

Open Board Meeting

July 21, 2016

**Prepared Remarks of NCUA Chairman Rick Metsger
On the Agency's 2017-2021 Strategic Plan**

This five-year strategic plan sets the key goals for achieving the agency's mission to "provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit."

At the highest level, the agency's overarching strategic goals remain largely unchanged:

- Ensure a safe and sound credit union system;
- Promote consumer protection and financial literacy; and
- Cultivate an inclusive, collaborative workplace that maximizes productivity and enhances impact.

The goals remain largely the same; because our mission remains the same.

What is different in this strategic plan is that the details that implement these goals reflect a different financial world from the one that existed when the last strategic plan was adopted.

The great recession has ended; new controls are in place over the corporate credit union system; and NCUA has implemented, or is in the process of implementing, new capital, stress testing and liquidity rules.

The system's loan from the Treasury has been paid down to \$1 billion dollars; billions have been recovered through legal action; the Temporary Corporate Credit Union Stabilization Fund has been a success; and the NCUA Guaranteed Notes program will wind down on schedule in 2021 and, if current trends continue, will even refund money to credit unions.

As a result of agency actions, an improving economy, and sound management in the industry, individual credit union balance sheets have improved, fewer credit unions are undercapitalized or have bad CAMEL ratings, and both earnings and net worth continue to be strong.

Consequently, the agency's new strategic plan prioritizes Continual Quality Improvement to make our operations both more efficient and effective rather than the adoption of new rules and regulations.

We will focus on upgrading our technology, systems, and processes to improve the quality of our examination and supervision while simultaneously reducing the onsite burden on credit unions and improving the quality of life of our examiners.

It will require an upfront investment in hardware and software, but the long-term benefits will outweigh the costs many times over.

It will also require a long-term investment in the skills and knowledge of our employees, but in the long run this will give them enhanced opportunities for career advancement. These investments will further strengthen our ability to cultivate an inclusive and collaborative workplace.

These changes will enable the agency to strengthen its ability to detect, deter, and defeat cyber threats, both to its own systems and to credit unions' systems.

The strategic plan will also enable us to continue our work protecting and educating consumers and making affordable credit more broadly available to consumers through not-for-profit cooperative credit unions that focus on the needs of members, rather than shareholders.

Adoption of the strategic plan and the accompanying motion—to retire two existing performance goals from our performance plan—also will implement the commitment I made in May to provide flexibility in our exam schedules.

Our current rules overlay an inflexible calendar year requirement on top of a separate requirement that federal and large state credit unions be examined every 8 to 23 months.

The rigidity of this requirement forces our staff to cram exams into the last couple of months of the year, when there may not be a safety and soundness need to do so. It also creates logistical problems for both our staff and credit unions during a busy time of the year.

This change will give our regions flexibility to schedule exams when they are needed and when they make the most sense and not based on an arbitrary calendar year requirement.

Now to be clear, making this change does not extend the exam cycle. How and whether to change the exam cycle will be determined by the board after it receives recommendations from our Exam Flexibility Initiative this fall. This just gives the regions the ability to prioritize examinations based on risk and resources, and not based on the calendar.

Finally, I want to thank my colleague, Board Member McWatters, for his suggestions to strengthen the strategic plan, all of which are incorporated in the document we are considering.

Neither of us are likely to be on the Board when this strategic plan is fully implemented, but it is good for the agency, and good for the system, that we have the same vision of the path we should follow.

On an individual, case-by-case basis, this may result in some exams that were scheduled for the fourth quarter of 2016 to be moved into the first quarter of 2017. Our Regional Directors will make these decisions based on the best way to deploy our resources, and after consultation with state supervisors for examinations of state-chartered credit unions.

Thanks once again to the OCFO team for drafting the Strategic Plan, for pulling together recommendations from all of the Agency offices, and for incorporating all the recommendations made by the Board Members. This plan will assist us all in making the agency more efficient and effective in fulfilling our statutory mission.