



NCUA Annual Performance Budget 2012



Table of Contents

Message from the Board	3
Mission and Vision.....	4
High Priority Performance Goals	5
Major Agency Programs	6
Overview of Strategic Goals and Annual Objectives	8
Annual Performance Indicators and Targets	36
Strategic Performance Indicators and Targets	39
Appendix A – Budgetary Requirements by Program	41
Appendix B - Changes in Performance Indicators.....	42
Appendix C – Performance Management Process.....	43
Performance Management Process	43
Appendix D – External Factors	44

Message from the Board

We are pleased to present the National Credit Union Administration's (NCUA) Annual Performance Budget 2012. The Annual Performance Budget, or APB, is based on NCUA's Strategic Plan and complies with the Office of Management and Budget's (OMB) Government Performance and Results Act Modernization Act of 2010.

The current economic environment continues to provide challenges to the credit union industry, and NCUA continues to play a critical role in maintaining stability and public confidence in the United States' financial systems. This APB outlines NCUA's priorities and performance goals for the coming year to ensure we continue to meet our mission to promote confidence in the national system of cooperative credit.

The 2012 APB includes annual objectives that collectively support accomplishment of each of NCUA's strategic goals. NCUA's 2012 annual objectives are to:

- Monitor and control risk in consumer credit unions;
- Continue to stabilize the corporate credit union system;
- Ensure consumer credit unions that are members of bridge corporate credit unions transition from the bridge corporate entities without disruption of member services;
- Promptly pay member's insured shares upon involuntary liquidation of a credit union;
- Address consumer complaints effectively and efficiently;
- Assist low-income credit unions in growing and increasing accessibility of credit union services;
- Increase awareness of share insurance and credit unions in younger demographics;
- Increase total credit union membership potential;
- Reduce regulatory and/or legislative act violations;
- Improve communications with credit unions;
- Improve transparency of NCUA Guaranteed Notes Program;
- Recruit, hire and retain a larger, more diverse pool of potential candidates/employees;
- Enhance communication within the agency vertically and horizontally;
- Develop and implement agency succession planning for staff, mid-level managers and senior managers; and
- Develop and implement a comprehensive, integrated and strategic focus for diversity.

NCUA will monitor its progress, on a quarterly basis, toward meeting established objectives, as identified by the performance indicators and targets in this plan, and will use the performance management process to continue to improve and meet its strategic goals and mission.

The current economic environment and consumer sentiment have highlighted the value credit unions provide to the public as accessible financial institutions that are not driven by profit, but by the well-being of their members. The NCUA Board and staff will continue to promote the success of the credit union industry by providing the framework for a safe, sound system that is responsibly managed and able to provide desired services to their current and future members.

Mission and Vision

Throughout 2012, 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 *“NCUA will protect consumer rights and member deposits.”*

NCUA’s 2012 APB annual objectives support and complement the strategic goals. The 2012 NCUA annual objectives are based on each strategic goal as follows:

<u>Strategic Goals</u>	<u>Annual Objectives</u>
Ensure a safe, sound and healthy credit union system	Monitor and control risk in consumer credit unions
	Continue to stabilize the corporate credit union system
	Ensure consumer credit unions that are members of bridge corporate credit unions transition from the bridge corporate entities without disruption of member services
	Promptly pay member’s insured shares upon involuntary liquidation of a credit union
Promote credit union access to all eligible persons	Address consumer complaints effectively and efficiently
	Assist low-income credit unions in growing and increasing accessibility of credit union services
	Increase awareness of share insurance and credit unions in younger demographics
	Increase total credit union membership potential
Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations	Reduce regulatory and/or legislative act violations
	Improve communications with credit unions
	Improve transparency of NCUA Guarantee Notes Program
Cultivate an environment that fosters a diverse, well-trained and motivated staff	Recruit, hire and retain a larger, more diverse pool of potential candidates/employees
	Enhance communication within the agency vertically and horizontally
	Develop and implement agency succession planning for staff, mid-level managers and senior managers
	Develop and implement a comprehensive, integrated and strategic focus for diversity

Each annual objective has corresponding Performance indicator(s) and target(s). Performance indicators use measures from available data to provide a way to determine if the agency’s goals and objectives are met in the proposed time frame. Targets serve to establish a level of performance that

the agency strives to achieve. Performance indicators and targets will be reviewed quarterly to assess the effectiveness of NCUA's programs and strategies. This assessment allows the agency to make adjustments to improve performance throughout each year and strategic plan time frame.

High Priority Performance Goals

OMB requests that all agencies identify a limited number of High Priority Performance Goals (HPPGs) as part of a government-wide management and performance framework. As defined by OMB, HPPGs are short-term goals that have high direct value to the public and resolve challenges that will lead to improved effectiveness or efficiency that could not be overcome without directing agency resources to their achievement. HPPGs should be achievable within eighteen to twenty-four months. Furthermore, HPPGs should be stated as performance outcomes, which can be evaluated through the use of quantitative performance indicators.

NCUA has integrated its HPPGs and annual objectives. This is explained in the subsequent Strategic Goals and Annual Objectives section. The goals and objectives are designed to contribute to NCUA's strategic goal achievement. While all annual objectives are important and the agency will strive to achieve them, the HPPGs are the highest priority in the short-term necessary to meet NCUA's mission. Accordingly, they will receive the necessary agency focus and resources to be achieved within eighteen to twenty-four months. The HPPGs for 2012 are to:

- Monitor and control risk in consumer credit unions, *as measured by net worth growth in consumer credit union system, the long term assets ratio, the potential loss coverage ratio, and a reduction in the National Credit Union Share Insurance Fund (NCUSIF) losses as a percentage of total insured shares;*
- Continue to stabilize the corporate credit union system, *as measured by the corporate credit union system capital ratio requirements; and*
- Ensure consumer credit unions that are members of bridge corporate credit unions transition from the bridge corporate entities without disruption of member services, *as measured by the percent of credit unions that successfully transition.*

These three priorities represent the most beneficial use of agency resources in the coming year to achieve the largest positive impact to credit union members and the public.

Major Agency Programs

NCUA's major programs¹ are:

Corporate Credit Union Supervision

The supervision program for corporate credit unions provides close monitoring of all 24 federal and state-chartered institutions. Each corporate credit union undergoes an annual examination as well as a monthly onsite or offsite supervision contact, depending on size and complexity. Corporate credit unions are also required to file detailed financial data via call reports on a monthly basis. The focus of NCUA's efforts in supervising corporate credit unions is to ensure their ongoing safety and soundness as well as their continued ability to provide uninterrupted services to the consumer credit unions they serve.

Consumer Credit Union Supervision

The supervision program includes the annual examination and consistent supervision oversight of all federal consumer credit unions. Additionally, state-chartered, federally insured credit unions with over \$250 million in assets are examined annually by NCUA. The program contributes to the safety and soundness of the credit union system by identifying and resolving industry risks at the earliest time. Interest rate risk, credit risk, concentration risk and strategic risk continue to be the main focus of the supervision program for the coming year. Regulations and informative guidance are issued periodically to assist the industry in managing associated risk areas.

Insurance

The NCUA manages the NCUSIF, which provides insurance for member deposits held at federally-insured consumer and corporate credit unions. The NCUSIF is capitalized by credit unions. NCUA protects the integrity and financial stability of the NCUSIF by managing risks and minimizing losses. In 2010, Congress permanently increased the insurance limit per account type was increased permanently by Congress from \$100,000 to \$250,000.

Small Credit Union Initiatives

The NCUA fosters credit union development, particularly the expansion of services provided by small credit unions to eligible consumers. This is fulfilled through training, partnerships and assistance. A major source of assistance is the Community Development Revolving Loan Fund (CDRLF), which provides loans and grants to credit unions that serve low-income members to assist credit unions in providing basic financial services and stimulating economic activities in their local communities.

Consumer Protection

NCUA protects credit union members through effective enforcement of consumer protection regulations and requirements. NCUA's commitment to protecting consumers is demonstrated by the establishment

¹ A "program" is described by OMB as, "an organized set of activities directed toward a common purpose or goal that an entity undertakes or proposes to carry out its responsibilities". OMB has previously designated and assessed three distinct NCUA programs: Supervision, Insurance, and the Credit Union Loan and Technical Assistance Grant program (small credit union initiatives).

of the Office of Consumer Protection (OCP) to enhance consumer protection, education, and access to credit union services.

Asset Management

Through its Asset Management and Assistance Center (AMAC), NCUA conducts credit union liquidations and manages the assets of failed credit unions to minimize costs to the NCUSIF. AMAC conducts the payment of share insurance to members as part of the liquidation process. AMAC also participates in credit union examinations by performing reviews of large complex loan portfolios and actual or potential bond claims. It also participates in the operational phases of conservatorships and records reconstruction.

Overview of Strategic Goals and Annual Objectives

<u>Strategic Goal 1</u>	<u>Strategic Outcomes</u>
Ensure a safe, sound, and healthy credit union system	An effective supervision program for federally insured credit unions
	A stabilized corporate credit union system that continues to provide services to consumer credit unions
	Uninterrupted service for consumer credit unions transitioning from bridge corporate credit unions
	Credit union liquidations cause minimal disruption to member access to funds
Contributing Programs: Consumer Credit Union Supervision, Corporate Credit Union Supervision, Asset Management	

The Federal Credit Union Act assigns statutory responsibility of the NCUSIF and oversight of the credit union system to NCUA. NCUA focuses on balancing safety and soundness and credit unions' ability to meet their member needs by ensuring all programs work in concert to achieve this objective.

Through its supervision programs, NCUA conducts both consumer and corporate credit union examinations, enforces regulations, and disseminates guidance to assist credit unions in understanding regulations and emerging risks. Examinations, onsite and offsite supervision, and credit union call report data provide information that helps identify high-risk credit unions and resolve risks to the credit union system through increased supervisory guidance and administrative actions. NCUA's asset management program, administered by NCUA's AMAC, ensures members are paid promptly after any necessary liquidation and reduces losses to the NCUSIF through effective liquidation of failed credit union assets. AMAC staff also provides expertise by conducting examinations of large complex loan portfolios and participating in operational phases of conservatorships.

The continued economic stagnation creates many challenges for consumers, the credit union system, and NCUA. NCUA has taken several steps and initiatives to help credit unions remain safe and sound through these challenging times. In 2009, NCUA began a three-part strategy to stabilize, resolve and reform the troubled corporate credit union system. Initially, NCUA stabilized the system by providing liquidity through special lending initiatives coupled with a guarantee program to encourage consumer credit unions to maintain deposits in the corporates. The Temporary Corporate Credit Union Stabilization Fund was also established so that expenses associated with problem resolution in the system could be repaid over a longer time, reducing the burden on the credit union system. In 2010, NCUA's resolution and reform strategies were finalized. The NCUA Board approved a new, stronger corporate rule to ensure the system remains safe and sound, and critically undercapitalized corporate credit unions were placed into conservatorship. Bridge corporate entities were established to conduct essential activities and ensure no interruption to member services.

NCUA Board and staff strategies and initiatives have proven successful in improving the health of the credit union system. There has been no interruption of services as credit unions of conserved

corporates were transitioned to bridge corporate entities. The agency has managed toxic assets to minimize losses and as a result future assessments to pay for losses will be lowered. Additionally, two bridge corporates developed viable long-term plans and received sufficient member support through capital subscriptions to emerge from bridge status. These plans included merging with another corporate or applying for a new charter and merging the new charter with the bridge corporate to establish themselves again as corporate credit unions, independent of NCUA direction.

To maintain safety and soundness for consumer credit unions, NCUA has continued to implement its annual examination program. The examiner workforce has been increased by ten percent since 2010 to accommodate the program. Examiners have consistently used administrative actions as necessary to mitigate risks before they turn into costly problems for the system. The NCUA Board and staff have also increased communications with credit unions and provided guidance to them to ensure their understanding of regulations, potential risks and recommended mitigation strategies. As a result, credit unions' financial stability has improved as shown in call report data that demonstrates returns on assets and loans have increased, while loan delinquencies and charge-offs have decreased. The net worth of the credit union system as a whole has also improved, nearing ten percent.

The Board has initiated a Regulatory Modernization Strategy which focuses on, and intends to achieve a balance between, two areas: safety and soundness and regulatory relief. In the area of safety and soundness, the following regulations are in the proposal and comment stages through 2011 and early 2012:

- Loan Participation Protection Rule through which originators will retain some of the original risk on their balance sheets, while requiring participating credit unions to investigate loans thoroughly with initial and ongoing due diligence
- Derivatives/Interest Rate Hedge Rule which will provide new tools to manage balance sheet interest rate risk by allowing qualified credit unions to invest in simple derivatives

These ongoing efforts will help NCUA maintain a safe, sound and healthy credit union system.

Annual Performance Objective 1.1 – High Priority Performance Goal

Monitor and control risk in consumer credit unions

Goal Leader: Office of Examination and Insurance Director

Primary Contributing Offices: Office of Examination and Insurance, NCUA Regions, Office of the Chief Information Officer, Office of the Chief Economist, Office of Human Resources, Office of Corporate Credit Unions, Office of General Counsel

<u>Performance Indicators</u>	<u>2012 Target</u>
Net worth growth in consumer credit union system	<i>Obtain an aggregate increase in net worth dollars of at least 5 percent</i>
<i>Potential loss coverage</i>	<i>Decrease the aggregate potential loss coverage ratio from previous year</i>
<i>Long-term assets ratio</i>	<i>Maintain an aggregate net long-term assets ratio of less than 35 percent</i>
<i>NCUSIF losses/Total Insured Shares</i>	<i>Decrease</i>

Monitoring and controlling risk in consumer credit unions continues to be a high priority goal for NCUA. A stable and healthy credit unions system is the foundation that enables credit unions to continue to provide services to their members and introduce new services or products to meet member needs.

In 2012, NCUA will continue efforts to stabilize the credit union system by monitoring and controlling risk through the following means, strategies, and initiatives:

Operational processes and strategies:

- Effectively and efficiently manage the annual examination program by ensuring:
 - Timely completion of examinations;
 - Effective follow-up with CAMEL 3, 4 and 5 credit unions;
 - Prompt and effective supervisory and resolution actions, if warranted;
- Ensure consistency of supervision and examination for all credit unions;
- Ensure prompt and efficient resolution actions when appropriate;
- Implement the National Supervision Policy Manual;
- Initiate development of the Information Quality system, an integrated, online (web-based) system to capture, display, and deliver credit union supervision and enforcement information by creating a single point of access, thereby streamlining the process, enhancing efficiency;
- Provide ongoing staff training in identified emerging risk areas to enhance examination effectiveness;
- Work closely with the State Supervisory Authorities to ensure necessary action to mitigate risk within the state credit union program; and
- Issue quarterly key financial statistics at Board meetings to ensure transparency of performance.

Human Capital:

NCUA continues to hire new examiners to ensure effective supervision and examination of consumer credit unions, including staffing for enhanced credit risk analysis, and providing necessary training.

Information Technology:

NCUA will continue increasing use of its Online Learning system to facilitate training and increase staff's efficiency. A business needs blueprint for a new Information Quality system will also take place in 2012. The system will connect to and retrieve data from various existing enterprise systems but provide a single access point for NCUA staff, providing greater efficiency.

Annual Performance Objective 1.2 – High Priority Performance Goal

Continue to stabilize the corporate credit union system.

Goal Leader: Office of Corporate Credit Unions Director

Primary Contributing Offices: Office of Examination and Insurance

<u>Performance Indicators</u>	<u>2012 Target</u>
<i>Corporate credit unions will maintain the following capital ratios or greater:</i>	
<i>4 percent interim leverage</i>	<i>100% meet by December 31, 2012</i>
<i>4 percent Tier 1 risk-based</i>	<i>100% meet by December 31, 2012</i>
<i>8 percent total risk-based</i>	<i>100% meet by December 31, 2012</i>
<i>2 percent NEV ratio</i>	<i>100% meet by December 31, 2012</i>

This objective will continue to be one of NCUA's top priorities. NCUA implemented its three-part Corporate Resolution Plan to stabilize, resolve, and reform the corporate credit union system. In September 2010, the NCUA Board approved a corporate rule that sets new capital standards and investment limits to maintain stability and liquidity. Throughout 2011 the Board and staff have continued to implement these initiatives and have seen their success: corporate credit unions have maintained sufficient liquidity to meet member needs, the majority of corporate credit unions requiring additional capital have been successful in their capital raises, the members of two bridge corporate entities have successfully capitalized as merged or newly chartered corporate entities, the resolution plans for the other two bridge corporates will be implemented beginning fourth quarter 2011, and there has been no interruption of services to member credit unions or their 90 million consumers.

NCUA will use the following means, strategies, and initiatives to improve the stability of the corporate credit unions system:

Operational processes and strategies:

- Resolve all bridge corporates through transition to other entities;
- Enhance the surveillance function to look at industry wide risks such as interest rate risk and liquidity through the utilization of internal and external resources;
- Implement the revisions to the Risk Focused Exam (RFE) process;
- Continue training on corporate issues through webinars and guidance letters;
- Update the Corporate Examiner's Guide;
- Escalate administrative action and supervision efforts to deter repeat material findings; and
- Implement appropriate messaging to credit unions regarding the expiration of the Temporary Corporate Credit Union Share Guarantee on December 31, 2012.

Human Capital:

NCUA will continue efforts to maintain the Office of Corporate Credit Unions (OCCU) fully staffed and trained to meet the ongoing financial market challenges. OCCU will continue to evaluate staffing needs in relation to the changing corporate credit union business model.

Information Technology.

The OCCU will adopt an examination reporting framework comparable to the Automated Integrated Regulatory Examination System (ARIES) examination system. It will also implement enhanced reporting through the NCUA 5310 Call Report process. Information technology resources will be needed for both of these improvements.

Annual Performance Objective 1.3- High Priority Performance Goal

Ensure consumer credit unions that are members of bridge corporate credit unions transition from the bridge corporate entities without disruption of member services.

Goal Leader: Region II Director

Primary Contributing Offices: All Regions, Office of Corporate Credit Unions, Office of Examination and Insurance

Performance Indicator

2012 Target

All credit unions transition from bridge corporate entities

100% by December 31, 2012

As part of the corporate credit union resolution strategy, NCUA chartered bridge corporate entities that assumed good assets and member share deposits from conserved corporate credit unions. This strategy ensured system stability and minimal disruption of services to members. It also allowed each bridge corporate credit union and their member credit unions time to develop a viable long-term plan to transfer operations to a newly chartered corporate credit union, or sell its operations to an existing entity, capable of providing uninterrupted services to its members. The members of two bridge corporate entities have fully capitalized and transitioned out of bridge status and the remaining one relative to this goal is expected to be resolved beginning late 2011. One of NCUA's highest priorities for 2012 is to ensure all member credit unions have transitioned from the bridge corporate entities. NCUA will use the following means, strategies, and initiatives to ensure an effective transition:

Operational processes and strategies:

Primary strategy and processes: voluntary merger of remaining bridge corporate credit unions serving consumer credit unions:

- Monitor the resolution process for remaining bridge corporate entity to ensure transition is completed without significant problems;
- Monitor the voluntary transition of consumer credit unions choosing to move to other service providers; and
- Maintain appropriate oversight of bridge corporate credit unions during any transition time frames.

Secondary strategy and processes should merger or sale not occur:

- Provide accurate and timely messaging, guidance and tools to impacted credit unions and their examiners;
- If deemed necessary, require credit unions to develop and implement a plan to change service providers;
- Through the ongoing supervision program, review a credit union's plans (when warranted) for transition to ensure uninterrupted service to credit union members;
- Examiners will discuss the corporate transition actions and due diligence process with impacted credit unions;
- Maintain adequate staffing at bridge corporate credit unions to ensure transitions are completed without significant problems; and

- Maintain appropriate oversight of bridge corporate credit unions during any transition time frames.

Human Capital:

NCUA field staff will need additional training on the status and issues faced when credit unions transition to the new service providers. OCCU will maintain a strong presence at bridge corporates through the wind down phase. OCCU specialists will be available to assist field staff with questions during the credit union transition process. Regional Divisions of Supervision will monitor and track the transition of all federally insured credit unions (FICUs) in their respective regions until 100 percent of the credit unions have successfully transitioned.

Annual Performance Objective 1.4

Promptly pay member's insured shares upon involuntary liquidation of a credit union.

Goal Leader: Asset Management and Assistance Center

Primary Contributing Offices: All Regions

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Average number of days from liquidation date to payout of confirmed member shares.</i>	<i>5 business days</i>

NCUA seeks to minimize disruptions to member access to their insured shares when a credit union is placed in liquidation. NCUA will use the following means, strategies, and initiatives to achieve this:

Operational processes and strategies:

- Regions will assist AMAC with liquidations when requested; Problem Case Officers and Examiners will assist in ensuring accurate member information is available in AIREs;
- When possible, examiners will mirror systems in emergency liquidations prior to AMAC on-site presence to preserve credit union data;
- Review conversion downloads into the AMAC accounting system ensuring accuracy; and
- Develop additional back-up capability for the AMAC systems.

Human Capital:

NCUA will confirm staff is adequate to promptly process a share payout, using temporary staff when necessary.

Information Technology:

NCUA will document procedures and controls for AIREs file transfers into the AMAC accounting system. SharePoint will be used to transfer files from the field to the office.

<u>Strategic Goal 2</u>	<u>Strategic Outcomes</u>
Promote credit union access to all eligible persons	A wide range of financial services are available to members and potential members from all walks of life.
	Members and potential members are aware of credit union membership benefits and that their accounts are insured up to \$250,000.
Contributing Programs: Consumer Protection, Insurance, Small Credit Union Initiatives, Supervision	

NCUA strives to promote access to credit union services, especially to consumers of modest means. Strategic Goal 2 is another one of NCUA's statutory responsibilities, and is supported by several NCUA programs. Both the small credit union initiatives and consumer protection programs actively promote access by educating consumers about the benefits of credit union memberships and providing consumer financial education. The Small Credit Union Initiatives Program manages the Community Development Revolving Loan Fund (CDRLF) which provides funds to small and low-income credit unions so they may improve and increase the types of services offered to their members and communities. The Consumer Protection Program manages the chartering of new credit unions as well as field of membership expansions, which allow existing credit unions to provide services to an increased market. The Supervision and Insurance Programs work together to regulate and provide guidelines for credit union services and chartering, ensuring that member funds are safe and accessible at all times. The Insurance Program, through the NCUSIF, also provides consumers with \$250,000 of insurance per account.

In 2009, NCUA approved the creation of the Office of Consumer Protection (OCP). The office was fully established in 2011 and all consumer protection functions within the agency have been consolidated in its Consumer Protection Program. The office manages a consumer hotline and has also established a webpage to answer questions and disseminate information to consumers. OCP works on interagency consumer regulations, conducts Fair Lending examinations, and is the Office of Primary Interest for the consumer compliance subject matter examiners. Additionally, it educates credit unions on any chartering and field of membership policy changes to ensure field of membership expansions are done responsibly and help increase access to the unbanked and the community.

The NCUA Board and program staff continue to create an environment that allows credit unions to better serve their members while maintaining safety and soundness of the system. The Small Credit Union Initiatives Program has continued to reach out with assistance to small and low-income credit unions. In 2011, the CDRLF Access Rule was enhanced to streamline the regulation, resulting in lesser regulatory burden and an easier application process. These changes are expected to increase the number of participating credit unions. Interest rates for the loan program will also be lowered to below market rates. The NCUA Board also approved a change in the Field of Membership rule which simplifies the chartering process as well as the process to define a community for a field of membership. Regulatory burdens for credit unions that serve low-income members in areas surrounded by high-income residents have also been reduced. Additionally, credit unions are now allowed to provide short-term small loan services to help their members avoid payday lenders that charge exorbitant fees. The Board continues to encourage and empower credit unions serving those of modest means.

NCUA has joined an interagency partnership to advance the financial literacy and education of the public. The partnership is comprised of the FDIC, Department of Education and NCUA, and will be particularly beneficial for small credit unions, their members, and communities as education efforts continue into 2012. The NCUA Board will also continue to be actively involved in community initiatives, town hall meetings, promoting financial literacy, and overall communicating the benefits of credit union membership and the NCUSIF.

Annual Performance Objective 2.1

Address consumer complaints effectively and efficiently.

Goal Leader: Office of Consumer Protection Director

Primary Contributing Offices: All Regions

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Average response time to consumer complaints</i>	<i>60 days or less</i>

OCP has been fully established and answers consumer questions and complaints. The office has established a call center hotline as well as an interactive website to provide service to credit union consumers. NCUA will use the following means, strategies, and initiatives to address consumer complaints effectively and efficiently:

Operational processes and strategies:

- Regularly update and expand the content of NCUA's consumer website, MyCreditUnion.gov;
- Ensure MyCreditUnion.gov content is available in Spanish;
- Ensure complaint process information is clear and current on all NCUA websites and publications;
- Regional staff will assist OCP by following-up with credit union supervisory committees that do not respond to requests for information;
- Ensure the electronic integrated workflow system is modified to maximize efficiencies and management reporting;
- Regularly review and update methods for taking complaints to ensure appropriate customer service to consumers with disabilities; and
- Provide regional staff with copies of all complaints so exam staff can address any issues with the credit unions during the examination process.

Human Capital:

NCUA will continue to provide training to staff as the call center system is upgraded and modified to ensure continued effective and efficient consumer support.

Information Technology:

Limited resources will be needed to continue to update MyCreditUnion.gov and ensure the Consumer Hotline and related software are continually functional.

Annual Performance Objective 2.2

Assist low-income credit unions in growing and increasing accessibility of credit union services.

Goal Leader: Office of Small Credit Union Initiatives Director

Primary Contributing Offices: All Regions, Office of Examination and Insurance, office of Consumer Protection, Office of the General Counsel, Office of the Chief Information Office

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Percent of CDRLF grants and loans to first time applicants</i>	25%
<i>Growth in number of Low-Income Designated CUs</i>	40 new per year

Increasing access to credit union services for low-income and unbanked consumers is one of NCUA's 2012 objectives. NCUA undertakes various initiatives to assist small and low-income credit unions achieve this. NCUA receives appropriated funds for some of these initiatives, and expends all funds and any additional funds gained from loan interest to assist credit unions in providing services and educational outreach to their members and communities. NCUA would like to expand and diversify the credit unions receiving technical assistance grants and is continuing to educate credit unions on availability and the application process.

NCUA will use the following means, strategies, and initiatives to increase accessibility of credit union services:

Operational processes and strategies:

- Streamline the CDRLF:
 - Implement fully the new Section 705 requirements;
 - Increase the award amounts for grants to encompass several of the offered initiatives, thereby reducing the time and effort used by all parties involved;
 - Provide access or methods for low-income credit unions to apply and upload the necessary documents electronically;
 - Create one application for all initiatives with a list of allowable usage of funds; and
 - Develop a single reimbursement process.

- Emphasize serving the underserved by:
 - Help credit unions determine eligibility for and secure low income designation;
 - Develop a marketing approach on the benefits of the low income designation;
 - Increase partnership and outreach efforts to provide more opportunities for credit unions to learn about and participate in programs to enhance their service delivery or improve operations;
 - Employ various methods of communications, such as web-based information sessions or focus groups, to enhance outreach; and
 - Develop partnership with OCP to market underserved area applications to multiple common bond credit unions.

Human Capital:

The Office of Small Credit Union Initiatives (OSCUI) will provide guidance to Regional field staff on resources available to low income credit unions so that they may also educate credit unions. It will also continue to provide training for its own staff on OMB and Department of Treasury guidance. OSCUI will also seek Spanish-speaking staff or a contractor to translate guidance, applications and forms for grants & loans, pursuant to E.O. 13166, "Improving Access to Services for Persons with Limited English Proficiency."

Information Technology:

In 2012, OSCUI will use information technology resources to make the processing of grants and loans more efficient, and to expand and enhance its website, which provides information on these resources for small and low-income credit unions.

Annual Performance Objective 2.3

Increase awareness of NCUSIF and credit unions in younger demographics.

Goal Leader: Office of Public and Congressional Affairs Director

Primary Contributing Offices: Office of Examination and Insurance, All Regions, Office of Small Credit Union Initiatives, Office of Consumer Protection, Office of the Chief Financial Officer, Office of the Chief Information Officer

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Number and age of NCUA's Twitter and Facebook followers</i>	<i>Benchmark NCUA's Twitter followers by appropriate age groups after Twitter launches age demographic analytics in the first quarter, 2012</i>
	<i>Increase NCUA's Facebook followers ages 25-44 by 150 percent in 2012</i>
<i>Percentage of credit unions offering mobile banking</i>	<i>Increase</i>

NCUA initiated the NCUA-Safe public education campaign in October 2010 to increase consumer awareness of deposit insurance at credit unions. Featuring Suze Orman, the campaign has to date garnered more than \$9.6 million in free public service announcements on television and radio, and reached more than 190 million individuals. NCUA will continue to feature the NCUA-Safe campaign through August 2012, but will not expend additional financial resources on distribution.

Additionally, NCUA continues to work to increase awareness of credit unions, the agency, and the protections provided by the NCUSIF through a variety of methods. In 2011, NCUA added a social media and outreach specialist to its Office of Public and Congressional Affairs (PACA). Social media is a primary way by which youth communicate and learn about issues. Increasing credit union awareness and membership among younger audiences through social media and other outreach tools will ensure the viability of the credit union system in the long term.

The average age of credit union members is currently 47 years old, up from 40 years old just a few years ago. The peak borrowing age bracket, however, is between 25 and 44 years of age. This means that the average credit union member is already past his or her prime borrowing years. To survive in the future, credit unions must begin attracting younger members in greater numbers. It is especially important to reach out to younger audiences who may be looking for their first financial services provider and may not be aware of credit union membership benefits.

Moreover, credit union members between ages 18 and 24 made up just six percent of membership in 2006. More recently, this young demographic in credit unions has shrunk to only four percent. Yet, nearly a third of the U.S. population is under age 20.

NCUA will increase knowledge of NCUSIF and credit union benefits in younger demographics through the following means and strategies in 2012:

Operational processes and strategies:

- Establish an agency-wide social media strategy;

- Increase the use of social media to enhance NCUA and NCUSIF public profiles, while lowering the average age of NCUA's social media followers;
- Publish articles in the *NCUA Report* on demographic data and ways to reach younger members;
- Increase the content of NCUA's YouTube channel:
 - Post at least one YouTube video blog each month on current economic trends for credit unions;
 - Post at least one YouTube video every other month on consumer topics aimed at younger audiences, like managing your credit card bills, buying a home, purchasing a car, and how to save;
- Expand NCUA's Twitter and Facebook presence, and increase NCUA's social media presence by at least one channel;
- Conduct outreach campaign aimed at increasing the number of credit union branches at schools;
- Develop and distribute a Letter to Credit Unions that outlines joint agency guidance on social media;
- Develop and distribute a white paper on social media best practices and successful methods for reaching out to potential younger members to all credit unions, as well as examiners who can help educate credit unions;
- Increase credit union awareness of social media tools and youth outreach; and
- Develop a dedicated micro-website within NCUA's MyCreditUnion.gov to increase awareness of credit unions among school-aged children.

Human Capital:

No additional staffing or skills are necessary. PACA will fund staff training as necessary to stay current on new technologies, social media platforms, and best practices.

Information Technology:

NCUA anticipates no need for new information technology. NCUA will maintain a contract with VOCUS for social media monitoring.

Annual Performance Objective 2.4

Increase total credit union membership potential.

Goal Leader: Region I Director

Primary Contributing Offices: All Regions, Office of Examination and Insurance, Office of Consumer Protection, Office of Small Credit Union Initiatives

<u>Performance Indicators</u>	<u>2012 Target</u>
<i>Number of potential members</i>	<i>Potential member growth of +7 percent</i>
<i>Number of potential members added through field of membership expansion</i>	<i>Increase in the number of potential members added through field of membership expansion from previous year</i>

Increasing membership potential will allow more people to enjoy the benefits credit unions provide to their members in their community or place of work. NCUA will seek to increase credit union membership potential through the following means and strategies:

Operational processes and strategies:

- Increase the addition of underserved areas;
- Continue educational campaign;
- Use the examination program to inquire about a credit union's ability or desire to add an underserved area to the field of membership; Examiners can discuss field of membership expansion with credit unions looking to safely grow their membership;
- Make presentations to educate NCUA staff on how to encourage underserved area additions and explain policy requirements using OCP and OSCUI staff; and
- Work with credit unions during examinations to ensure the accuracy of membership data recorded on the quarterly Call reports.

Human Capital:

OCP and/or OSCUI will develop presentations on underserved area additions as appropriate for use by NCUA staff. Relevant staff will familiarize themselves with any training materials related to field of membership expansion and work with credit unions in growing their potential membership.

Information Technology:

Resources will be necessary to assist OCP and/or OSCUI in developing presentations on underserved area additions and making these presentations available to NCUA staff via electronic means.

<u>Strategic Goal 3</u>	<u>Strategic Outcome</u>
<p>Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily-understood regulations</p>	<p>Credit Unions are an accessible financial institution choice for consumers of all backgrounds and income levels</p>
	<p>Regulations are user friendly, effective and enhance the safety of the credit union system without adding undue burden</p>
<p>Contributing Programs: Consumer and Corporate Credit Union Supervision Programs, Asset Management</p>	

The NCUA Board seeks to create a regulatory environment that balances safety and soundness while enabling credit unions to be an accessible choice for consumers and continue to introduce products to better serve their members. NCUA's Consumer and Corporate Credit Union Supervision Programs and its Asset Management Program work together to achieve this. The Board develops credit union regulations and the supervision programs provide appropriate guidance and clarification on regulations and emerging issues in the credit union and financial services industry.

In 2010, the Board finalized the rule on authorities and duties of federal credit union directors, clarifying their fiduciary duties. A cornerstone of the rule which will help credit unions remain financially sound is the new financial literacy requirement for directors. Throughout 2010 and 2011, NCUA prepared additional guidance for directors: a Letter to Federal Credit Unions, an online training module, multiple workshops around the country, and other training materials—all of which were designed to assist directors in achieving the necessary financial literacy skills.

NCUA continues to improve the effectiveness and transparency of its regulations by increasing communications with credit unions and examiners, as well as the means used to communicate, to ensure greater transparency and fair application of these regulations. After passing the new corporate regulation rule in 2010, the Board conducted Town Hall meetings throughout the country. Over 2500 stakeholders attended these meetings. Noting that greater overview and transparency were needed pertaining to one of the vehicles used to securitize legacy assets as the primary funding source for the resolution of troubled corporate credit unions, the Board formed the NCUA Guarantee Notes (NGN) Oversight Committee. The committee addresses the need for long-term, streamlined management of the NGN operational activities. NCUA has also engaged an advisory firm that will conduct quarterly modeling of losses and cash flows on the securitized assets to ensure better understanding and transparency of the NGN performance.

The Board initiated a Regulatory Modernization Strategy in 2011 which strives to reduce the regulatory burden on credit unions while balancing safety and soundness of the system. The Board knows there is a need to modify regulations to keep credit unions from discouraging deposits, a large increase of which can result in a lower net worth ratio. In 2012, the Board will continue to pursue ways to

streamline regulations, reduce regulatory burdens, while still maintaining appropriate safety and soundness.

Annual Performance Objective 3.1

Reduce regulatory and legislative act violations.

Goal Leader: Region III Director

Primary Contributing Offices: Office of Examination and Insurance, Office of General Counsel, All Regions, Office of Consumer Protection, Office of Small Credit Union Initiatives

<u>Performance Indicators</u>	<u>2012 Target</u>
<i>Violations as a percentage of credit union loans for: Equal Credit Opportunity Act violations Home Mortgage Disclosure Act violations Fair Housing Act violations Truth-in-Lending violations</i>	<i>Decrease incidence rate on all from previous year</i>

Regulations should not impede accessibility to credit union services, but allow credit unions to increase their availability. There are various regulations that ensure consumers have fair access to financial services. Violations of these regulations, or lack thereof, can serve as a measure to determine whether regulations increase accessibility of credit unions services. NCUA will also use the number of complaints received pertaining to regulations as a measure of whether these regulations are increasing or preventing accessibility of services to credit union consumers.

NCUA staff will use the following means and strategies to decrease regulatory violations:

Operational processes and strategies:

- Educate staff on annual regulation review process whereby one-third of NCUA's regulations are reviewed each year, and provide updates on new or changing regulations:
 - Increase communications with NCUA staff to enhance knowledge and understanding of regulations;
 - Develop webinars on a timely basis for new regulations to keep staff informed; and
 - Implement compliance core classes and quarterly national summary to include information on new regulations or significant regulation changes.
- Increase communication with credit unions to educate them on regulatory requirements and how these can be met;
- Use a plain writing objective when writing regulations so they are easily understood; and
- Address and provide remedies for consumer regulation violations.

Human Capital:

NCUA will continue to increase training to staff so they are fully knowledgeable on regulations and their effective implementation.

Information Technology:

NCUA will continue to use a data collection system to capture violations and count them to determine how many violations exist, along with a reporting mechanism from the regional to the central office. Instructions will also be given on how to actually count violations. Consistency in how data is captured from an integrity standpoint will also be important if NCUA is to measure and report on this goal.

Annual Performance Objective 3.2

Improve communications with credit unions.

Goal Leader: Chief Operating Officer

Primary Contributing Offices: Office of Examination and Insurance, Senior Strategic Communications and External Relations Advisor, Office of Public and Congressional Affairs

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Attendance in quarterly industry webinars</i>	<i>Increase from 2011 numbers</i>

NCUA will strive to improve communications with credit unions to increase their understanding of regulations and NCUA initiatives and will use the following means and strategies:

Operational processes and strategies:

- Continue quarterly Chairman webinars with the credit union industry and monthly webcast of open Board meetings, ensuring both types of events are well-advertised to maximize attendance;
- Increase promotion and circulation of NCUA Report;
- Issue Letters to Credit Unions to improve understanding of Board actions, NCUA programs and processes, industry best practices, emerging risks;
- Implement Plain Writing Act of 2010 to ensure better understanding of regulations and guidance:
 - Educate all staff on requirements to write all public materials in an easily understood and concise manner;
 - Ensure all public documents are written in plain English; and
- Ensure information pertinent to credit unions is easy to find in the new ncua.gov website.

Human Capital:

Staff will receive training on the Plain Writing Act to ensure effective implementation.

Information Technology:

NCUA will use available technologies such as webinars and You Tube videos to increase credit union access to NCUA Board actions and regulatory information.

Annual Performance Objective 3.3

Improve transparency of NCUA Guarantee Notes Program.

Goal Leader: NGN Securities Management and Oversight Committee

Primary Contributing Offices: Office of Examination and Insurance, Office of the Chief Financial Officer, Asset Management and Assistance Center

<u>Performance Indicator</u>	<u>2012 Target</u>
Publish NGN transparency information on <u>www.ncua.gov</u>	Publish and update quarterly and/or semi-annually
Add NGN specific disclosures to Temporary Corporate Credit Union Stabilization Fund (TCCUSF) Report	Present NGN transparency information quarterly

Noting that greater overview and transparency were needed pertaining to one of the vehicles used to securitize legacy assets – the primary funding source for the resolution of troubled corporate credit unions – the Board formed the NCUA Guarantee Notes (NGN) Securities Management and Oversight Committee (Committee). The Committee addresses the need for long-term, streamlined management of the NGN initiative’s operational activities. NCUA has also engaged an advisory firm that will conduct quarterly modeling of losses and cash flows on the securitized assets to ensure better understanding and transparency of the NGN initiative’s performance.

Operational processes and strategies:

The NGN Securities Management and Oversight Committee holds the following responsibilities:

- Meet on a quarterly basis, or more often if needed;
- Provide stewardship in the areas of fiduciary responsibility, asset management, resolution authority and financial reporting; and
- Coordinate the efforts of all offices contributing to the NGN program to ensure compliance with legal, reporting, and other responsibilities while, at the same time, maintaining transparency to key stakeholders, including communication of any significant NGN program changes.

Human Capital:

The Committee is comprised of the Director of Examination and Insurance, Chief Financial Officer, and President of AMAC. Current NCUA staff from all three offices, as well as five new hires, will contribute to management of the NGN Program.

Information Technology:

The Committee will utilize SharePoint to communicate and organize Committee functions. NCUA staff will utilize external vendors to complete appropriate monitoring and analysis of the NGN Program.

<u>Strategic Goal 4</u>	<u>Strategic Outcome</u>
Cultivate an environment that fosters a diverse, well-trained and motivated staff.	NCUA becomes an employer of choice.
This is not a program-specific goal, but one that allows the agency to meet all its other programs and goals.	

NCUA leadership recognizes that the agency will not meet its goals and mission without its most important resource: its people. Human capital management has been raised to the strategic goal level to highlight its importance and management's commitment to creating an environment that fosters a diverse, well-trained and motivated staff. Throughout 2010 and 2011, the agency has continued to hire additional staff as needed to implement agency programs, and has maintained a low vacancy rate. Leadership established the Office of Minority and Women Inclusion (OMWI) in 2011 as required by the Dodd-Frank Act.

<u>Annual Performance Objective 4.1</u>	
Recruit, hire and retain a larger, more diverse pool of potential candidates/employees.	
Goal Leader: Office of Human Resources Director	
Primary Contributing Offices: All Directors and Selecting Officials	
<u>Performance Indicators</u>	<u>2012 Target</u>
<i>Increase diversity of new hires in underrepresented categories to include veterans and those with disabilities</i>	<i>Increase by 10%</i>
<i>Increase diversity representation in senior level staff (CU-13 and above) hiring</i>	<i>Increase by 10%</i>
<i>Decrease in number separations of minorities</i>	<i>Decrease by 10%</i>

One of NCUA's human capital goals for 2012 is to increase diversity throughout the agency at all levels. It will achieve this through the following means and strategies for improved hiring and retention:

Operational processes and strategies:

- Improve recruiting under merit-promotion;
- Maximize participation in job fairs;
- Increase diversity representation through outreach and targeted recruitment initiatives;
- Collaborate with minority serving institutions and associations promoting inclusion and diversity hiring;
- Provide recruiting training to all new supervisors;
- Train cadre of recruiters on effective recruiting and outreach techniques;
- Expand announcement distribution to include minority serving publications;

- Provide supervisor training on providing performance conversations and effective feedback;
- Establish partnerships with military organizations to include wounded warriors to increase veterans' appointments; and
- Increase partnerships with disability organizations to increase Schedule A appointments.

Human Capital:

Establish Special Emphasis Programs and Focus groups within the agency to meet on a regular basis to discuss ways to increase diversity and inclusion within NCUA.

Information Technology:

The Office of Human Resources (OHR) will use webinars, conferences and teleconferences for effective and efficient training throughout the agency.

OHR will use information technology resources to increase office automation and efficiencies. Specifically, it seeks to automate SF 52 (Personnel Action Request) processing and the program for noncompetitive resumes from job fairs, etc.

OHR will migrate to USAStaffing which will provide a web-based software solution that completely automates the recruitment, assessment, referral and notification processes for public sector hiring.

Annual Performance Objective 4.2

Enhance communications within the agency vertically and horizontally.

Goal Leader: Chief Operating Officer

Primary Contributing Offices: All Office and Region Leadership

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>OPM Employee Viewpoint survey question 64, "How satisfied are you with the information you receive from management on what's going on in your organization?"</i>	<i>Improve from 56 % (2010) to 65% positive responses</i>

NCUA leadership knows the importance of keeping all staff informed about what is happening in the credit union industry as well as within NCUA. Leadership has made efforts to improve communications throughout and with all levels of agency staff and will continue to do so in 2012. NCUA leadership will use the following means and strategies to enhance communications:

Operational processes and strategies:

- Continue and further improve National Treasury Employees Union (NTEU) relationship via the Partnership Council;
- Enhance timely communication regarding partnership issues;
- Encourage managers to provide continuous feedback on performance and performance goals, expectation, accomplishment,; mission, and solicit employees' feedback/input/ideas;
- Use webinars, teleconferences, and timely emails to improve communications with staff;
- Use internal communications working group to solicit feedback;
- Continue to send regulatory and policy action briefings to staff prior to release outside the agency; and
- Continue Inside NCUA Weekly newsletter to keep staff apprised of changes.

Human Capital:

As one of the Partnership Council initiatives, NCUA established an internal communications working group comprised of cross-agency representation and management will continue to use them to solicit feedback on ways to improve communications to all staff.

Information Technology:

NCUA leadership will utilize available technologies such as webinars to more effectively disseminate information to staff in a timely manner and encourage interaction and feedback.

Annual Performance Objective 4.3

Develop agency succession planning for staff, mid-level managers, and senior managers.

Goal Leader: Office of Human Resources Director

Primary contributing Offices: Senior Leadership

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Increase in Succession Plans for Each NCUA Organization to include Regional Offices and Field Offices</i>	<i>Each NCUA Office has a Plan</i>
<i>Increase NCUA employees applying for senior level positions (CU-13 and above)</i>	<i>Increase by 25%</i>

Human capital is the agency's most important resource. NCUA must be prepared as staff retires or leave their positions to pursue other opportunities. A succession plan will enable the agency to determine what skills, abilities, and knowledge is needed now and in the future to fill critical staff positions. NCUA will use the following means and strategies to develop its succession plans:

Operational processes and strategies:

- Complete the comprehensive Succession Management Study to better understand the factors that enable and/or hinder NCUA employees from taking full advantage of leadership opportunities;
- Explore strategies to ensure continuity of leadership by cultivating talents within NCUA;
- Proactively identify, harness, and cultivate talent through training, action learning, mentoring, job rotation and other leadership developmental opportunities; and
- Establish focus groups to discuss current and future needs for staff succession planning.

Human Capital:

OHR will seek to enhance leader development programs, provide executive coaching sessions, enhance supervisory development and provide leadership conferences, as well as hire a resource (time-limited appointment) to work on the succession management project.

Annual Performance Objective 4.4

Develop and implement a comprehensive, integrated and strategic focus for diversity.

Goal Leader: Office of Minority and Women Inclusion Director

Primary Contributing Offices: All NCUA Offices and Regions

<u>Performance Indicator</u>	<u>2012 Target</u>
<i>Use the civilian labor force (CLF) demographic data to compare and measure diversity at all staff levels</i>	<i>Equal or exceed the CLF figures where low participation exists</i>
<i>Improve use of women and minority owned businesses when contracting for goods and services</i>	<i>Establish baseline and continue improving</i>

NCUA strives to include the principles of diversity as a core business performance goal. This goal entails developing and promoting a diverse workforce where the talents of all individuals are fully used as required under equal employment opportunity laws. The agency will cultivate an environment that promotes diversity and inclusion in all workplace programs and activities to enable all individuals to participate at their full potential.

Operational processes and strategies:

- Develop agency-specific Diversity and Inclusion Strategic Plan that identifies and adopts best practices in an integrated manner in compliance with the Government-Wide Diversity and Inclusion Plan;
- Establish a Diversity Working Group (consisting of OHR, Equal Opportunity Programs (EOP) , Asset Management and Assistance Center (AMAC), Office of the Chief Financial Officer (OCFO) and the regions) to:
 - Collaborate and establish diversity objectives, milestones, and measures;
 - Identify and develop strategies to improve the inclusion of low participation groups (i.e., gender, ethnic, and disabled persons) in all major occupational categories (i.e., Examiners, Attorneys, information technology Specialists, Accountants) and at all grade levels of employment at AMAC, and the central and regional offices;
 - Identify and develop strategies to improve the inclusion of women and minority owned businesses in NCUA contracting awards;
 - Discuss the successes, barriers, and/or challenges in meeting diversity goals and objectives;
- Track efforts, best practices, and challenges toward recruiting, hiring, developing, advancing, promoting, and retaining staff in all underrepresented groups within the agency;
- Conduct an analysis to identify, address, and eliminate barriers to equal employment opportunity where low participation triggers exist; and
- Develop data systems and reports to better track diversity actions at all levels within the agency.

Human Capital:

OMWI, OHR and EOP will ensure managers and staff are provided training on diversity and inclusion through speakers, classroom training, webinars, special emphasis programs, etc.

Information Technology:

OMWI, OHR and EOP will obtain information technology resources to develop systems to track diversity goals/results in the NCUA workforce and contracting awards.

Annual Performance Indicators and Targets

Objective 1.1 - Monitor and control risk in consumer credit unions.						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Net worth growth in consumer credit union system	11.4	10.6	9.9	10.1	10.2	>5%
Potential loss coverage						Decrease
Long-term assets ratio	30.0%	31.9%	31.55%	33.0%	33.27%	<35%
NCUSIF Losses/Total Insured Shares	0.046%	0.067%	0.132%	0.065%	0.009%	Decrease
Objective 1.2 - Continue to stabilize the corporate credit union system						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
4 percent interim leverage ratio	N/A	N/A	N/A	N/A	79.2%	100%
4 percent Tier 1 risk-based ratio	N/A	N/A	N/A	N/A	N/A	100%
8 percent total risk-based ratio	N/A	N/A	N/A	N/A	N/A	100%
2 percent Net Economic Value	N/A	N/A	N/A	N/A	TBD	100%
0.3 percent retained earnings ratio	N/A	N/A	N/A	N/A	N/A	100%
Objective 1.3 - Ensure consumer credit unions that are members of bridge corporate credit unions transition from the bridge corporate entities without disruption of member services						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Percent credit unions that transition from bridge corporate entities	N/A	N/A	N/A	N/A	TBD	100%
Objective 1.4 - Promptly pay member's insured shares upon involuntary liquidation of a credit union						
Performance Indicator	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Average number of days from liquidation date to payout of member shares	4.25	4.3	3.5	6.25	3 (YTD)	5 days

Objective 2.1 – Address consumer complaints effectively and efficiently						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Avg. response time: consumer complaints	N/A	N/A	N/A	N/A	60 days	60 days
Objective 2.2 - Assist low-income credit unions in growing and increasing the accessibility of credit union services.						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Percent CRDLF grant/loans to first-time applicants	99%	51%	28%	36%	24%	25 %
Growth in total number of Low-Income Designated credit unions	1087	1088	1085	1111	1118	Increase by 40 (to 1158)

Objective 2.3 - Increase total membership potential						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Number of potential member growth rate	7.7%	9.1%	5.1%	7.5%	3.3%	7 percent
Number of potential members added through field of membership expansion (millions)	34.5	8.5	19.2	14.5	8.9	Increase
Objective 2.4 - Increase awareness of share insurance and credit unions in younger demographics						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Increase NCUA's Facebook followers ages 25-44	N/A	N/A	N/A	N/A	369	Increase by 150%
Percentage of credit unions offering mobile banking	N/A	N/A	5.7%	9.8%	14.2%	Increase

Objective 3.1 - Decrease the number of regulatory and or legislative act violations						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Incident rate of violations:						
Equal Credit Opportunity Act	102	83	85	77	26	decrease
Home Mortgage Disclosure Act	51	53	48	29	21	decrease
Fair Housing Act	21	13	9	10	4	decrease
Truth-in-Lending Act	289	292	298	255	206	decrease
Objective 3.2 - Improve communications with credit unions						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Attendance in quarterly webinars	N/A	N/A	N/A	N/A	9,091	Increase
Objective 3.3 - Improve transparency of NCUA Guarantee Notes program						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Publish NGN transparency information on www.ncua.gov	N/A	N/A	N/A	N/A	N/A	Publish Quarterly and/or semi-annually
Add NGN specific disclosures to TCCUSF Report	N/A	N/A	N/A	N/A	N/A	Quarterly

Objective 4.1 - Recruit a larger, more diverse pool of potential candidates						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 ² Est.	2012 Target
Increase diversity of underrepresented categories of new hires to include those with disabilities and veterans	N/A	N/A	N/A	N/A	N/A	Increase by 10%
Increase diversity representation in senior level staff (CU-13 and above) hiring	N/A	N/A	N/A	N/A	N/A	Increase by 10%
Decrease in number separations of minorities	N/A	N/A	N/A	N/A	N/A	Decrease by 10%
Objective 4.2 - Enhance communication within the agency vertically and horizontally						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
OPM Employee Viewpoint survey question 64, "How satisfied are you with the information you receive from management on what's going on in your organization?"	N/A	40.7%	N/A	44.7%	N/A	Improve to 50% positive response
Objective 4.3 - Develop agency succession planning for staff, mid-level managers and senior managers						
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 ³ Est.	2012 Target
Increase in Succession Plans for each NCUA Organization to include Regional Offices	N/A	N/A	N/A	N/A	N/A	Each Office or Region has plan
Increase NCUA employees applying for senior level positions (CU-13 or above)	N/A	N/A	N/A	N/A	N/A	Increase 25%
Objective 4.4 - Develop and implement a comprehensive, integrated and strategic focus for diversity						
Performance Indicator	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target
Use the civilian labor force (CLF) demographic data to compare and measure diversity at all levels	N/A	N/A	N/A	N/A	N/A	Equal or exceed
Improve use of women and minority owned businesses when contracting for goods and services	N/A	N/A	N/A	N/A	N/A	Establish baseline and increase

² NCUA will establish a baseline at the beginning of 2012 and begin to track data for these new performance indicators.

³ NCUA will establish a baseline at the beginning of 2012 and begin to track data for these new performance indicators.

Strategic Performance Indicators and Targets
Goal 1 - Ensure a safe, sound and healthy credit union system.

Outcome 1.1 - An effective supervision program for federally insured credit unions (FICU).							
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target	2014 Target
Percentage of FICUs with CAMEL rating 1 or 2	79.8%	77.1%	73.8%	77.8%	83%	74%	78%
Percentage of rehabilitated problem FICUS (former CAMEL 4/5 that have improved to 3 or above)	46.2%	36.8%	39.9%	17.9%	20.2%	25%	35%
Percentage of FICUs >100 million in assets with CAMEL rating 1 or 2	80.3%	80.8%	80.1%	80.6%	80.1%	88%	92%
Outcome 1.2 – A stabilized corporate credit union system that continues to provide services to consumer credit unions.							
Percentage of corporate credit unions that meet NCUA retained earnings/net worth ratio requirements.	N/A	N/A	N/A	25%	44%	100% by 2013 ⁴	100%

Goal 2 - Promote credit union access to all eligible persons.

Outcome 2.1 - A wide range of financial services are available to members and potential members from all walks of life.							
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target	2014 Target
Growth in potential membership	7.7%	9.7%	5.1%	7.5%	3.3%	9%	9% annually
CDRLF funds are provided for outreach and enhancing financial services to members and potential members.	TBD	TBD	TBD	75%	75.8%	TBD	75% or higher
Outcome 2.2 - Members and potential members are aware that their accounts are insured up to \$250,000.							
Percent consumer hotline member questions related to NCUSIF that are satisfactorily resolved.	N/A	N/A	N/A	N/A	N/A	100%	100%

⁴ The new corporate rule established new retained earnings requirements for corporate credit unions which are in process of restructuring and recapitalizing. The targets are that all corporate credit unions will have a .45 percent retained earnings ratio by 2013 and all will have a 1 percent ratio by 2016, followed by a 2 percent ratio for 2020 and subsequent years.

Goal 3 - Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations.

Outcome 3.1 - Credit Unions are an accessible financial institution choice for consumers of all backgrounds and income levels.							
Performance Indicators	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target	2014 Target
Growth in potential members in underserved areas and community charters.	34.55 million	16.89 million	19.17 million	14.47 million	8.87 ⁵ million	Continue to add potential members	Continue to add potential members
Growth in the use of credit union services (in dollars)						Increase	Increase
Regular shares	(6.7%)	5.7%	11.8%	10.3%	9.3%	Increase	Increase
Loans	6.7%	6.4%	1.0%	(1.4)%	0.4%	Increase	Increase
Credit cards	13.4%	7.6%	6.4%	3.1%	(0.3)%	Increase	Increase
Percentage of credit unions satisfying the terms of their marketing and business plans.	N/A	N/A	N/A	N/A	N/A	Establish baseline	TBD
Outcome 3.2 - Regulations are user friendly, effective and enhance the safety of the credit union system without adding undue burden.							
Performance Indicator	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target	2014 Target
On a rolling basis, NCUA reviews and revises one-third of existing regulations	1/3 reviewed	1/3 to be reviewed	1/3 yearly				

Goal 4 - Cultivate an environment that fosters a diverse, well-trained and motivated staff.

Outcome 4.1 – NCUA becomes an employer of choice.							
Performance Indicator	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.	2012 Target	2014 Target
Number of NCUA examiners who are certified as Principal Examiners.	N/A	N/A	N/A	13 ⁷	17	Increase	*

⁵ Figures include additions in Q1-Q3 2011 only.

⁷ Principal Examiner certification process was established in 2010.

* Establish benchmark in 2011

Appendix A – Budgetary Requirements by Program

FY 2011 Budgeted Dollars by Major Program (in Millions)										
Supervision		Insurance		Small CU Init.		Consumer Prot.		Asset Mgt.		Total
Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
\$150.1	63.5%	\$69.0	29.2%	\$5.4	2.3%	\$6.5	2.7%	\$5.5	2.3%	\$236.5
FY 2011 Projected FTE by Major Program										
Supervision		Insurance		Small CU Init.		Consumer Prot.		Asset Mgt.		Total
FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	
783	62.4%	369	29.4%	27	2.1%	39	3.1%	38	3.0%	1,256

Appendix B - Changes in Performance Indicators

Strategic performance indicators were adjusted to reflect the new combined goal, *“Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations.”* Indicators previously under Outcome 3.1, “Credit unions are an accessible financial institution choice for consumers of all backgrounds and income levels” will remain in use.

The indicator for outcome 3.2, “Regulations are user-friendly, effective and enhance the safety of the credit union system without adding undue burden”, will be changed. The previous indicator read, “Minimize the complexity of rules and regulations issued.” This indicator was very difficult to measure since the data to do this could not be determined. NCUA will use the following indicator instead, “On a rolling basis, NCUA reviews and revises one-third of existing regulations.”

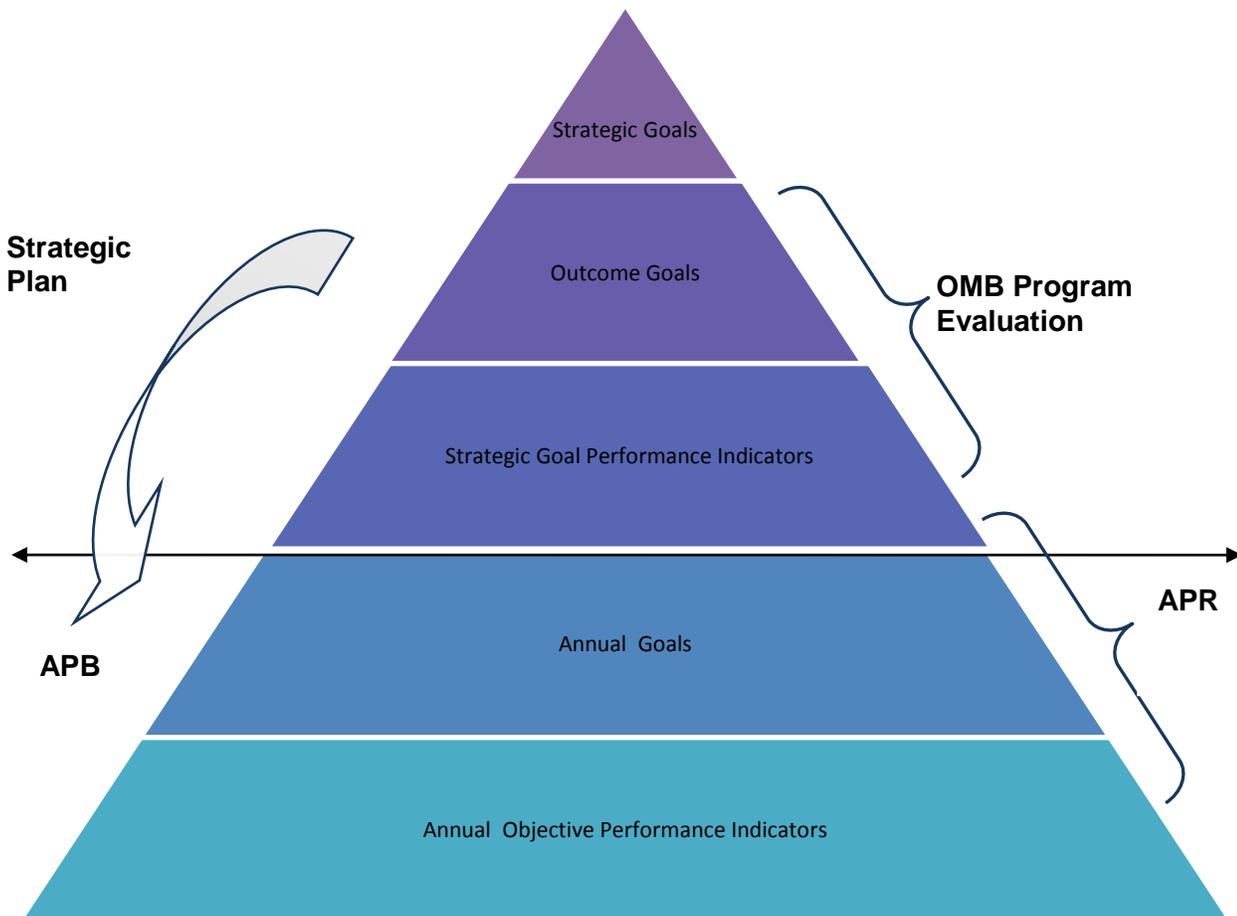
NCUA annual goal performance indicators are new since the annual goals are specific to 2012.

Appendix C – Performance Management Process

Performance Management Process

NCUA's performance management process begins with the agency's strategic plan that provides long-term strategic goals for the agency and serves as the cornerstone of the performance management process. The Annual Performance Budget (APB) serves as the agency's operational plan. It outlines NCUA's annual (short-term) objectives, strategies, and corresponding performance goals that contribute to accomplishing the established strategic goals. Goal accomplishment is evaluated through the use of performance indicators each quarter. At the end of each APB period, a formal analysis of performance is documented in the Annual Performance Report (APR) which includes performance indicator results, an analysis of agency program performance and factors that may have affected goal achievement.

The Office of Management and Budget (OMB) evaluates the effectiveness of the NCUA's programs and its performance management process. The following chart illustrates the relationship among the elements of the Strategic Plan, APB, and OMB evaluation.



Appendix D – External Factors

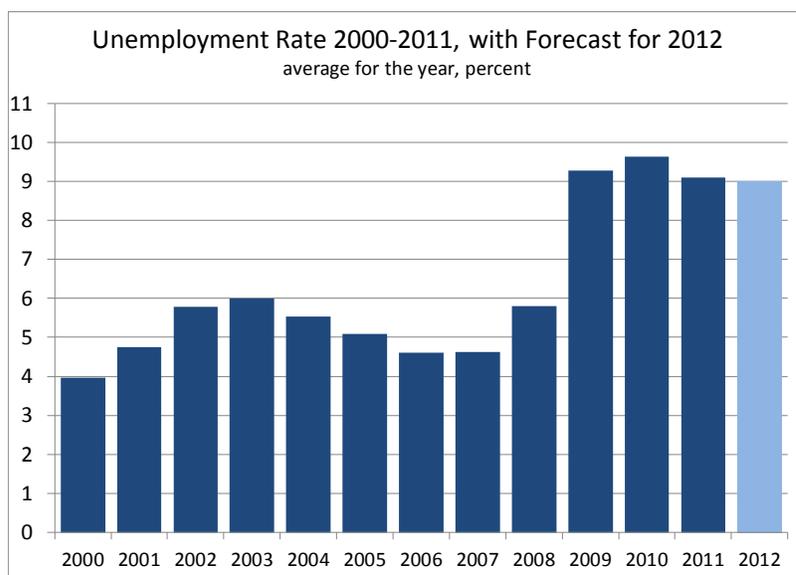
The economic recovery in 2011 was much less robust than had been expected at the end of 2010. Factors such as the surge in oil prices, manufacturing disruptions from the earthquake in Japan, concerns about U.S. budget policy and uncertainty related to the European debt crisis all contributed to weaker economic performance. The pace of economic recovery is expected to improve in 2012, but to only a moderate pace. While output will continue to grow and the job market will strengthen in 2012, unemployment will remain elevated. High unemployment will tend to keep mortgage delinquencies and foreclosures high, and will weigh on house prices. For credit unions, moderate economic growth is likely to mean modest to moderate growth in deposits, and relatively low demand for loans. At the same time, loan delinquencies and charge-offs are likely to remain elevated. Interest rate risk remains a concern. In 2012, there are a variety of factors that could cause an abrupt increase in interest rates. These include developments in the Euro area, U.S. federal budget policy, and the speed of the U.S. recovery. At the same time, if longer-term interest rates remain unusually low, credit unions may begin to move into riskier assets in an attempt to maintain yield.

Key Risk Areas include:

- **Interest Rates:** An abrupt rise in interest rates will expose issues related to asset/liability structure mismatch. This is especially critical given the unusual interest rate environment, the high level of fixed rate assets on CU balance sheets, and the growth in rate sensitive deposits at CUs. A continuation of the low interest rate environment may encourage more CUs to move into riskier assets during 2012, in a search for yield.
- **Regional Economic Performance:** Continued high unemployment slows/stalls some regional housing market recoveries.
- **Management Response:** Management of delinquent and underwater mortgages given recent slowdowns in foreclosure timelines and increased emphasis on foreclosure process.

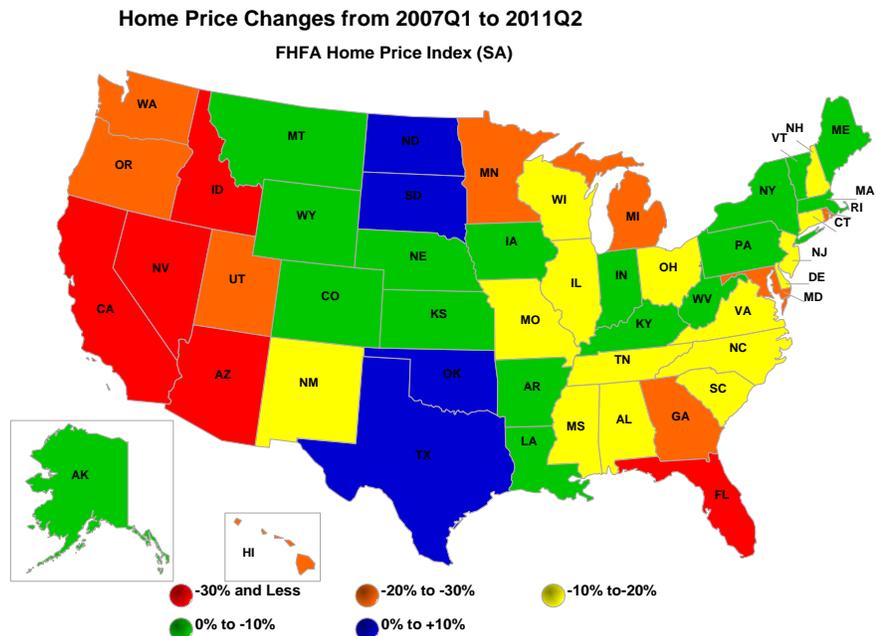
Despite some improvement early in the year, economic growth sputtered during 2011 and the unemployment rate remained high. Growth and employment in 2011 both underperformed forecasts made early in the year and analysts lowered their forecasts for 2012. Based on private consensus forecasts, the economy is now expected to grow about 2% in 2012, well below the more robust forecasts that were made in early 2011. The unemployment rate is expected to average 9% in 2012, about the same as in 2011. Consumer spending growth is likely to remain slow-to-moderate and could be

higher if house prices stabilize and consumer net worth improves. Somewhat faster economic growth and consumer spending, along with a modest improvement in employment should help to reduce delinquencies and provide support for deposit growth and loan demand.



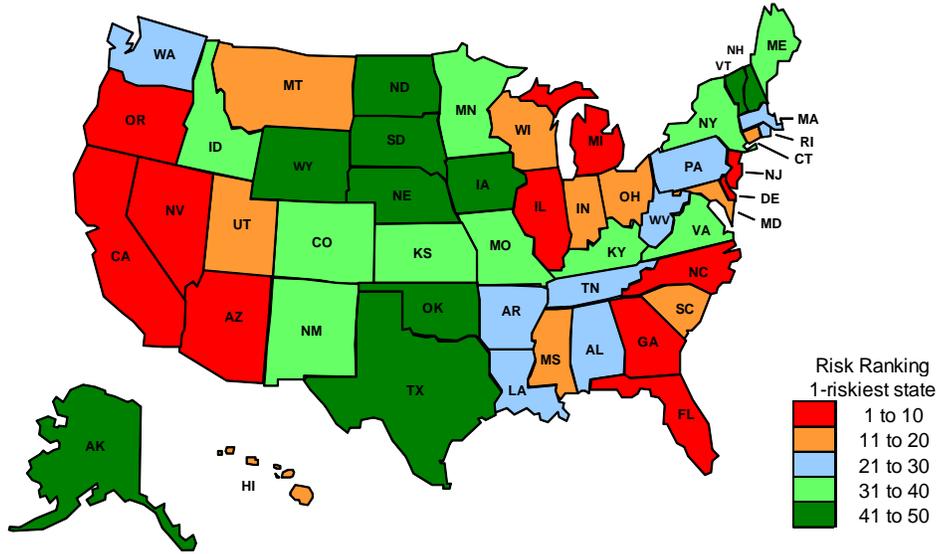
Financial market risks remain elevated and interest rate risk may increase in 2012. Interest rates remain near their historical low, but at the longer end are projected to move up slightly in 2012. However, interest rates can change rapidly, given the uncertainty about the economic outlook as well as the U.S. federal budget outlook and the plans to resolve the European debt crisis. A sustained increase in rates could dampen activity in some sectors, especially in the housing market, reduce demand in an important area of CU lending as refinancing slows, and raise asset-liability management issues given the elevated levels of fixed rate mortgages on many balance sheets. If the recovery proceeds faster than is currently expected, demand for borrowing and expectations of inflation will likely rise; both of these factors will push up nominal rates.

The housing market outlook remains uncertain. Home sales are likely to start recovering in 2012, and many analysts expect home prices to be stable or edge higher in 2012 as economic growth improves. Still, the large shadow inventory of homes in foreclosure or held off-market will tend to pull prices lower. Continued high unemployment will also be a negative for the housing market. Broad measures of delinquency, which had been moving lower, stabilized and edged higher during the latter part of 2011. In the credit union system, serious delinquency rates remained roughly unchanged during the year ending in 2011Q2. In 2012, CUs will continue to deal with significantly elevated levels of foreclosures as they work through a large stock of delinquent borrowers, including failed modifications.



The map below shows a summary measure of the economic risks facing credit unions, based on economic indicators, including unemployment, home prices and delinquency rates, and credit union indicators, including loan growth, earnings and delinquency trends for each state. The composite ranking combines performance in each indicator. Low rankings suggest higher risks associated with credit union and economic performance compared to the rest of the country. Currently, the worst performers are on the West Coast and in the Southeast, along with New Jersey, Delaware, Illinois and Michigan, due primarily to high unemployment rates and weak housing market performance in those states. This measure suggests considerable diversity across states going forward. If the overall economy under-performs current expectations, conditions in the high risk states could worsen substantially more than in other states.

State Dashboard Risk Index, October 2011



C:\Users\vdeltoro\Documents\Annual Performance Budget\2012\2012 APB Working
Draft1110comments.docx