to Treasury (Note 5)	-	(33)	(33)	-	(33)
Canceled Technical Assistance Grants (Note 5)	-	340	340	-	340
Net Income	-	-	-	68	68
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 Loss	-	-	-	(758)	(758)
December 31, 2020	$ 13,388	$ 792	$ 14,180	$ 1,168	$ 15,348

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, 2020 and 2019
(Dollars in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss)	$ (758)	$ 68
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Provision for Loan Losses	(125)	125
Appropriations Used (Note 5)	(1,561)	(1,983)
Canceled Technical Assistance Grants (Note 5)	285	340
Changes in Assets and Liabilities		
Decrease in Interest Receivable	3	4
Increase/(Decrease) in Accrued Technical Assistance Grants	(1,285)	773
Net Cash Used in Operating Activities	(3,441)	(673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Repayments	2,380	4,550
Loan Disbursements	(2,250)	(1,000)
Net Cash Provided by Investing Activities	130	3,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received 2020/2021	1,500	-
Appropriations Received 2019/2020	-	2,000
Canceled Appropriations Returned to Treasury 2014/2015	(43)	-
Canceled Appropriations Returned to Treasury 2013/2014	-	(33)
Net Cash Provided by Financing Activities	1,457	1,967
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,854)	4,844
CASH AND CASH EQUIVALENTS — Beginning of year	13,688	8,844
CASH AND CASH EQUIVALENTS — End of year	$ 11,834	$ 13,688

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, 2020 and 2019

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 2020 and 2019 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 diminished 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 response to the coronavirus outbreak in the U.S., 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). The NCUA earmarked approximately $4.0 million in loans to aid LICUs as they respond to COVID-19 related hardships and work 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 multi-year appropriated funds and income generated from the revolving fund. Grant income and expense is recognized when the CDRLF makes a formal commitment to the recipient credit union for technical assistance grants. The CDRLF reviews long-term unspent technical assistance grant awards (e.g. outstanding awards past the period of eligibility) and takes formal steps to cancel expired grants.

The NCUA earmarked $0.8 million of multiyear appropriated funds to support the efforts of credit unions responding to COVID-19. Under the COVID-19 Emergency Fund Initiative, credit unions that have incurred expenses related to COVID-19 are allowed to apply for grants up to $10,000. Additional information is described in Note 5.

Fair Value Measurements – Cash and cash equivalents, loans receivable, 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.

Commitments and 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, 2020 and 2019 are as follows (in thousands):

	2020	2019
Deposits with U.S. Treasury	$ 3,666	$ 4,868
U.S. Treasury Overnight Securities	8,168	8,820
Total	$ 11,834	$ 13,688

4. LOANS RECEIVABLE

Loans receivable as of December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Balance as of the Beginning of the Year	$ 6,155	$ 9,705
Loan Disbursements	2,250	1,000
Loan Repayments	(2,380)	(4,550)
Loans Receivable as of the End of the Year	6,025	6,155
Allowance for Loan Losses as of the End of the Year	-	(125)
Loans Receivable, Net, as of the End of the Year	$ 6,025	$ 6,030

Loans outstanding as of December 31, 2020, are scheduled to be repaid as follows (in thousands):

Year	Amount
2021	$ 775
2022	500
2023	4,000
2024	750
Loans Outstanding	6,025
Allowance for Loan Losses	-
Total Loans Receivable, Net	$ 6,025

As of December 31, 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
The CDRLF grant program is primarily funded through an annual appropriation from Congress. Multiyear funds can be obligated to participating credit unions for up to two years. Canceled technical assistance grants from previously used multiyear funds are returned to the U.S. Treasury and credited back to the original appropriated fund from which they were awarded.

In 2020, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation is available for obligation through September 30, 2021. As of December 31, 2020, the CDRLF has 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 existing multiyear appropriation and issued $1.5 million in emergency grants.

In 2019, the CDRLF received a $2.0 million appropriation from Congress. This multiyear appropriation was available for obligation through September 30, 2020. As of December 31, 2019, the CDRLF obligated $2.0 million of the multiyear funds. For the year ended December 31, 2019, the CDRLF canceled $339.6 thousand of technical assistance grants awarded from multiyear funds.

Upon cancellation, $42.5 thousand from the FY 2014 appropriation and $33.0 thousand from the FY 2013 appropriation was returned to the U.S. Treasury in 2020 and 2019, respectively.

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.

As of December 31, 2020, the CDRLF awarded $967.6 thousand in technical assistance grants from the revolving fund. In 2020, the CDRLF canceled $18.4 thousand of technical assistance grants awarded from the revolving fund.

As of December 31, 2019, the CDRLF awarded in $18.1 thousand in technical assistance grants from the revolving fund. In 2019, the CDRLF canceled $0.8 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 and $1.6 million as of December 31, 2020 and 2019, respectively. The decrease in FY 2020 is primarily due to loan maturities of $0.6 million.

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, 2020 and 2019 (in thousands):

	2020		2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and Cash Equivalents	$ 11,834	$ 11,834	$ 13,688	$ 13,688
Loans Receivable, Net	6,025	6,083	6,030	6,119
Interest Receivable	7	7	10	10
Liabilities				
Accrued Technical Assistance Grants	2,518	2,518	3,803	3,803

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, 2020 and 2019, the NCUA, through the OF, provided the following unreimbursed administrative support to the CDRLF (in thousands):

	2020	2019
Personnel	$ 744	$ 571
Other	73	59
Total	$ 817	$ 630

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 16, 2021, 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, 2020.

Other Information

About the Other Information Section

The Other Information section includes:

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 2020.

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 2020.

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 2020 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.

Summary of Financial Statement Audits

Summary of the results of the independent audits of the financial statements of the NCUA's four funds by the agency's auditors in connection with the 2020 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) became effective March 2, 2020. During FY 2020, the NCUA complied with both the new Act and its predecessor, the Improper Payments Information Act, as amended, which requires that agencies: (1) review programs and activities' susceptibility to significant improper payments; (2) estimate the amount of annual improper payments for those programs and activities and implement a plan to reduce them; and (3) report the estimated amount of improper payments and the progress to reduce them. Both Acts define "significant improper payments" as the gross annual improper payments exceeding either: a) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or b) $100 million (regardless of the percentage of total program outlays). The NCUA does not meet improper payment reporting annual reporting thresholds, therefore an estimation reporting methodology is not applicable.

OMB guidance requires agencies to perform program-level risk assessments every three years if the program is determined to be low risk. The NCUA performed program-level risk assessments in FY 2020 and determined that it does not have any programs that are risk susceptible to improper payments. The NCUA expects to complete its next risk assessment in 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 2020, 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 the 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	2021	$4,146
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	2021	$41,463
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	2021	Lesser of $2,073,133 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	2021	$3,791
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	2021	$37,901

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	2021	Lesser of 1,895,095 or 1 percent of total credit union assets
Non-compliance with insurance logo requirements	12 U.S.C. 1785(a)(3)	2006	2021	$129
Non-compliance with NCUA security requirements	12 U.S.C. 1785(e)(3)	1970	2021	$301
Tier 1 civil monetary penalty for violations of law, regulation, and other orders or agreements	12 U.S.C. 1786(k)(2)(A)	1989	2021	$10,366
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	2021	$51,827
Tier 3 civil monetary penalty for knowingly committing the violations under Tier 1 or 2	12 U.S.C. 1786(k)(2)(C)	1989	2021	Natural persons: $2,073,133; Credit unions: Lesser of $2,073,133 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	2021	$341,000
Non-compliance with appraisal independence standards (first violation)	15 U.S.C. 1639e(k)	2010	2021	$11,906
Subsequent violations of the same	15 U.S.C. 1639e(k)	2010	2021	$23,811
Non-compliance with flood insurance requirements	42 U.S.C. 4012a(f)(5)	2012	2021	$2,252

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Income (In Thousands)										
Premium	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment	$ 226,011	$ 206,995	$ 198,264	$ 208,259	$ 218,526	$ 227,172	$ 209,136	$ 284,716	$ 306,467	$ 272,005
Other income	$ 1,037	$ 8,768	$ 4,550	$ 5,633	$ 5,187	$ 2,463	$ 487,103	$ 18,158	$ 13,768	$ 10,648
Total Income	$ 227,048	$ 215,763	$ 202,814	$ 213,892	$ 223,713	$ 229,635	$ 696,239	$ 302,874	$ 320,235	$ 282,653
Expenses (In Thousands)										
Operating	132,358	141,237	148,312	179,818	197,752	209,260	199,015	187,395	191,164	181,100
Insurance losses	(532,408)	(77,784)	(48,638)	(41,840)	(35,411)	7,870	726,295	113,826	(40,595)	68,688
Total expenses	(400,050)	63,453	99,674	137,978	162,341	217,130	925,310	301,221	150,569	249,788
Net income (in thousands)	$ 627,098	$ 152,310	$ 103,140	$ 75,914	$ 61,372	$ 12,505	$ (229,071)	$ 1,653	$ 169,666	$ 32,865
Data Highlights										
Total Equity (in millions)	10,339	10,912	11,266	11,625	12,095	12,742	15,853	15,905	16,596	18,432
Equity as a percentage of shares in insured credit unions	1.30%	1.30%	1.30%	1.29%	1.26%	1.24%	1.46%	1.39%	1.35%	1.26%
NCUSIF loss per $1,000 of insured shares	$ (0.67)	$ (0.09)	$ (0.06)	$ (0.05)	$ (0.02)	$ 0.01	$ 0.67	$ (0.10)	$ 0.03	$ 0.05
Operating Ratios										
Premium Income	-	-	-	-	-	-	-	-	-	-
Investment Income	99.5%	95.9%	97.8%	97.4%	97.5%	98.9%	30.0%	94.0%	95.7%	96.2%
Other Income:	0.5%	4.1%	2.2%	2.6%	2.5%	1.1%	70.0%	6.0%	4.3%	3.8%
Operating Expenses	58.3%	65.5%	73.1%	84.1%	109.1%	91.1%	28.6%	61.9%	59.7%	64.1%
Insurance Losses (Gain)	-234.5%	-36.1%	-24.0%	-19.6%	-92.7%	3.4%	104.3%	37.6%	-12.7%	24.3%
Total Expenses (neg expense)	-176.2%	29.4%	49.1%	64.5%	16.4%	94.5%	132.9%	99.5%	47.0%	88.4%
Net Income	276.2%	70.6%	50.9%	35.5%	83.6%	5.4%	-32.9%	0.5%	53.0%	11.6%
Involuntary Liquidations Commenced										
Number	15	14	13	10	11	11	5	7	1	-
Share payouts (in thousands)	586,852	667,814	125,621	150,111	138,635	10,163	159,841	1,407,357	61,761	-
Share payouts as a percentage of total insured shares	0.074%	0.080%	0.015%	0.017%	0.014%	0.001%	0.015%	0.123%	0.005%	0.000%
Shares in liquidated credit unions (in thousands)	459,403	728,746	105,378	140,581	145,829	8,240	162,783	1,454,234	17,683	-
Mergers										
Assisted	1	8	4	5	5	3	5	1	1	0
Unassisted	212	265	235	234	218	207	201	174	137	122
Section 208 (FCU Act) Assistance To Avoid Liquidation (In Thousands)										
Capital notes and other cash advance outstanding	80,000	80,000	66,500	54,600	-	-	-	-	-	-
Non-cash guarantee accounts	199,945.00	32,132.00	5,533.00	4,720.00	-	-	1,104,500	-	1,252	4,152,100
Number of active cases	9	5	3	5	1	1	3	-	2	1
Number of Troubled, Insured Credit Unions (CAMEL 4 & 5)										
Number	409	370	307	276	220	196	196	194	188	155
Shares (millions)	26,285	16,940	12,133	10,234	7,662	8,586	8,665	10,441	9,629	9,913
Problem case shares as a percentage of insured shares	3.31%	2.00%	1.40%	1.13%	0.80%	0.83%	0.80%	0.92%	0.79%	0.61%

Values rounded from underlying data.

Credit Union Performance Five-Year Trends

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	4 Quarter % change	4 Quarter change
Summary Credit Union Data												
Federally insured credit unions												
Federally insured credit unions	Number	6,021	5,785	5,573	5,375	5,236	5,195	5,164	5,133	5,099	-2.6	-137
Federal credit unions	Number	3,764	3,608	3,499	3,376	3,283	3,255	3,232	3,213	3,185	-3.0	-98
Federally insured, state-chartered credit unions	Number	2,257	2,177	2,074	1,999	1,953	1,940	1,932	1,920	1,914	-2.0	-39
Credit unions with low-income designation	Number	2,297	2,491	2,542	2,554	2,605	2,631	2,652	2,640	2,642	1.4	37
Number of members	Millions	102.7	106.8	111.3	116.2	120.4	121.4	122.3	123.7	124.3	3.3	4.0
Number of deposits	Millions	193.5	201.8	211.3	221.4	232.0	234.7	238.1	239.5	240.9	3.8	8.9
Number of loans outstanding	Millions	57.4	61.0	64.7	68.2	70.7	70.3	69.9	70.9	71.9	1.7	1.2
Total assets	$ Billions	1,204.3	1,292.5	1,378.8	1,453.4	1,566.7	1,638.4	1,749.2	1,787.0	1,844.5	17.7	278
Total assets, four quarter growth	Percent	7.3	7.3	6.7	5.4	7.8	8.8	15.1	16.1	17.7		9.9
Total loans	$ Billions	787.0	869.1	957.3	1,043.6	1,108.0	1,116.5	1,136.7	1,155.8	1,162.6	4.9	55
Total loans, four quarter growth	Percent	10.5	10.4	10.1	9.0	6.2	6.5	6.6	6.3	4.9		-1.2
Average outstanding loan balance	$	13,709	14,242	14,805	15,298	15,668	15,875	16,263	16,293	16,175	3.2	506
Total deposits	$ Billions	1,016.0	1,092.6	1,159.5	1,219.7	1,319.7	1,376.1	1,490.7	1,528.7	1,587.6	20.3	268
Total deposits, four quarter growth	Percent	6.9	7.5	6.1	5.2	8.2	8.1	16.5	18.3	20.3		12.1
Average deposit balance	$	9,897	10,230	10,418	10,500	10,965	11,338	12,186	12,354	12,768	16.4	1,803
Insured shares and deposits	$ Billions	960.0	1,027.4	1,086.5	1,139.8	1,224.3	1,278.2	1,383.1	1,415.2	1,466.6	19.8	242
Insured shares and deposits, four quarter growth	Percent	6.5	7.0	5.8	4.9	7.4	7.5	15.8	17.7	19.8		12.4
Key Ratios												
Net worth ratio	Percent	10.92	10.89	10.95	11.30	11.37	11.00	10.46	10.43	10.32		-1.05
Return on average assets	Percent	0.75	0.76	0.78	0.92	0.93	0.53	0.57	0.65	0.70		-0.23
Loan to share ratio	Percent	77.5	79.5	82.6	85.6	84.0	81.1	76.3	75.6	73.2		-10.72
Long-term assets, percent of assets[1]	Percent	27.4	27.1	27.9	27.7	27.9	27.6	27.7	28.6	29.2		1.31
Median credit union average cost of funds	Percent	0.27	0.27	0.28	0.33	0.44	0.44	0.41	0.39	0.37		-0.06
Median credit union average yield on loans	Percent	5.40	5.30	5.19	5.16	5.25	5.25	5.18	5.13	5.10		-0.15
Median credit union net interest margin	Percent	2.97	3.00	3.07	3.26	3.38	3.23	3.06	3.01	2.94		-0.44
Median credit union return on average assets	Percent	0.33	0.34	0.38	0.56	0.60	0.41	0.39	0.42	0.40		-0.20

[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	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	4 Quarter % change	4 Quarter change
Lending (Year-to-Date, Annual Rate)												
Loans granted	$ Billions	406.7	456.2	481.2	506.8	546.0	551.2	622.7	659.2	671.5	23.0	125
Real estate loans	$ Billions	150.5	170.4	171.8	173.4	212.6	232.3	290.0	313.8	323.4	52.1	111
Real estate, fixed rate, first mortgage	$ Billions	98.3	115.0	110.3	106.5	146.8	170.2	226.4	247.8	256.0	74.5	109
Commercial loans	$ Billions	.	.	23.9	24.9	27.2	33.1	32.3	31.6	33.5	23.1	6
Payday alternative loans	$ Millions	122.8	134.5	131.8	143.2	175.7	157.9	146.6	152.1	159.8	-9.1	-16
Delinquency												
Delinquent loans	$ Billions	6.4	7.2	7.8	7.4	7.8	7.1	6.6	6.3	7.0	-10.2	-0.80
Total delinquency rate	Percent	0.81	0.83	0.81	0.71	0.70	0.63	0.58	0.54	0.60		-0.10
Fixed real estate delinquency rate	Percent	0.64	0.54	0.52	0.44	0.43	0.35	0.40	0.40	0.43		0.00
Auto delinquency rate	Percent	0.68	0.72	0.70	0.66	0.65	0.58	0.47	0.44	0.50		-0.14
Credit card delinquency rate	Percent	1.01	1.14	1.29	1.35	1.40	1.37	1.01	0.87	1.02		-0.38
Commercial loan delinquency rate	Percent	.	.	1.6	0.7	0.64	0.74	0.87	0.77	0.68		0.04
Net charge-offs	$ Billions	3.6	4.6	5.4	5.8	6.1	6.4	6.0	5.4	5.1	-16.0	-0.97
Net charge offs, percent of average loans	Percent	0.48	0.55	0.60	0.58	0.56	0.58	0.53	0.48	0.45		-0.11
Asset Distribution												
25% of credit unions are smaller than	$ Millions	7.5	8.1	8.8	9.2	9.7	10.1	10.7	11.1	11.5	17.7	1.72
50% of credit unions are smaller than	$ Millions	26.8	28.9	31.0	33.2	35.2	37.1	39.8	41.3	43.4	23.3	8.21
75% of credit unions are smaller than	$ Millions	101.4	111.0	120.4	129.2	139.1	145.4	156.8	160.7	167.1	20.1	27.94
90% of credit unions are smaller than	$ Millions	381.8	431.0	471.9	507.7	564.4	593.5	644.5	660.7	688.4	22.0	124.00

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate)												
Federally insured credit unions												
Gross income	$ Billions	55.0	60.0	65.6	73.8	82.5	81.3	82.5	83.5	83.8	1.6	1.31
Total interest income	$ Billions	39.2	42.6	47.5	54.0	61.3	61.0	60.9	60.5	60.2	-1.8	-1.10
Gross interest income	$ Billions	34.9	37.8	41.7	47.1	53.0	55.0	54.2	54.1	53.8	1.7	0.88
Less interest refunds	$ Billions	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-17.5	-0.01
Investment income	$ Billions	4.4	4.8	5.8	7.0	8.2	7.3	6.7	6.3	6.1	-26.5	-2.18
Trading income	$ Billions	0.0	0.0	0.0	0.0	.	.	.	.	.	--	--
Interest income on securities held in a trading account	$ Billions	.	.	.	.	0.1	-1.3	0.1	0.2	0.3	156.6	0.20
Total non-interest income	$ Billions	15.8	17.4	18.1	19.8	21.2	20.3	21.6	23.0	23.6	11.3	2.41
Fee income	$ Billions	7.5	8.0	8.3	8.8	9.0	8.7	7.8	7.9	8.1	-9.9	-0.89
Other operating income	$ Billions	8.0	8.9	9.4	10.7	11.4	11.8	12.7	13.9	14.4	25.9	2.96
Other (including gains/losses)	$ Billions	0.4	0.5	0.4	0.3	0.8	-0.1	1.1	1.2	1.1	45.7	0.34
Total expenses (with provision for loan and lease losses)	$ Billions	46.3	50.4	55.2	60.8	68.4	72.9	73.1	72.5	71.8	5.0	3.42
Non-interest expenses	$ Billions	36.3	38.8	41.2	44.5	48.4	50.6	50.3	50.7	51.3	6.0	2.90
Labor expense	$ Billions	18.4	19.7	21.1	22.6	24.9	26.3	26.4	26.5	26.8	7.8	1.95
Office expenses	$ Billions	9.3	9.8	10.3	11.2	12.0	12.5	12.4	12.6	12.7	5.9	0.70
Loan servicing expenses	$ Billions	2.6	2.7	2.8	3.1	3.2	3.3	3.3	3.4	3.4	6.1	0.20
Other non-interest expenses	$ Billions	6.0	6.5	7.0	7.6	8.3	8.6	8.2	8.1	8.3	0.6	0.05
Total interest expense	$ Billions	6.0	6.6	7.5	9.8	13.5	13.8	13.1	12.4	12.0	-11.0	-1.48
Interest on borrowed money	$ Billions	0.8	0.9	1.2	1.5	1.5	1.3	1.3	1.2	1.2	-17.7	-0.27
Share dividends	$ Billions	4.7	5.1	5.7	7.4	10.7	11.0	10.4	9.9	9.5	-11.4	-1.22
Interest on deposits	$ Billions	0.6	0.6	0.7	0.9	1.3	1.5	1.4	1.4	1.3	0.0	0.00
Provision for loan and lease losses	$ Billions	4.1	5.1	6.4	6.5	6.5	8.5	9.7	9.5	8.5	30.8	2.00
Net income	$ Billions	8.7	9.5	10.4	13.0	14.1	8.4	9.4	11.0	12.0	-14.9	-2.11
Net income, percent of average assets	Percent	0.75	0.76	0.78	0.92	0.93	0.53	0.57	0.65	0.70		-0.23
Net interest margin	$ Billions	33.2	36.0	39.9	44.3	47.8	47.2	47.8	48.1	48.1	0.8	0.38
Net interest margin, percent of average assets	Percent	2.85	2.88	2.99	3.13	3.16	2.95	2.88	2.87	2.82		-0.34
Average assets	$ Billions	1,163.2	1,248.4	1,335.6	1,416.1	1,510.0	1,602.6	1,657.9	1,676.8	1,705.6	13.0	195.56

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	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	4.73	4.80	4.91	5.21	5.46	5.07	4.98	4.98	4.91		-0.55
Total interest income	Percent	3.37	3.41	3.55	3.82	4.06	3.81	3.67	3.61	3.53		-0.53
Gross interest income	Percent	3.00	3.03	3.12	3.33	3.51	3.43	3.27	3.22	3.16		-0.35
Less interest refunds	Percent	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00		0.00
Investment income	Percent	0.38	0.38	0.44	0.50	0.55	0.46	0.40	0.38	0.36		-0.19
Trading income	Percent	0.00	0.00	0.00	0.00	.	.	.	.	.		--
Interest income on securities held in a trading account	Percent	.	.	.	.	0.01	-0.08	0.00	0.01	0.02		0.01
Total non-interest income	Percent	1.36	1.39	1.36	1.40	1.41	1.27	1.30	1.37	1.39		-0.02
Fee income	Percent	0.65	0.64	0.62	0.62	0.60	0.54	0.47	0.47	0.48		-0.12
Other operating income	Percent	0.68	0.71	0.71	0.76	0.76	0.73	0.77	0.83	0.84		0.09
Other (including gains/losses)	Percent	0.03	0.04	0.03	0.02	0.05	-0.01	0.07	0.07	0.06		0.01
Total expenses (with provision for loan and lease losses)	Percent	3.98	4.04	4.14	4.30	4.53	4.55	4.41	4.33	4.21		-0.32
Non-interest expenses	Percent	3.12	3.10	3.09	3.14	3.20	3.16	3.04	3.02	3.01		-0.20
Labor expense	Percent	1.58	1.58	1.58	1.60	1.65	1.64	1.59	1.58	1.57		-0.07
Office expenses	Percent	0.80	0.79	0.77	0.79	0.79	0.78	0.75	0.75	0.74		-0.05
Loan servicing expenses	Percent	0.22	0.22	0.21	0.22	0.21	0.21	0.20	0.20	0.20		-0.01
Other non-interest expenses	Percent	0.52	0.52	0.52	0.54	0.55	0.53	0.49	0.48	0.49		-0.06
Total interest expense	Percent	0.52	0.53	0.57	0.69	0.90	0.86	0.79	0.74	0.71		-0.19
Interest on borrowed money	Percent	0.07	0.07	0.09	0.10	0.10	0.08	0.08	0.07	0.07		-0.03
Share dividends	Percent	0.40	0.40	0.43	0.52	0.71	0.68	0.63	0.59	0.55		-0.15
Interest on deposits	Percent	0.05	0.05	0.05	0.06	0.09	0.09	0.09	0.08	0.08		-0.01
Provision for loan and lease losses	Percent	0.35	0.41	0.48	0.46	0.43	0.53	0.59	0.56	0.50		0.07
Net income	Percent	0.75	0.76	0.78	0.92	0.93	0.53	0.57	0.65	0.70		-0.23
Net interest margin	Percent	2.85	2.88	2.99	3.13	3.16	2.95	2.88	2.87	2.82		-0.34

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	4 Quarter % change	4 Quarter change
Balance Sheet												
Federally insured credit unions												
Total assets	$ Billions	1,204.3	1,292.5	1,378.8	1,453.4	1,566.7	1,638.4	1,749.2	1,787.0	1,844.5	17.7	277.83
Cash and equivalents (less than 3 months)	$ Billions	94.5	97.7	98.7	92.6	121.3	163.3	214.2	209.1	240.5	98.3	119.19
Cash on hand	$ Billions	9.9	10.1	10.5	10.9	12.0	17.3	18.0	17.7	23.4	95.1	11.41
Investments												
Total investments (more than 3 months)	$ Billions	272.8	269.1	262.3	253.6	263.2	278.1	312.9	336.6	353.8	34.5	90.68
Investments less than 1 year	$ Billions	67.6	75.5	72.7	72.4	79.7	83.5	94.2	98.0	99.0	24.3	19.37
Investments 1-3 years	$ Billions	101.7	94.9	86.5	86.3	92.0	98.8	107.5	115.6	113.6	23.5	21.65
Investments 3-10 years	$ Billions	99.0	94.8	99.0	91.0	85.9	87.4	99.9	111.2	128.0	49.0	42.07
Investments 3-5 years	$ Billions	71.2	64.2	67.3	59.3	54.7	55.2	62.8	66.5	74.1	35.5	19.41
Investments 5-10 years	$ Billions	27.7	30.7	31.7	31.8	31.2	32.2	37.1	44.7	53.8	72.7	22.66
Investments more than 10 years	$ Billions	4.5	3.9	4.0	3.9	5.6	8.5	11.3	11.8	13.2	135.1	7.59
Total loans	$ Billions	787.0	869.1	957.3	1,043.6	1,108.0	1,116.5	1,136.7	1,155.8	1,162.6	4.9	54.69
Loans secured by 1-4 family residential properties	$ Billions	.	.	405.9	446.9	480.7	488.1	499.6	509.1	511.1	6.3	30.41
Secured by first lien	$ Billions	.	.	339.2	367.4	397.8	405.8	419.8	430.7	435.2	9.4	37.35
Secured by junior lien	$ Billions	.	.	66.7	79.4	82.9	82.3	79.8	78.4	75.9	-8.4	-6.95
All other real estate loans	$ Billions	.	.	11.7	3.8	2.8	3.0	2.8	2.5	2.5	-10.4	-0.29
Credit cards	$ Billions	48.8	52.7	57.5	61.8	66.0	64.4	60.9	60.7	61.8	-6.4	-4.20
Auto loans	$ Billions	261.8	298.4	332.5	365.9	375.1	374.3	374.4	378.9	380.0	1.3	4.96
New autos	$ Billions	99.9	116.6	132.1	147.2	147.6	145.0	141.7	141.9	142.2	-3.7	-5.39
Used autos	$ Billions	162.0	181.8	200.4	218.7	227.5	229.3	232.7	237.0	237.9	4.5	10.35
Non-federally guaranteed student loans	$ Billions	3.5	3.8	4.4	5.1	5.5	5.6	5.8	6.0	6.0	9.0	0.49
Commercial loans (excludes unfunded commitments)	$ Billions	.	.	63.2	71.0	81.9	85.1	88.4	91.2	94.3	15.2	12.47
Secured by real estate	$ Billions	.	.	55.3	63.9	74.5	77.6	80.3	83.2	86.6	16.2	12.08
Not secured by real estate	$ Billions	.	.	8.0	7.1	7.4	7.6	8.1	8.0	7.7	5.2	0.38
Other loans	$ Billions	.	.	82.0	89.0	96.0	95.9	104.6	107.4	106.9	11.3	10.86

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	4 Quarter % change	4 Quarter change
Unfunded commitments for commercial loans	$ Billions	.	.	4.8	5.7	7.1	7.3	7.6	7.9	8.1	15.1	1.06
Other assets	$ Billions	49.9	56.5	60.6	63.6	74.3	80.5	85.4	85.5	87.6	17.9	13.27
Total liabilities and net worth	$ Billions	1,204.3	1,292.5	1,378.8	1,453.4	1,566.7	1,638.4	1,749.2	1,787.0	1,844.5	17.7	277.83
Total deposits	$ Billions	1,016.0	1,092.6	1,159.5	1,219.7	1,319.7	1,376.1	1,490.7	1,528.7	1,587.6	20.3	267.85
Share drafts	$ Billions	150.4	154.3	168.5	192.8	208.0	226.7	259.9	267.5	291.6	40.2	83.61
Regular shares	$ Billions	352.0	393.1	421.6	426.9	444.5	465.2	527.2	544.3	568.1	27.8	123.53
Other deposits	$ Billions	513.6	545.2	569.4	600.1	667.2	684.1	703.6	716.9	727.9	9.1	60.70
Money market accounts	$ Billions	231.8	249.2	259.6	261.9	274.8	281.3	304.3	322.1	341.8	24.4	66.95
Share certificate accounts	$ Billions	190.1	199.5	212.2	238.2	287.1	294.8	288.8	282.6	276.0	-3.9	-11.17
IRA/Keogh accounts	$ Billions	76.6	78.1	77.7	77.6	81.0	81.9	82.8	83.7	83.9	3.6	2.93
Non-member deposits	$ Billions	6.7	8.7	10.2	11.9	12.9	13.4	13.4	12.7	11.7	-9.4	-1.21
All other shares	$ Billions	8.5	9.7	9.8	10.6	11.5	12.7	14.3	15.9	14.7	28.0	3.21
Net worth	$ Billions	131.5	140.8	151.1	164.3	178.2	180.3	182.9	186.5	190.3	6.8	12.11
Net worth, percent of assets	Percent	10.92	10.89	10.95	11.30	11.37	11.00	10.46	10.43	10.32		-1.05
Addenda												
Real estate loans	$ Billions	396.8	431.1	473.0	514.5	558.0	568.7	582.8	594.9	600.2	7.6	42.20
Real estate fixed rate, first mortgage	$ Billions	226.5	251.2	281.0	308.0	345.0	355.6	372.8	387.6	396.9	15.0	51.88
Business loans												
Net member business loan balance for regulatory reporting, Part 723[1]	$ Billions	51.3	58.9	67.5	67.8	77.7	80.8	84.0	86.5	89.8	15.6	12.13

[1] Account 400A

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	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	7.9	7.6	7.2	6.4	7.7	10.0	12.2	11.7	13.0		5.30
Cash on hand	Percent	0.8	0.8	0.8	0.8	0.8	1.1	1.0	1.0	1.3		0.50
Investments												
Total investments (more than 3 months)	Percent	22.6	20.8	19.0	17.5	16.8	17.0	17.9	18.8	19.2		2.39
Investments less than 1 year	Percent	5.6	5.8	5.3	5.0	5.1	5.1	5.4	5.5	5.4		0.28
Investments 1-3 years	Percent	8.4	7.3	6.3	5.9	5.9	6.0	6.1	6.5	6.2		0.29
Investments 3-10 years	Percent	8.2	7.3	7.2	6.3	5.5	5.3	5.7	6.2	6.9		1.46
Investments 3-5 years	Percent	5.9	5.0	4.9	4.1	3.5	3.4	3.6	3.7	4.0		0.53
Investments 5-10 years	Percent	2.3	2.4	2.3	2.2	2.0	2.0	2.1	2.5	2.9		0.93
Investments more than 10 years	Percent	0.4	0.3	0.3	0.3	0.4	0.5	0.6	0.7	0.7		0.36
Total loans	Percent	65.4	67.2	69.4	71.8	70.7	68.1	65.0	64.7	63.0		-7.69
Loans secured by 1-4 family residential properties	Percent	.	.	29.4	30.7	30.7	29.8	28.6	28.5	27.7		-2.97
Secured by first lien	Percent	.	.	24.6	25.3	25.4	24.8	24.0	24.1	23.6		-1.80
Secured by junior lien	Percent	.	.	4.8	5.5	5.3	5.0	4.6	4.4	4.1		-1.17
All other real estate loans	Percent	.	.	0.9	0.3	0.2	0.2	0.2	0.1	0.1		-0.04
Credit cards	Percent	4.1	4.1	4.2	4.3	4.2	3.9	3.5	3.4	3.4		-0.86
Auto loans	Percent	21.7	23.1	24.1	25.2	23.9	22.8	21.4	21.2	20.6		-3.34
New autos	Percent	8.3	9.0	9.6	10.1	9.4	8.8	8.1	7.9	7.7		-1.71
Used autos	Percent	13.4	14.1	14.5	15.0	14.5	14.0	13.3	13.3	12.9		-1.63
Non-federally guaranteed student loans	Percent	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3		-0.03
Commercial loans (excludes unfunded commitments)	Percent	.	.	4.6	4.9	5.2	5.2	5.1	5.1	5.1		-0.11
Secured by real estate	Percent	.	.	4.0	4.4	4.8	4.7	4.6	4.7	4.7		-0.06
Not secured by real estate	Percent	.	.	0.6	0.5	0.5	0.5	0.5	0.4	0.4		-0.05
Other loans	Percent	.	.	5.9	6.1	6.1	5.9	6.0	6.0	5.8		-0.33
Unfunded commitments for commercial loans	Percent	.	.	0.3	0.4	0.5	0.4	0.4	0.4	0.4		-0.01
Other assets	Percent	4.1	4.4	4.4	4.4	4.7	4.9	4.9	4.8	4.7		0.01
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	84.4	84.5	84.1	83.9	84.2	84.0	85.2	85.5	86.1		1.83
Share drafts	Percent	12.5	11.9	12.2	13.3	13.3	13.8	14.9	15.0	15.8		2.53
Regular shares	Percent	29.2	30.4	30.6	29.4	28.4	28.4	30.1	30.5	30.8		2.42
Other deposits	Percent	42.6	42.2	41.3	41.3	42.6	41.8	40.2	40.1	39.5		-3.12
Money market accounts	Percent	19.2	19.3	18.8	18.0	17.5	17.2	17.4	18.0	18.5		0.99
Share certificate accounts	Percent	15.8	15.4	15.4	16.4	18.3	18.0	16.5	15.8	15.0		-3.37
IRA/Keogh accounts	Percent	6.4	6.0	5.6	5.3	5.2	5.0	4.7	4.7	4.5		-0.62
Non-member deposits	Percent	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.6		-0.19
All other shares	Percent	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.8		0.06
Net worth	Percent	10.92	10.89	10.95	11.30	11.37	11.00	10.45	10.43	10.31		-1.06

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2015.4	2016.4	2017.4	2018.4	2019.4	2020.1	2020.2	2020.3	2020.4	4 Quarter % change	4 Quarter change
Addenda												
Real estate loans	Percent	32.9	33.4	34.3	35.4	35.6	34.7	33.3	33.3	32.5		-3.08
Real estate fixed rate, first mortgage	Percent	18.8	19.4	20.4	21.2	22.0	21.7	21.3	21.7	21.5		-0.50
Business loans												
Net member business loan balance for regulatory reporting, Part 723 [1]	Percent	4.3	4.6	4.9	4.7	5.0	4.9	4.8	4.8	4.9		-0.09

[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 2020Q4	Small Credit Unions (Assets less than $100 million)
Current Quarter: 2020Q4										
Number of credit unions	1,159	1,541	687	1,063	279	370	3,185	1,914	2,642	3,387
Number of members (millions)	0.8	4.1	4.5	18.9	14.1	81.9	64.9	59.5	61.3	9.4
Total assets ($ billions)	4.8	39.5	49.4	237.5	197.0	1,316.2	931.2	913.3	830.3	93.7
Total loans ($ billions)	2.2	18.2	25.3	140.8	128.0	848.2	583.3	579.3	545.4	45.7
Total deposits ($ billions)	4.0	34.5	43.4	209.1	170.8	1125.8	794.9	792.7	720.4	81.9
Key ratios (percent)										
Return on average assets	0.06	0.32	0.43	0.50	0.61	0.78	0.67	0.73	0.76	0.37
Net worth ratio	15.68	12.09	11.32	10.44	10.25	10.19	10.44	10.20	10.17	11.87
Loan-to-share ratio	54.0	52.7	58.4	67.3	74.9	75.3	73.4	73.1	75.7	55.8
Net interest margin (median)	3.12	2.93	2.92	2.94	2.90	2.73	2.93	2.95	3.07	2.98
Long-term assets, percent of assets	5.0	13.5	18.5	23.4	27.6	31.4	29.3	29.0	26.5	15.7
Cost of funds / average assets (median)	0.26	0.29	0.36	0.45	0.58	0.68	0.34	0.43	0.37	0.30
Delinquency rate	1.66	0.95	0.70	0.61	0.59	0.59	0.68	0.52	0.57	0.85
Net charge-offs to average loans	0.48	0.34	0.33	0.33	0.38	0.49	0.56	0.34	0.39	0.34
Growth from a year earlier (percent)										
Shares (total deposits)	-12.3	-2.9	3.0	6.1	16.4	26.0	18.5	22.2	21.6	-0.4
Total loans	-24.5	-18.2	-11.1	-8.6	3.5	9.2	3.9	6.0	7.0	-14.8
Total assets	-13.1	-4.2	1.8	4.3	14.1	22.9	16.0	19.6	19.2	-1.7
Members	-19.3	-15.7	-11.3	-9.5	1.8	9.7	2.8	3.8	3.1	-14.0
Net worth	-17.5	-12.3	-6.3	-5.9	3.6	11.8	5.2	8.5	8.0	-9.8
Historical Data (same quarter)										
Return on average assets (percent)										
2020	0.06	0.32	0.43	0.50	0.61	0.78	0.67	0.73	0.76	0.37
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
2016	0.04	0.25	0.38	0.51	0.59	0.94	0.77	0.75	0.73	0.30
Net worth ratio (percent)										
2020	15.68	12.09	11.32	10.44	10.25	10.19	10.44	10.20	10.17	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	12.90	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	10.87	12.20
2016	15.14	12.32	11.50	10.92	10.96	10.71	10.97	10.80	10.83	12.10
Loan to Share Ratio (percent)										
2020	53.97	52.69	58.37	67.33	74.95	75.34	73.38	73.09	75.71	55.76
2019	62.75	62.57	67.62	78.16	84.23	86.91	83.65	84.27	86.01	65.16
2018	62.21	62.15	67.99	79.44	86.15	89.17	85.17	85.96	87.42	65.11
2017	59.04	59.36	65.14	76.10	84.30	86.45	82.42	82.71	84.25	62.25
2016	58.04	57.77	63.95	73.69	81.18	83.58	79.40	79.70	80.91	60.86

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 the 24th 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 held the position of Executive Director of the Main Street Growth Project and 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.

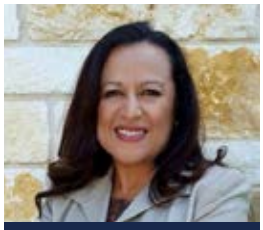
A native of Charlotte, North Carolina, Mr. Hood holds a bachelor's degree in business, communications, and political science from the University of North Carolina at Chapel Hill.

J. Mark McWatters also served as a Board Member until November 20, 2020.

Senior Staff Reporting to the NCUA Board

- Catherine D. Galicia
  Chief of Staff
- H. Lenwood Brooks, V
  Senior Advisor to Board Member Hood
- Sarah Bang
  Senior Advisor to Vice Chairman Hauptman
- Larry Fazio
  Executive Director
- Rendell L. Jones
  Deputy Executive Director
- Frank Kressman
  General Counsel
- James Hagen
  Inspector General
- Elizabeth Fischmann
  Chief Ethics Counsel
- Milagro Avalos
  Acting Director, Office of Minority and Women Inclusion
- Sarah Vega
  Former Senior Policy Advisor to Former Board Member McWatters

NCUA Offices and Regions



Milagro Avalos
Acting 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 and assesses the diversity policies and practices of credit unions regulated by the NCUA. The Director of 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
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.gov and MyCreditUnion.gov websites and NCUA's social media program. 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 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.

Myra Toeppe
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, federal credit union operating fees and Temporary Corporate Credit Union Stabilization Fund assessments. 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 financial literacy efforts, consumer website MyCreditUnion.gov and 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** was created as part of the agency's realignment and began operations in January 2018. The office 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 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.

Kelly Lay
Director, Office of Business Innovation & Chief Data Officer

The **Office of Business Innovation** began operations on January 1, 2019. This office 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.

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 gives 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 helps consumers start on the right path financially and make smart financial decisions that improve their financial well-being.
- Ensuring financial stability allows 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 allows 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

Call Report: A call report is a report that must be filed by credit unions with the National Credit Union Administration 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 Capital adequacy, Asset quality, Management, Earnings and Liquidity. 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.

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.

CECL: Current expected credit losses

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.

COR: Contracting Officer Representative

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

DDOS: Distributed Denial of Service

DOL: U.S. Department of Labor

E&I: NCUA Office of Examination and Insurance

EGRPRA: Economic Growth and Regulatory Paperwork Reduction Act

ERG: Employee Resource Group

ESC: U.S Department of Transportation's Enterprise Services Center

ERM: Enterprise Risk Management

ESM: Enterprise Solutions Modernization

EXIM: The Export-Import Bank of the United States

FASAB: Federal Accounting Standards Advisory Board

FASB: Financial Accounting Standards Board

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 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.

FICU: Federally Insured Credit Union

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 Mark Committee

FSOC: The Financial Stability Oversight Council

GAAP: U.S. generally accepted accounting principles

GAO: U.S. Government Accountability Office

HHS: U.S Department of Health and Human Services

HMDA: Home Mortgage Disclosure Act

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

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.

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's replacing AIRES. Through MERIT, credit unions will be able to securely exchange documents with examiners.

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.

NGN: NCUA Guaranteed Notes

NPCU or Natural Person Credit Union: 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 payed to federally insured credit unions. The normal operating level set by the NCUA Board in December 2020 is 1.38 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

PALs: Payday alternative loans

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 rules complexity, that a regulated entity like a credit union must incur to operate in compliance with various laws and regulations in the United States.

Regulatory Reform Task Force: The Regulatory Reform Task Force was established in the NCUA to oversee the implementation of the agency's regulatory reform agenda. This is consistent with the spirit of Executive Order 13777, "Enforcing the Regulatory Reform Agenda."

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

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/news/annual-reports

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, 20-CU-22, "Update to NCUA's 2020 Supervisory Priorities" https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/update-ncuas-2020-supervisory-priorities
- Press Release, May 17, 2019, "Municipal Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2019/municipal-credit-union-conserved
- Press Release, June 20, 2020, "Southern Pine Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2020/southern-pine-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
- Press Release, June 9, 2020, "NCUA/EXIM Bank Partnership Will Help Credit Unions Support Small Businesses
  https://www.ncua.gov/newsroom/press-release/2020/ncuaexim-bank-partnership-will-help-credit-unions-support-small-businesses
- NCUA Consumer Assistance Center
  https://www.mycreditunion.gov/consumer-assistance-center/Pages/default.aspx
- Press Release, August 18, 2020, "NCUA Charters Growing Oaks Federal Credit Union" https://www.ncua.gov/newsroom/press-release/2020/ncua-charters-growing-oaks-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 2021-2022 Budget Justification, November 19, 2020
  https://www.federalregister.gov/documents/2020/11/19/2020-25546/the-ncua-staff-draft-2021-2022-budget-justification
- 2021-2022 Budget Justification: Staff Draft, November 13, 2020
  https://www.ncua.gov/files/publications/budget/budget-justification-proposed-2021-2022.pdf

Looking Forward

- The Financial Stability Oversight Council 2020 Annual Report
  https://home.treasury.gov/system/files/261/FSOC2020AnnualReport.pdf
- Federal Reserve Board *Summary of Economic Projections*, December 2020
  https://www. federalreserve.gov/monetarypolicy/files/fomcprojtabl20201216.pdf

Performance Highlights

- *2018–2022 Strategic Plan*
  https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf
- Letter to Credit Unions, 20-CU-22, "Update to NCUA's 2020 Supervisory Priorities"
  https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/update-ncuas-2020-supervisory-priorities
- National Credit Union Administration Exam Flexibility Initiative Report, October 2016
  https://www.ncua.gov/files/letters-credit-unions/exam-flexibility-initiative-report-2016-oct.pdf
- Section 701.14 of the NCUA Rules and Regulations
  https://www.govinfo.gov/content/pkg/CFR-2011-title12-vol6/pdf/CFR-2011-title12-vol6-sec701-14.pdf
- NCUA's Cybersecurity Resources Page
  https://www.ncua.gov/regulation-supervision/regulatory-compliance-resources/cybersecurity-resources
- NCUA Regulatory Review
  https://www.ncua.gov/regulation-supervision/rules-regulations/regulatory-review
- 2021 Annual Performance Plan
  https://www.ncua.gov/files/agenda-items/AG20210114Item7b.pdf

Financial Highlights

- Enterprise Solution Modernization Program
  https://www.ncua.gov/regulation-supervision/examination-modernization-initiatives/enterprise- solution-modernization-program
- NCUA Mid-session Presentation to the NCUA Board
  https://www.ncua.gov/files/agenda-items/AG20200730Item5a.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 Results

- *2018–2022 Strategic Plan*
  https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf
- *2020 Annual Performance Plan*
  https://www.ncua.gov/files/agenda-items/AG20200123Item1b.pdf
- NCUA's Cybersecurity Resources Page
  https://www.ncua.gov/regulation-supervision/regulatory-compliance-resources/cybersecurity-resources
- NCUA's consumer website, MyCreditUnion.gov
  www.mycreditunion.gov
- NCUA Regulatory Reform Agenda
  https://www.ncua.gov/regulation-supervision/rules-regulations/regulatory-reform-agenda
- NCUA Rules and Regulations
  https://www.ncua.gov/regulation-supervision/rules-regulations
- Chartering Proof of Concept Tool
  https://www.ncua.gov/support-services/credit-union-resources-expansion/chartering
- *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 7, 2021
  https://www.govinfo.gov/content/pkg/FR-2021-01-07/pdf/2020-29181.pdf

Statistical Data

- NCUA Credit Union Analysis
  https://www.ncua.gov/analysis

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Credit Union Investments:	(800) 755-5999	ocmpmail@ncua.gov
NCUA Consumer Assistance Center:	(800) 755-1030	https://www.mycreditunion.gov/consumer-assistance-center
Office of Credit Union Resources and Expansion	(703) 518-6610	curemail@ncua.gov
Report Improper or Illegal Activities:	(800) 778-4806	oigmail@ncua.gov
Technical Support:	(800) 827-3255	onestop@ncua.gov

Thank you for your interest in NCUA's *2020 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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