NCUA
National Credit Union Administration

2022 Annual Performance Plan

March 2022

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About this 2022 Annual Performance Plan

The National Credit Union Administration's (NCUA) *Annual Performance Plan*, in concert with the agency's budget, outlines the resources and strategies the NCUA will use to set priorities and improve performance. This plan is guided by the NCUA's *2022–2026 Strategic Plan*, which includes the following strategic goals:

1. Ensure a safe, sound, and viable system of cooperative credit that protects consumers;
2. Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services; and
3. Maximize organizational performance to enable mission success.

The *Annual Performance Plan* sets out performance measures and targets in support of the goals in the Strategic Plan. The NCUA's *Annual Performance Plan* has five components: (1) strategic goals; (2) strategic objectives; (3) performance goals; (4) performance measures and associated targets; and (5) means and strategies to accomplish the strategic objectives.

This *Annual Performance Plan* strives to provide all interested stakeholders, including the NCUA's employees, credit unions, credit union members, other federal and state regulatory agencies, and Congress, with transparency and understanding of the NCUA's performance objectives. This plan sets out performance indicators and associated targets in support of the goals outlined in the agency's *Strategic Plan* and draws a clear line from the agency's mission to the strategic goals, strategic objectives, performance goals, and performance indicators and targets.

This plan also describes the means, strategies, and specific actions the agency has resourced and intends to undertake to achieve each strategic objective. The priorities and performance indicators in this plan comply with the Government Performance and Results Modernization Act of 2010.

Global events with significant impact on the economy, such as Russia's invasion of Ukraine and the COVID-19 pandemic, remain a consideration for the agency's priorities in 2022. This plan outlines how the agency will continue to effectively supervise and insure a growing and evolving credit union system, particularly during periods of economic uncertainty. As financial services and the credit union sector continue to change, the NCUA must adapt to meet the evolving challenges and developments.

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Message from Chairman Todd M. Harper

Every year, the National Credit Union Administration Board issues an Annual Performance Plan, which describes the Board's goals and priorities for the coming year. This year's *2022 Annual Performance Plan* sets out performance measures and aligns them with the agency's *2022–2026 Strategic Plan,* which is being issued concurrently.

Each day, the NCUA strives to ensure a safe and sound credit union system where credit union members are protected and confidence in the national system of cooperative credit is promoted.

The NCUA Board's main priority in 2022 continues to be to ensure the credit union system and the National Credit Union Share Insurance Fund can adapt to the evolving nature of the COVID-19 pandemic and its financial and economic disruptions. The NCUA's supervisory priorities in 2022 reflect that need by focusing on the areas of the greatest risk to credit unions, members, and the broader system. The agency's priorities include credit risk, information security, capital adequacy, Bank Secrecy Act and anti-money laundering compliance, payment systems, and consumer financial protection, among other areas.

With the geopolitical crisis unfolding in Ukraine, the NCUA team will continue to prioritize cybersecurity as well as guiding the system through the economic uncertainty related to inflation, rising energy prices, and continued supply chain disruptions.

Additionally, in 2022, the NCUA will continue its efforts to evolve the examination program and operations, expand access to safe and affordable financial services, provide consumers with financial education, and close the racial wealth gap.

I am proud and honored to serve as Chairman of the NCUA and to work alongside the enormously talented and dedicated employees of the NCUA. I look forward to working alongside my fellow Board members in support of these endeavors throughout the year.

Sincerely

Todd M. Harper
Chairman

Mission and Values

Throughout 2022, the NCUA will implement initiatives to continue meeting its mission of:

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

and its vision to:

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

Organizational Structure

Created by the U.S. Congress in 1970, the NCUA is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions, charters and regulates federal credit unions, and promotes widespread financial education and consumer financial protection. The NCUA protects the safety and soundness of the credit union system by identifying, monitoring, and managing risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides up to at least $250,000 of federal share insurance to over 129 million members in all federal credit unions and most state-chartered credit unions. No credit union member has ever lost a penny of shares insured by the Share Insurance Fund.

The NCUA is responsible for the regulation and supervision of 4,942 federally insured credit unions with more than $2 trillion in assets across all states and U.S. territories.[1]

Pursuant to the Federal Credit Union Act,[2] the agency is "under the management of a National Credit Union Administration Board." The three member, presidentially appointed and Senate confirmed, Board oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.

[1] Data as of December 31, 2021.
[2] 12 U.S.C. 1752a(a).

In addition to the Share Insurance Fund, the NCUA operates three other funds:

- The NCUA Operating Fund,
- The Central Liquidity Facility, and
- The Community Development Revolving Loan Fund.

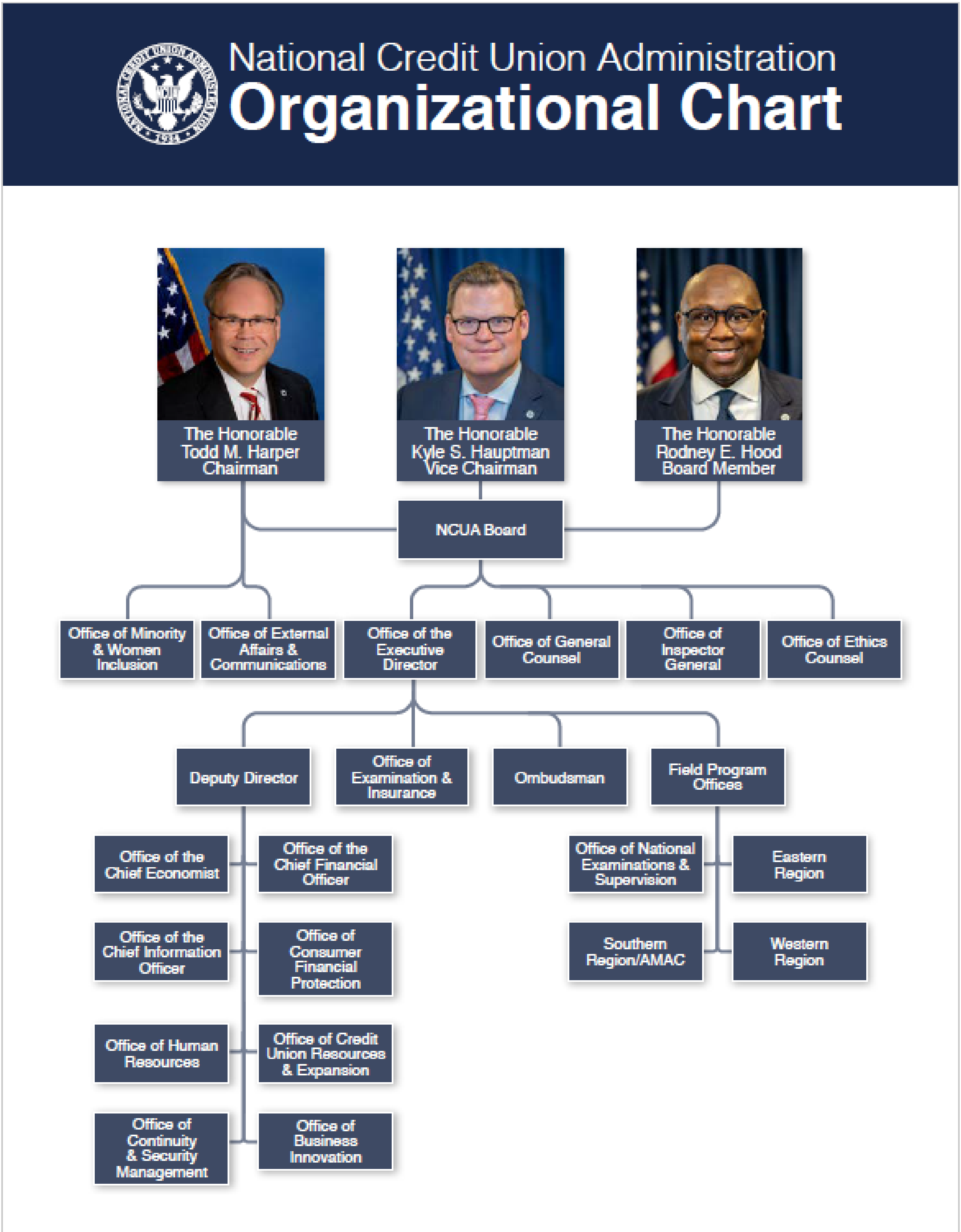
The NCUA Operating Fund, in conjunction with the Share Insurance Fund, finances the agency's operations. The NCUA Central Liquidity Facility is a contingent liquidity source, administered by the NCUA Board, which serves as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The NCUA Community Development Revolving Loan Fund provides loans and grants to low-income designated credit unions.

Throughout the *Annual Performance Plan's* period, the NCUA will rely upon its employees to perform activities in the NCUA's major program areas and support functions. The NCUA employs staff in a central office, an Asset Management and Assistance Center (AMAC) to manage the assets of failed credit unions, and three regional offices. Reporting to each of its regional offices, the NCUA has supervisory groups with 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.

The examination, supervision, and insurance programs are the central mission for the NCUA. These functions are the primary responsibility of the field program offices and the Office of Examination and Insurance (E&I). Approximately two-thirds of the NCUA's workforce is comprised of field staff who spend a significant part of their year carrying out the agency's examination and supervision program. During the COVID-19 pandemic, the agency and its employees successfully transitioned to an offsite examination posture, developing new procedures and processes to continue examination and supervisory work. In 2022, the NCUA will continue evaluating how it can conduct portions of its examinations remotely and offsite.

The NCUA's organizational structure and the operational changes that resulted from the COVID-19 pandemic require creative methods to deliver the necessary administrative and office support to all staff.

The NCUA organizational chart follows. Additional information about the NCUA's executive leadership is also available on the NCUA's website.


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
Office of General Counsel
Office of Inspector General
Office of Ethics Counsel
Deputy Director
Office of Examination & Insurance
Ombudsman
Field Program Offices
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 National Examinations & Supervision
Eastern Region
Southern Region/AMAC
Western Region

Major Agency Programs

Supervision

The supervision program contributes to the safety and soundness of the credit union system, thereby protecting the interests of all credit union stakeholders. The NCUA's supervision is driven by identifying and resolving risk in seven primary areas:

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

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

Insurance

The NCUA manages the $20.7 billion[3] Share Insurance Fund, which provides insurance up to at least $250,000 per individual depositor for funds held at federally insured credit unions. The Share Insurance Fund is capitalized by credit unions and through retained earnings. The equity ratio is the overall capitalization of the Share Insurance Fund to protect against unexpected losses from the failure of credit unions. The normal operating level is the desired equity level for the Share Insurance Fund. In accordance with the Federal Credit Union Act, the NCUA Board sets the normal operating level between 1.20 percent and 1.50 percent.

Asset Management

The NCUA conducts liquidations of failed credit unions and performs management and recovery of assets through the AMAC. The AMAC effectively manages and resolves assets acquired from liquidated credit unions. The AMAC provides specialized resources to the NCUA regional offices with reviews of large, complex loan portfolios

[3] As of December 31, 2021.

and actual or potential bond claims. It also participates in the operational phases of conservatorships and records reconstruction. The purpose of the AMAC is to minimize credit union failure costs to the Share Insurance Fund, credit union member-owners, and other stakeholders.

Credit Union Development

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

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

Consumer Financial Protection

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

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

When it comes to overseeing credit unions, the NCUA's goal is to facilitate their safe and sound operation while ensuring they fully comply with applicable laws, including consumer financial protection and fair lending laws. Toward that end, the agency emphasizes a compliance approach over an enforcement approach, providing credit unions with clear guidelines to ensure they comply with consumer protection. When a compliance issue does arise, we strive to detect and resolve problems in credit unions through supervision and examination procedures before they become insurmountable violations.

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

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

Stakeholder Engagement

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

Cross-Agency Collaboration

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

Summary of Strategic Goals and Objectives

The chart below summarizes the NCUA's 2022–2026 strategic goals and objectives. The objectives support and complement the strategic goals. Each strategic objective has performance goals and associated, measurable indicators and targets. Performance indicators use available data to provide a way to evaluate whether the NCUA is meeting the goals and objectives in the proposed period. Targets establish a level of performance the NCUA strives to achieve. The NCUA reviews performance indicators and targets to assess the effectiveness of programs and takes into account how risks and opportunities affect our ability to achieve strategic goals and objectives. This assessment allows the agency to make adjustments to improve performance throughout each year and during the five-year strategic plan timeframe.

Strategic Goals	*Strategic Objectives*
Goal 1: Ensure a safe, sound, and viable system of cooperative credit that protects consumers.	1.1 Maintain a financially sound Share Insurance Fund. 1.2 Provide effective and efficient supervision. 1.3 Ensure compliance with and enforcement of consumer financial protection laws and regulations at federal credit unions. 1.4 Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity and climate-related financial risk. 1.5 Ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies, including digital assets.
Goal 2: Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services.	2.1 Enhance consumer access to affordable, fair, and federally insured financial products and services. 2.2 Support and foster small, minority, low-income, and new credit unions.

Strategic Goals	*Strategic Objectives*
Goal 3: Maximize organizational performance to enable mission success.	3.1 Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment. 3.2 Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data. 3.3 Ensure sound organizational governance.

Strategic Goals, Objectives and Performance Goals

Strategic Goal 1: Ensure a Safe, Sound, and Viable System of Cooperative Credit That Protects Consumers

Strategic Objectives	Performance Goals
1.1 Maintain a financially sound Share Insurance Fund.	1.1.1 Prudently manage the Share Insurance Fund. 1.1.2 Assess risks and key trends in the credit union industry and the economy that could impact the Share Insurance Fund.
1.2 Provide effective and efficient supervision.	1.2.1 Execute the requirements of the agency's examination and supervision program and regulations. 1.2.2 Improve examination quality by incorporating relevant feedback from internal and external stakeholders.
1.3 Ensure compliance with, and enforcement of, federal consumer financial protection laws and regulations at credit unions.	1.3.1 Conduct targeted consumer compliance reviews and fair lending examinations. 1.3.2 Improve compliance with consumer protection laws and regulations through effective guidance to the credit union system.
1.4 Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity and climate-related financial risk.	1.4.1 Promote and evaluate effective cybersecurity practices in credit unions. 1.4.2 Identify and work with affected credit unions and appropriate state regulators to understand and mitigate asset concentration and other risks.
1.5 Ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies, including digital assets.	1.5.1 Evaluate and address barriers to credit union adoption of emerging financial technology, including digital assets.

The Federal Credit Union Act authorizes the NCUA Board to administer and manage the Share Insurance Fund, ensure the safety and soundness of insured credit unions, and enforce laws and regulations that protect credit union member-owners. The NCUA's primary function is to identify and assess credit union system risks, threats, and vulnerabilities, determine the magnitude of such risks, and mitigate unacceptable levels of risk through its examination, supervision, and enforcement programs.

Strategic Objective 1.1

Maintain a Financially Sound Share Insurance Fund.

The Share Insurance Fund is a cooperative insurance fund comprised of a one percent capitalization deposit from insured credit unions, income from prudent investment strategies, and premium assessments, when needed. The NCUA must maintain a financially sound Share Insurance Fund to protect credit union member-owners against unexpected losses from failed credit unions and to maintain public confidence in federal share insurance. Sound management of the Share Insurance Fund also requires the agency to timely identify, assess, and respond to current and emerging risks, including through robust modeling of future Fund performance and effective execution of the examination program.

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.

The NCUA will maintain a financially sound Share Insurance Fund through the following strategies and initiatives:

- Continue to make prudent investment decisions for the Share Insurance Fund to ensure the NCUA investment objectives are met and comply with the Board-approved investment policy.
- Monitor emerging challenges and risks potentially impacting the credit union system and the Share Insurance Fund and take action as appropriate.
- Resolve safety and soundness concerns through prompt and effective supervisory and resolution actions, as warranted.
- Within three business days of a credit union failure, ensure payments are issued to members for the balance of their verified insured funds or members have access to their funds.

- Identify merger or purchase and assumption partners for credit union failures, to provide continued service to credit union members, increase efficiency, and reduce costs.
- Manage and recover assets in credit union liquidations to minimize failure costs and expenses to the Share Insurance Fund, credit union member-owners, and other creditors.

Performance Goal 1.1.1

Prudently manage the Share Insurance Fund.

Indicators

1. Maintain two percent or less of credit union system assets in CAMELS composite 4 and 5 rated credit unions.
2. Strive to minimize costs to the Share Insurance Fund for credit union failures by keeping straight liquidations to 15 percent or less of institution failures.
3. Maintain the Share Insurance Fund's equity ratio above the minimum statutory level and at or below the Normal Operating Level.[4]
4. Continue to manage the Share Insurance Fund investment portfolio to meet safety, liquidity and yield objectives consistent with Board-approved policy.
5. Make public the Normal Operating Level calculation to ensure transparency and understanding by stakeholders by December 31, 2022.

Performance Goal 1.1.2

Assess risks and key trends in the credit union industry and the economy that could impact the Share Insurance Fund.

Indicators

1. Perform quarterly supervisory reviews for 98 percent of high-risk credit unions.
2. Review and assess all capital plans for credit unions with assets greater than $10 billion within timelines outlined in regulation.
3. Assess credit union driven stress testing on all Tier II and Tier III credit unions, as defined by NCUA Regulations Part 702, by Q3 2022.

[4] The equity ratio is the ratio of Share Insurance Fund equity to the amount of insured shares.

Strategic Objective 1.2

Provide Effective and Efficient Supervision.

To remain effective, the NCUA's examination and supervision program must continue to evolve with a growing and changing credit union system while recognizing the fundamental differences that define financial cooperatives. The NCUA must act efficiently, properly allocating examination resources to credit unions of highest risk and expanding its offsite monitoring capabilities. Important components of an effective and efficient examination and supervision program include highly skilled examiners, risk- and compliance-based examination policies, robust quarterly data collection and analyses, reliable technological tools, and a strong quality assurance program.

NCUA Letter to Credit Unions 22-CU-02, 2022 Supervisory Priorities outlines the agency's supervisory priorities and other aspects of the NCUA's examination program for 2022. The NCUA remains committed to focusing its examination activities on the areas that pose the highest risk to credit unions, credit union members, and the Share Insurance Fund.

Examinations of credit unions that qualify for the extended examination cycle under the agency's flexible examination scheduling policy will be scheduled accordingly. Most federal credit unions with assets under $50 million will continue to receive examinations conducted based on the Small Credit Union Exam Program. For all other credit unions, NCUA examiners will use the agency's risk-focused examination procedures to conduct the examination. More information about the agency's Examination Flexibility Initiative, including which credit unions are eligible for an extended examination cycle, can be found on the Examination Flexibility Initiative webpage.

The NCUA will provide effective and efficient supervision through the following strategies and initiatives:

- Manage the examination program effectively and efficiently by:
  - Allocating NCUA resources to credit unions and credit union activities posing the greatest risk.
  - Following up with CAMELS composite 3, 4, and 5 credit unions.
  - Resolving regulatory violations and safety and soundness concerns promptly.
  - Taking prompt and effective supervisory and resolution actions, if warranted.

- Ensuring examinations and supervision contacts are scheduled and completed in accordance with agency policy.

- Produce robust modeling and risk-identification tools that provide economic information on emerging microeconomic and macroeconomic risks and extrapolate to identify the potential risks in credit unions.
- Identify changing risks early in large credit unions through a data-driven supervision approach.
- Work closely with state regulators to ensure necessary action to mitigate risk within the federally insured, state-chartered credit union program, while also minimizing the burden on state-chartered credit unions that results from having a separate prudential financial regulator and insurer.
- Ensure the quality and consistency of examinations and examination reports through rigorous quality assurance processes including by normalizing quality-assurance tools such as feedback surveys and the use of recordings during exit meetings and joint conferences.
- Hold townhalls with the credit union industry and other stakeholders to facilitate greater dialogue with stakeholders.
- Establish and staff a Regional Electronic Payments Specialist program using reallocated and new positions and continue to assess and realign positions among the other regional specialist disciplines.

Performance Goal 1.2.1

Execute the requirements of the agency’s examination and supervision program and regulations.

Indicators

1. 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.
2. 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.
3. Review one-third of NCUA regulations and provide stakeholders with the opportunity to comment on specific areas of focus including safety and soundness, clarity, and consumer protections. Identify and prioritize for review regulations that may be in conflict with each other, such as those related to participation loans.

4. Resolve troubled credit unions[5] within an average of 26 months from the initial CAMELS composite downgrade to troubled status.

Performance Goal 1.2.2

Improve examination quality by incorporating relevant feedback from internal and external stakeholders.

Indicators

1. Develop new, revise existing, or identify external training courses to meet the needs of all field staff.
2. Review and revise, as necessary, the exam survey based on initial survey results and feedback from internal and external stakeholders.

Strategic Objective 1.3

Ensure Compliance with and Enforcement of Federal Consumer Financial Protection Laws and Regulations at Credit Unions.

The NCUA's assessment of compliance risk considers the federal consumer financial protection laws and regulations the agency enforces, as well as other relevant laws and regulations that govern the operation of credit unions, such as the Bank Secrecy Act, the Flood Disaster Protection Act, the Secure and Fair Enforcement for Mortgage Licensing Act and, more generally, the NCUA's established regulations. The NCUA's fair lending examination program is designed to ensure that credit unions comply with the regulations established to protect consumers against discrimination. The NCUA also performs targeted consumer compliance reviews during risk-focused examinations.

The NCUA also contributes to developing well-balanced regulations and policy statements related to consumer financial protection as part of the FFIEC Taskforce on Consumer Compliance.

The NCUA will ensure compliance with and enforcement of federal consumer financial protection laws and regulations at credit unions through the following strategies and initiatives:

- Provide timely guidance to the credit union system and examiners related to changes in regulations established to protect consumers.

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[5] As defined in NCUA regulation § 701.14.

- Monitor consumer complaints and fair lending examination and offsite supervision contact results to guide consumer compliance program development.
- Perform fair lending examinations and supervision contacts and refer fair lending violations to the Department of Justice, as required.
- Collaborate with other federal regulatory agencies, as appropriate, to protect consumers using credit union products and services.
- Continue to provide a responsive and efficient consumer complaint handling process in the Consumer Assistance Center while maintaining the consumer compliance regulatory resource page on NCUA.gov.
- Hire two fair lending personnel to enhance the NCUA's fair lending function and foster a more independent quality control process.

Performance Goal 1.3.1

Conduct targeted consumer compliance reviews and fair lending examinations.

Indicators

1. Complete at least 80 fair lending examinations or supervision contacts.
2. Perform quality control reviews on 200 examination reports to determine if the consumer financial protection supervisory priorities are sufficiently addressed during safety and soundness examinations.

Performance Goal 1.3.2

Improve compliance with consumer protection laws and regulations through effective guidance to the credit union system.

Indicator

1. Issue guidance or conduct outreach semi-annually addressing any common themes identified in credit union operations during consumer financial protection quality control reviews.

Strategic Objective 1.4

Ensure NCUA-Insured Credit Unions Can Appropriately Manage Emerging Opportunities and Risks, Including Cybersecurity and Climate-Related Financial Risk.

Credit unions are becoming larger and more complex as they seek to provide their members with more and improved products and services. Growth and innovation present risks to credit union member-owners and the Share Insurance Fund. The agency must balance responsible oversight with forward-looking policies that promote innovation and respond to potential industry disruptions.

The NCUA will ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks through the following strategies and initiatives:

- Provide training on a timely basis to help staff understand emerging risk areas in the credit union system and related mitigation strategies.
- Provide examiners with timely reports to identify trends in targeted risk areas.
- Provide guidance and other information to the credit union system on regulatory and supervisory matters, trends affecting federally insured credit unions, and potential risks and threats.

Performance Goal 1.4.1

Promote and evaluate effective cybersecurity practices in credit unions.

Indicator

1. Implement updated information security examination procedures that are tailored to institutions of varying size and complexity.

Performance Goal 1.4.2

Identify and work with affected credit unions and appropriate state regulators to understand and mitigate asset concentration and other risks.

Indicators

1. Conduct 95 percent of exams or supervision contacts for credit unions with high concentrations in specific loan types according to established timelines.

2. Publish a Request for Information seeking input from credit union stakeholders about climate-related financial risks.

Strategic Objective 1.5

Ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies, including digital assets.

Emerging and innovative financial technologies, including digital assets, present opportunities and risks to the credit union system. The NCUA is committed to supporting the credit union system as it navigates the changes FinTech is bringing to the financial services industry. The agency must identify financial services industry risks and opportunities as well as marketplace developments that may prompt regulatory or policy changes.

The agency will ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies through the following strategies and initiatives:

- Continue studying emerging financial technology, including digital assets, to determine regulatory and policy needs of the credit union system.
- Facilitate discussions between credit unions and FinTech providers that focus on identifying problems and solutions.
- Engage with FinTech providers through the agency's Office for Financial Technology and Access.

Performance Goal 1.5.1

Evaluate and address barriers to credit union adoption of emerging financial technology, including digital assets.

Indicator

1. Issue at least one regulatory action related to financial technology and issue guidance about distributed ledger technology.

Strategic Goal 1: Summary Performance Indicators and Targets

Goal	Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Target
1.1.1	Maintain two percent or less of credit union system assets in CAMELS composite 4 and 5 rated credit unions.	0.79%	0.50%	0.42%	Less than or Equal to 2%
	Strive to minimize costs to the Share Insurance Fund for credit union failures by keeping straight liquidations to 15 percent or less of institution failures.	0%	0%	14%	Less than or Equal to 15%
	Maintain the NCUSIF equity ratio above the minimum statutory level and at or below the Normal Operating Level.	1.35%	1.26%	1.26%	Above statutory minimum and at or below NOL
	Continue to manage the Share Insurance Fund investment portfolio to meet safety, liquidity, and yield objectives consistent with Board approved policy.	Achieved	Achieved	Achieved	Achieve
	Make public the Normal Operating Level calculation to ensure transparency and understanding by stakeholders by December 31, 2022.	NA	NA	NA	Achieve
1.1.2	Perform quarterly supervisory reviews for 98 percent of high-risk credit unions.	NA	NA	NA	Greater than or Equal to 98%
	Review and assess all capital plans for credit unions with assets greater than $10 billion within timelines outlined in regulation.	Achieved	Achieved	Achieved	Achieve
	Assess credit union driven stress testing on all Tier II and Tier III credit unions, as defined by NCUA Regulations Part 702, by Q3 2022.	Achieved	Achieved	Achieved	Achieve

Goal	Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Target
1.2.1	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.	97%	92%	94%	Greater than or Equal to 95%
	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%	97%	100%	Greater than or Equal to 95%
	Review one-third of NCUA regulations and prompt stakeholders to comment on specific areas of focus including safety and soundness, clarity, and consumer protections. Identify and prioritize for review regulations that may be in conflict with each other, such as those related to participation loans.	Achieved	Achieved	Achieved	Achieve
	Resolve troubled credit unions within an average of 26 months or less from the initial CAMELS composite downgrade to troubled status.	21	24	23	Average of 26 Months or Less
1.2.2	Develop new, revise existing, or identify external training courses to meet the needs of all field staff.	14	28	23	30
	Review and revise as necessary the exam survey based on initial survey results and feedback from internal and external stakeholders.	NA	NA	Survey Implemented	Achieve by 12/31/2022
1.3.1	Complete at least 80 fair lending examinations or supervision contacts.	68	51	68	Greater than or Equal to 80
	Perform quality control reviews on 200 examination reports to determine if the consumer financial protection supervisory priorities are sufficiently addressed during safety and soundness examinations.	NA	NA	200	200
1.3.2	Issue guidance or conduct outreach semi-annually addressing any common themes identified in credit union operations during consumer financial protection quality control reviews.	NA	NA	NA	Greater than or Equal to 2
1.4.1	Implement updated information security examination procedures that are tailored to institutions of varying size and complexity.	NA	NA	NA	Achieve by 12/31/2022

Goal	Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Target
1.4.2	Conduct 95 percent of exams or supervision contacts for credit unions with high concentrations in specific loan types according to established timelines.	NA	Implemented Procedures	Commenced Reviews	Greater than or Equal to 95%
	Publish a Request for Information seeking input from credit union stakeholders about climate-related financial risks.	NA	NA	NA	Achieve by 12/31/2022
1.5.1	Issue at least one regulatory action related to financial technology and issue guidance about distributed ledger technology.	NA	NA	NA	Achieve by 12/31/2022

Strategic Goal 2: Improve the Financial Well-Being of Individuals and Communities Through Access to Affordable and Equitable Financial Products and Services

Strategic Objectives	Performance Goals
2.1 Enhance consumer access to affordable, fair, and federally insured financial products and services.	2.1.1 Expand community and individual access to fair and affordable credit union products and services through modernized NCUA regulations, policies, and programs. 2.1.2 Empower consumers with financial education information.
2.2 Support and foster small, minority, low-income, and new credit unions.	2.2.1 Administer viable credit union charter, field of membership, and low-income requests. 2.2.2 Maximize the agency's grant and loan programs.

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

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

The following objectives, performance goals, and strategies support the NCUA's goal of improving the financial well-being of individuals and communities through access to affordable and equitable financial products and services.

Strategic Objective 2.1

Enhance Consumer Access to Affordable, Fair, and Federally Insured Financial Products and Services.

The NCUA will address changes in the economy, demographics, and financial technology to increase financial inclusion for all consumers. The NCUA is committed to maintaining up-to-date regulations, policies, and programs that expand consumer access to safe and affordable financial products and services, along with financial education that helps consumers understand their choices. Informed consumers who have access to a range of fair and affordable credit union products and services – including from new and emerging technologies – make better financial decisions for themselves and for their communities.

The NCUA will enhance consumer access to affordable, fair, and federally insured financial products and services through the following strategies and initiatives:

- Promote NCUA programs that assist credit unions with providing access to financial services.
- Through the ACCESS initiative, focus on meeting the needs of underserved and diverse communities by strengthening the four pillars of financial inclusion: access to credit, education, stability, and support.
- Promote the value of diversity and inclusive financial services in credit unions.
- Actively participate in FFIEC working groups and in Financial Literacy Education Commission meetings
- Increase submissions of the Voluntary Credit Union Diversity Self-Assessment, by promoting awareness of the tool and identifying and mitigating barriers to submissions. The self-assessment is a tool for credit unions to evaluate their diversity programs and practices, not a tool to collect supervisory information about individual credit unions.
- Hire an additional financial inclusion and outreach analyst to develop, coordinate, and implement the NCUA's strategic stakeholder relationships related to community affairs, economic inclusion, and financial education and literacy activities.

Performance Goal 2.1.1

Expand community and individual access to fair and affordable credit union products and services through modernized NCUA regulations, policies, and programs.

Indicators

1. Conduct a conference with external stakeholders on regulatory, policy or program changes to expand access to fair and affordable credit union products and services.
2. Use at least 85 percent of hours budgeted for the small credit union and minority depository institution assistance programs.
3. Propose at least one regulatory change to update the field of membership or chartering rules.

Performance Goal 2.1.2

Empower consumers with financial education information.

Indicator

1. Develop and distribute consumer-focused financial literacy public awareness initiatives.

Strategic Objective 2.2

Support and Foster Small, Minority, Low-Income, and New Credit Unions.

The NCUA continues to develop initiatives to foster new and small credit unions, credit unions serving those of modest means, and credit unions designated as minority depository institutions. Such efforts will help provide safe and affordable financial services to traditionally underserved communities. The NCUA will streamline its chartering process for new credit unions while preserving its safety and soundness and consumer protection priorities.

The NCUA's Minority Depository Institution (MDI) preservation program provides needed support to federally insured credit unions that serve communities and individuals who may lack access to mainstream financial products and services. The NCUA provides ongoing assistance to MDIs by working directly with them, sharing its knowledge of the credit union system and best practices, and generally acting as a knowledgeable point of contact and resource.

The NCUA will support and foster small, minority, low-income, and new credit unions through the following strategies and initiatives:

- Encourage greater use of the Community Development Revolving Loan Fund (CDRLF) and the U.S. Treasury's Community Development Financial Institution certification to bolster services to low-income members.

- Enhance education and outreach services to credit union boards and management, including through on-line training courses.
- Provide educational assistance and support to groups and communities seeking to form credit unions, including ongoing and regular updates to the chartering guide based on input received from users.
- Seek feedback from newly chartered credit unions and groups supporting them to identify ways to streamline the credit union chartering process while maintaining safety and soundness priorities.
- Structure the CDRLF grant initiatives to maximize the impact on low-income communities.
- Assess the impact of census data on the current Low-Income Credit Union (LICU) designations.
- Follow-up with federal credit unions on implementation of their business and marketing plans every year for the first three years after receiving a new or expanded community charter.
- Develop an MDI Awareness initiative, to promote the growth of existing, and encourage the identification of new, minority institutions.

Performance Goal 2.2.1

Administer viable credit union charter, field of membership, and low-income requests.

Indicators

1. Maintain the level of members in MDI-designated credit unions at or above 4.6 million as reported in 2021.
2. Meet average field of membership processing time standards for 75 percent or more of established targets.
3. Charter at least three new credit unions by December 31, 2022.

Performance Goal 2.2.2

Maximize the agency’s grant and loan programs.

Indicator

1. Distribute at least 60 percent of the 2022 CDRLF appropriated funds for the Underserved Outreach initiative.

Strategic Goal 2: Summary Performance Indicators and Targets

Goal	Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Target
2.1.1	Conduct a conference with external stakeholders on regulatory, policy or program changes to expand access to fair and affordable credit union products and services.	NA	NA	NA	Greater than or Equal to 1 Conference with external stakeholders
	Use at least 85 percent of hours budgeted for the small credit union and minority depository institution assistance programs.	NA	NA	NA	Greater than or Equal to 85%
	Propose at least one regulatory change to update the field of membership or chartering rules.	---	1	1	Greater than or Equal to 1
2.1.2	Develop and distribute consumer-focused financial literacy public awareness initiatives.	5	10	8	6
2.2.1	Maintain the level of members in MDI-designated credit unions at or above 4.6 million reported in 2021.	3.9 million	4.3 million	4.6 million	Greater than or Equal to 4.6 million members
	Meet average field of membership processing time standards for 75 percent or more of established targets.	NA	NA	NA	Greater than or Equal to 75%
	Charter at least three new credit unions by December 31, 2022.	2	1	4	Greater than or Equal to 3
2.2.2	Distribute at least 60 percent of the 2022 CDRLF appropriated funds for the Underserved Outreach initiative.	NA	NA	NA	Greater than or Equal to 60% of funds

Strategic Goal 3: Maximize Organizational Performance to Enable Mission Success

Strategic Objectives	Performance Goals
3.1 Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment.	3.1.1 Deliver timely and relevant training and leadership development programs for all staff. 3.1.2 Foster an inclusive workplace that values diverse perspectives, maximizes employees' contributions, and fosters belonging.
3.2 Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data.	3.2.1 Implement secure, reliable, accessible, and innovative technology and data solutions. 3.2.2 Gain efficiencies through quality processes, systems, and project management.
3.3 Ensure sound organizational governance.	3.3.1 Foster an effective risk management and internal control environment. 3.3.2 Promote sound financial management and stewardship principles.

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

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

Strategic Objective 3.1

Attract, Develop, and Retain an Engaged, High-Performing, Diverse Workforce Within an Inclusive, Professional Environment.

The NCUA aims to foster a professional work environment that attracts and retains innovative, high-performing, highly engaged, and inclusive employees. Developing such a workforce begins with recruitment and assessment of candidates. The NCUA also prioritizes diversity and inclusion as a strategic business imperative and seeks to achieve this through workforce diversity and inclusion efforts, support for equal employment opportunity, and supplier diversity initiatives.

Workforce engagement is critical to the successful performance of the NCUA because an engaged workforce is more efficient, productive, and accountable to the success and results produced by the agency. An engaged workforce has increased energy, innovation, and drive for personal growth and is more flexible during times of change.

The NCUA will publish its *2022–2026 Diversity and Inclusion Strategic Plan* in 2022. The *Diversity and Inclusion Strategic Plan* sets goals, which align with the goals from NCUA's agency-wide strategic plan and relate to workforce diversity, inclusion, equal opportunity, supplier diversity, and credit union diversity.

To attract, engage and retain a highly skilled, diverse workforce and cultivate an inclusive environment, the NCUA will implement the following strategies and initiatives:

- Strengthen the agency's human capital data analytics, statistical modeling, and forecasting capabilities to improve long-range planning efforts.
- Address and eliminate barriers to equal employment opportunity where low participation exists.
- Develop a culture of continuous learning for NCUA employees and incorporate student feedback into course design to improve future training.
- Maintain investment in programs that promote employee retention and inclusion, such as detail assignments, leadership development opportunities, the NCUA Mentorship Program, Employee Resource Groups, the Culture, Diversity and Inclusion Council, the Summer Intern Program, OMWI Talks, Special Emphasis Programs, and the VIBE Campaign.

- Target diverse communities through awareness campaigns as part of employee recruiting and other agency opportunities.
- Evaluate the results of the Employee Viewpoint Survey and implement changes as necessary to address lower scoring areas.
- Hire a website administrator to support management of the NCUA's website and Section 508 compliance requirements.
- Hire a human capital systems and planning division director to manage human capital, strategic workforce and succession planning, data analytics, workforce management prioritization, human capital systems administration, reporting, and compensation analysis.

Performance Goal 3.1.1

Deliver timely and relevant training and leadership development programs for all staff.

Indicators

1. Obtain at least an 85 percent average satisfaction rating in training class evaluations.
2. Achieve at least an average 90 percent employee satisfaction level with NCUA leadership development programs.

Performance Goal 3.1.2

Foster an inclusive workplace that values diverse perspectives, maximizes employees' contributions, and fosters belonging.

Indicators

1. Improve the agency's score for its proxy Inclusion Quotient (IQ) by one percentage point over the calculated proxy IQ for 2021.
2. Improve NCUA's Federal Employee Viewpoint Survey Employee Engagement Index by two percentage points.

Strategic Objective 3.2

Deliver Improved Business Processes Supported by Secure, Innovative, and Reliable Technology Solutions and Data.

The NCUA is committed to implementing new technology responsibly and delivering secure, reliable, and innovative technological solutions with enhanced business processes that support its mission. The NCUA plans for new and improved approaches to harness emerging data, advance its analytical techniques, deploy innovative technology, and implement improvements in its supervisory approach. A robust and secure information technology infrastructure, combined with effective technological applications, ensure the effectiveness and efficiency of the agency's workforce, particularly in response to crises.

To support the agency's workforce, the NCUA makes technology investments funded by the Capital Budget to develop and support the analytical tools and technology required to achieve the agency's mission.

To deliver an efficient organizational design supported by improved business processes and innovation the NCUA will carry out the following strategies and initiatives:

- Ensure the NCUA is equipped with reliable means of communication during natural or man-made disasters and that personnel are sufficiently trained to use these resources.
- Enhance the oversight of information technology capital investments through routine, scheduled project reviews in order to remove obstacles that might negatively impact cost, schedule, scope, risk, quality, or resource requirements.
- Continue development of the NCUA's Enterprise Data Program and an enterprise business intelligence capability.
- Continue researching virtual examination processes including ways to harness new and emerging data, advancements in analytical techniques, innovative technology, and improvements in supervisory approaches.

Performance Goal 3.2.1

Implement secure, reliable, accessible and innovative technology and data solutions.

Indicators

1. Maintain at least an overall maturity rating of Level 3, Consistently Implemented, for the NCUA's annual Federal Information Security Management Act (FISMA) information security program assessment.[6]
2. Develop new self-service analytic data structures in the Enterprise Central Data Repository (ECDR) with an initial subset of enterprise data.
3. Maintain NCUA.gov's 508 compliance at 97 percent or greater.

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[6] FISMA information security program assessment maturity levels are: Level 1 - Ad Hoc, Level 2 - Defined, Level 3 - Consistently Implemented, Level 4 - Managed and Measurable, and Level 5 – Optimized.

4. Deploy enhancements to the CU Locator and Research a Credit Union websites.

Performance Goal 3.2.2

Gain efficiencies through quality processes, systems, and project management.

Indicators

1. Achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent.
2. Establish the technology infrastructure for data visualization tools on the NCUA's website.
3. Lower the average number of days to hire non-executive staff by at least five percent.
4. Maintain a low-risk designation for the NCUA's annual NARA Records Management Self-Assessment in 2022.

Strategic Objective 3.3

Ensure Sound Organizational Governance.

Sound organizational governance at the NCUA protects our people; ensures the stability of its four permanent funds; promotes responsible management of its investments, assets, and other financial resources, including its role as a fiduciary; and ensures the agency complies with relevant laws, policies, and standards. To ensure sound organizational governance, the NCUA will implement strategies and initiatives that support the needs of internal and external clients, promote efficient business processes that emphasize continuous innovation, improve internal controls to enhance accountability, and monitor and respond to the agency's enterprise-level risks.

To ensure sound corporate governance, the NCUA will implement the following strategies and initiatives:

- Implement sound business processes that promote efficiency in operations and support accountability and decision making.
- Continue to strengthen the agency's financial reporting processes to promote efficiency and continuous improvement while improving internal controls.
- Continue to bolster the security of information technology systems by establishing plans of action and milestones and ensuring remediation activities occur as planned.

- Leverage tools, processes, and resources for increasing opportunities to minority- and women-owned businesses in the NCUA competitive procurement process.
- Seek continuous improvements to strengthen the agency's fundamental business processes and procedures.
- Continue to mature the agency's Enterprise Risk Management program, promote a risk-aware culture, which, when combined with robust measurement and communication, leads to cost-effective decision-making and risk optimization within the agency.

Performance Goal 3.3.1

Foster an effective risk-management and internal control environment.

Indicators

1. Complete at least 90 percent of the Office of Inspector General recommendations due in 2022 within the established timeframes.
2. Achieve a score of 75 percent or above on the NCUA's Federal Employee Viewpoint Survey Question 36 "My organization has prepared employees for potential security threats."
3. Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment.

Performance Goal 3.3.2

Promote sound financial management and stewardship principles.

Indicators

1. Receive an unmodified opinion on the NCUA financial statement audit of all four funds.
2. Award at least 70 percent of total eligible contract dollars as competitive actions.

Strategic Goal 3: Summary Performance Indicators and Targets

Goal	Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Target
3.1.1	Obtain at least an 85 percent average satisfaction rating in training class evaluations.	85%	90%	89%	85%
	Achieve at least an average 90 percent employee satisfaction level with NCUA leadership development programs.	NA	NA	83%	90%
3.1.2	Improve the agency's score for its proxy Inclusion Quotient (IQ) by one percentage point over the calculated proxy IQ for 2021.	64%	65%	75%	Increase by 1 percentage point
	Improve NCUA's Federal Employee Viewpoint Survey Employee Engagement Index by two percentage points.	69%	76%	77%	Increase by 2 percentage points
3.2.1	Maintain at least an overall maturity rating of Level 3, Consistently Implemented, for the NCUA's annual Federal Information Security Management Act (FISMA) information security program assessment.	Level 2	Level 2	Level 4	≥ Level 3
	Develop new self-service analytic data structures in the Enterprise Central Data Repository (ECDR) with an initial subset of enterprise data.	NA	NA	NA	Achieve by 12/31/2022
	Maintain NCUA.gov's 508 compliance at 97 percent or greater.	NA	NA	95%	Greater than or Equal to 97%
	Deploy enhancements to the CU Locator and Research a Credit Union websites.	NA	NA	NA	Achieve by 12/31/2022
3.2.2	Achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent.	71%	58%	72%	At least 70%

Goal	Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Target
	Establish the technology infrastructure for data visualizations tools on the NCUA's website.	NA	NA	NA	Achieve by 12/31/2022
	Lower the average number of days to hire non-executive staff by at least 5 percent.	NA	NA	NA	Lower average by at least 5%
	Maintain a low-risk designation for the NCUA's annual NARA Records Management Self-Assessment in 2022.	NA	Low Risk	Low Risk	Low Risk
3.3.1	Complete at least 90 percent of the Office of Inspector General recommendations due in 2022 within the established timeframes.	83%	72%	79%	At least 90%
	Achieve a score of 75 percent or above on the NCUA's Federal Employee Viewpoint Survey Question 36 "My organization has prepared employees for potential security threats."	86%	NA	NA	Greater than or Equal to 75%
	Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment.	3.93	3.77	3.87	Weighted Average 4 out of 5
3.3.2	Receive an unmodified opinion on the NCUA financial statement audit of all four funds.	Achieved	Achieved	Achieved	Achieve
	Award at least 70 percent of total eligible contract dollars as competitive actions.	91%	88%	59%	70%

Management Review

The NCUA develops performance measures through its strategic planning process. The agency holds program managers accountable through meaningful and realistic targets that also challenge the agency to leverage its resources and improve the results achieved by the NCUA. Each designated program manager is responsible for progress in meeting the goals, reporting the results, and making operational adjustments. Further, when appropriate, program managers are required to explain how they will improve performance when targets are not met.

The NCUA uses a quarterly data-driven review process. This process includes substantiating results reported whenever those results reveal significant discrepancies or variances from the target. OCFO coordinates these reviews.

Program Evaluation and Research

The NCUA periodically reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful outcome performance goals to show effectiveness, efficiency, and results. The NCUA has not developed outcome performance goals in all cases, and uses input and output measures that support outcomes, lead to outcomes, or otherwise provide valuable indicators of how the agency is progressing toward achieving its strategic goals and objectives. The NCUA will use the results of the quarterly reviews and its annual performance report to inform future development of strategies, goals, measures, and targets. For this performance plan, each office provided its analysis and support for each performance goal.

Several performance indicators in this plan are new for 2022; therefore, historical data is not available. These indicators are marked as "NA" in the Summary Performance Indicator and Target tables. The results from the quarterly reviews and these evaluations will be included as some of the factors considered in determining the NCUA's *Annual Performance Plan*.

Data Management and Reliability

Data management and data reliability are important in determining performance outcomes. Currently, the agency's performance data is reviewed by E&I, ONES, OCE and the regions. These offices monitor and maintain automated systems and databases that collect, track, and store performance data, with support provided by the NCUA's OCIO. 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.

In 2022, the NCUA plans to provide for continued improvements to its data management systems including further development and standardization of business intelligence tools and continued development of its enterprise data management program. Through these efforts, agency analysis and reporting will be strengthened.

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 NCUA's performance results and the annual plans.

Enterprise Risk Management

Through the NCUA's ERM program, the agency is proactively managing risks to achieving its mission, as well as maximizing opportunities across the agency. ERM looks at the full spectrum of the agency's risks related to achieving our strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making.

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. To sustain success and continuity at the NCUA, an effective risk management approach requires a defined framework where specific risks and broader organizational risks are identified, measured, and monitored by functional owners and consolidated by an independent risk-management oversight function. Working collaboratively with functional owners, the risk-management apparatus prioritizes and optimizes risk management and mitigation on a consistent and continuous basis to increase the NCUA's success at achieving stated strategic goals. Effective internal controls, combined with robust measurement and communication, are central to effective decision-making and risk optimization within the NCUA.

The NCUA's risk-management framework helps leadership identify and evaluate specific risks, and to prioritize and mitigate risks on a continuous basis. The ERM program requires close collaboration across all agency functions and is intended to improve mission delivery.

The NCUA's ERM Council provides oversight of the agency's ERM activities.

In 2021, the NCUA refreshed its inventory of enterprise risks. The NCUA will continue to mature its ERM program in 2022 conducting risk reviews and enhancing risk monitoring activities.

Hyperlinks

2022–2026 Strategic Plan

NCUA Letter to Credit Unions 22-CU-02, 2022 Supervisory Priorities

NCUA Diversity and Inclusion

NCUA Regulations

NCUA Budget Documents

Enterprise Solution Modernization Program

Cybersecurity Resources

Consumer Compliance Regulatory Resources

Examination Flexibility Initiative

Annual Voluntary Credit Union Diversity Self-Assessment

Appendix A – Budgetary Requirements by Strategic Goal

Strategic Goal	2022 Budget Dollars (in Millions)	2022 Budget Full-Time Equivalents
Goal 1: Ensure a safe, sound, and viable system of cooperative credit that protects consumers	$220.93	990
Goal 2: Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services	$14.19	56
Goal 3: Maximize organizational performance to enable mission success	$94.04	140
Office of Inspector General	$4.05	10
Total	**$333.21**	**1,196**

Budgets for the Offices of the Board, Executive Director, General Counsel, Ethics Council, External Affairs and Communications, and Chief Financial Officer and the Capital Budget are allocated across all strategic goals.

Appendix B – Performance Management Programs Process

The NCUA's performance management programs process begins with the agency's strategic plan, which provides long-term strategic goals for the agency and serves as the cornerstone of the performance management process. It outlines the 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 performance plan period, a formal analysis of performance is documented in the Performance Results Summary of the *Annual Report*, which includes performance indicator results, an analysis of agency program performance and factors that may have affected goal achievement. OMB also evaluates the effectiveness of the NCUA's programs and performance management process.

The NCUA continues to strengthen planning and budget processes. The performance goals outlined in the strategic plan provide a framework for both the *Annual Performance Plan* and the budget request. The NCUA's 2022–2023 Budget Justification supports the *2022–2026 Strategic Plan* to achieve agency priorities and improve agency performance. The budget supports the NCUA's three strategic goals and enables the NCUA's plans to address key challenges and leverage agency strengths.

The President's Budget identifies the lower-priority program activities, as required under the Government Performance and Results Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at the OMB website.

Appendix C – External Factors 2022

Economy and Credit Unions

Economic conditions play an important role in credit union performance. Over the past two years, the U.S. economy has faced historic headwinds. The COVID-19 pandemic, which began in early 2020, drove the U.S. economy into the deepest recession on record. In the span of two months, nearly 22 million jobs were lost, and the unemployment rate spiked to a post-war high of 14.7 percent. Swift intervention by the federal government and the Federal Reserve resulted in a downturn that was short-lived. By mid-2020 the economy was once again growing, and the unemployment rate was starting to come down. The development and distribution of effective vaccines starting in late 2020 also provided significant support for economic activity. By January 2022, 19.1 million jobs had been added back to nonfarm payrolls and the unemployment rate had fallen to 4.0 percent.

Credit union performance continues to be influenced by the pandemic, but the credit union system remained on a solid footing in 2021. Improving economic conditions and low interest rates contributed to a pick-up in loan growth and helped bolster loan performance. Loan forbearance programs and income support from federal stimulus payments and extended unemployment insurance benefits also helped keep credit union delinquency rates low. Share growth moderated as the year progressed but remained elevated relative to pre-pandemic levels, reflecting the boost to household income from federal relief payments earlier in the year. The increase in shares since early 2020 has weighed on credit union net worth ratios, but in aggregate the industry remained well-capitalized, nonetheless.

Near-Term Outlook

The near-term outlook for the U.S. economy is favorable. A consensus of forecasters projects continued strong economic and job growth and declining unemployment over the next two years as the economy continues to recover from the effects of the pandemic. The unemployment rate is projected to return to its pre-pandemic level of 3.5 percent in early 2023 and hold there through the end of the year. Inflation reached a four-decade high in late 2021 and will likely remain elevated in the months ahead, but price pressures are expected to abate later this year as interest rates rise and supply chain bottlenecks ease. Consumer price inflation is projected to decline from 7.0

percent over the year ending in December 2021 to 2.4 percent in late 2022 and hold near that level through 2023.[7]

Interest rates are expected to rise as the Federal Reserve removes monetary accommodation and economic conditions strengthen further. In late 2021, the Federal Reserve began to taper large-scale asset purchases and is on track to cease those purchases altogether in March 2022. Federal Reserve policymakers have indicated that it will likely be appropriate to raise the federal funds target rate at that time, given the high level of inflation and strength of the labor market.[8] Federal Reserve policymaker projections made in December 2021 suggest the federal funds rate could reach 0.9 percent by the end of 2022 and rise to 1.6 percent by late 2023.[9] Analysts expect other short-term interest rates, which largely determine the interest payments credit unions make, to move higher over the next two years. Longer-term rates, which largely determine the interest payments credit unions receive, are also expected to rise. Private-sector forecasters expect the 10-year Treasury rate to rise from 1.76 percent in January 2022 to 2.5 percent by the end of 2023.[10]

Even if the economy continues to recover as anticipated, the operating environment for credit unions over the next two years could prove to be more difficult than in prior years. The end of forbearance programs, moratoriums on eviction and foreclosure, and other COVID-19-related support is generating financial stress in many households, particularly those at the bottom of the income distribution who were hit particularly hard by the recession. System-wide delinquency rates, which remained low through the third quarter of 2021, could begin to rise. Credit union shares could remain elevated for some time, reflecting the high level of savings accrued early in the pandemic and slow recovery in consumer spending on services. The interest rate environment is set to change as the Federal Reserve unwinds policies put in place earlier in the pandemic to stimulate the flow of credit to households and businesses. Current forecasts point to a slight widening of the term spread, but credit unions should remain flexible and prepare for a variety of outcomes as they navigate the year ahead.

Risks to the U.S. Economic Forecast

While the near-term outlook for the U.S. economy is generally bright, there are several risks on the horizon that could impede or stall the economy's forward momentum. COVID-19 remains the biggest risk. While the ongoing pandemic is not expected to derail the economy, it will continue to influence all aspects of economic activity. Each

[7] Blue Chip Economic Indicators, January 2022.
[8] The federal funds target rate has held steady between 0 and 0.25 percent since mid-March 2020.
[9] Federal Open Market Committee, December 15, 2021.
[10] Blue Chip Economic Indicators, January 2022.

successive surge in infections has been less disruptive to the economy and economic activity has been quick to rebound once case numbers have peaked. This will likely remain true going forward, but every new wave of positive COVID-19 cases threatens to stall the recovery in labor force participation and prolong the supply chain disruptions that are hindering production, contributing to inventory shortages, and boosting prices across a wide range of goods.

Persistently high inflation also poses a significant risk to the economy in the near term. Higher-than-expected inflation for a prolonged period could spur Federal Reserve policymakers to raise the federal funds target rate more aggressively than currently expected. Tighter credit conditions typically constrain consumer and business borrowing and spending and cause economic growth to slow. If short-term rates rise more than long-term rates, the yield curve will flatten, putting downward pressure on credit union net interest margins.

Russia's invasion of Ukraine in late February has generated a tremendous amount of uncertainty about the near-term outlook. Many forecasters believe that the underlying strength of the economy, the dollar's role as the global economy's reserve currency, and the relative safety of U.S. financial markets will insulate the U.S. economy from serious damage. However, economic sanctions on Russia and the effect of the war on supplies of oil and other commodities, shipping, and supply chains could lead to slower growth and higher inflation than was expected before the conflict began.

Interest Rate Risk

Credit unions' ability to manage and mitigate interest rate risk will continue to be important to their success. On the liability side of the credit union balance sheet, deposit rates have fallen since the start of 2020, but are poised to rise over the next two years as the Federal Reserve removes monetary accommodation. Credit unions will continue to face pressure to offer competitive deposit rates to avoid deposit attrition, as many members have 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.[11] The consensus forecast suggests longer-term interest rates will also rise over the next two years. In the near term, however, they will generally remain lower than in the years leading up to the 2020 recession. A prolonged period of relatively low interest rates also poses risks on the asset side of the credit union balance sheet. Credit unions that rely primarily on investment income may find their net

[11] Federal Reserve Board, 2019 Survey of Consumer Finances.

interest income remaining low or falling. In addition, credit unions could resume their reach for yield by adding longer-term or higher-risk assets to their portfolios.

Other Emerging Risk Areas for Credit Unions

In addition to the risks associated with movements in the general economy, credit unions should also understand their exposure to, and address risks associated with, ongoing technological and structural changes. Over the longer term, increased concentration of loan portfolios, development of alternative loan and deposit products, technology-driven changes in the financial landscape, continued industry consolidation, and ongoing demographic changes will continue to shape the environment facing credit unions. These and other emerging trends may also affect the resource needs of the NCUA.

Lending Trends

Increasing concentrations in new types of lending, including commercial loans and student loans, emphasize the need for long-term risk diversification and effective risk management tools and practices, along with expertise to properly manage increasing concentrations of risk.

Financial Landscape and Technology

New financial products that mimic deposit and loan accounts, such as crypto currencies, peer-to-peer payment, and peer-to-peer lending, pose a competitive challenge to credit unions and banks alike. Credit unions also face a range of challenges and opportunities from FinTech companies in the areas of lending and the provision of other services. The emergence and increasing importance of digital currencies may pose both risks and opportunities for credit unions.

Technological changes outside the financial sector may also lead to changes in consumer behavior that indirectly affect credit unions. For example, the increase in on-demand use of auto services and pay-as-you-go, on-demand vehicle rental could reduce purchases of consumer-owned vehicles. That could lead to a slowdown or reduction in the demand for vehicle loans, now slightly more than a third of the credit union system's loan portfolio.

Smaller Credit Unions' Challenges and Industry Consolidation

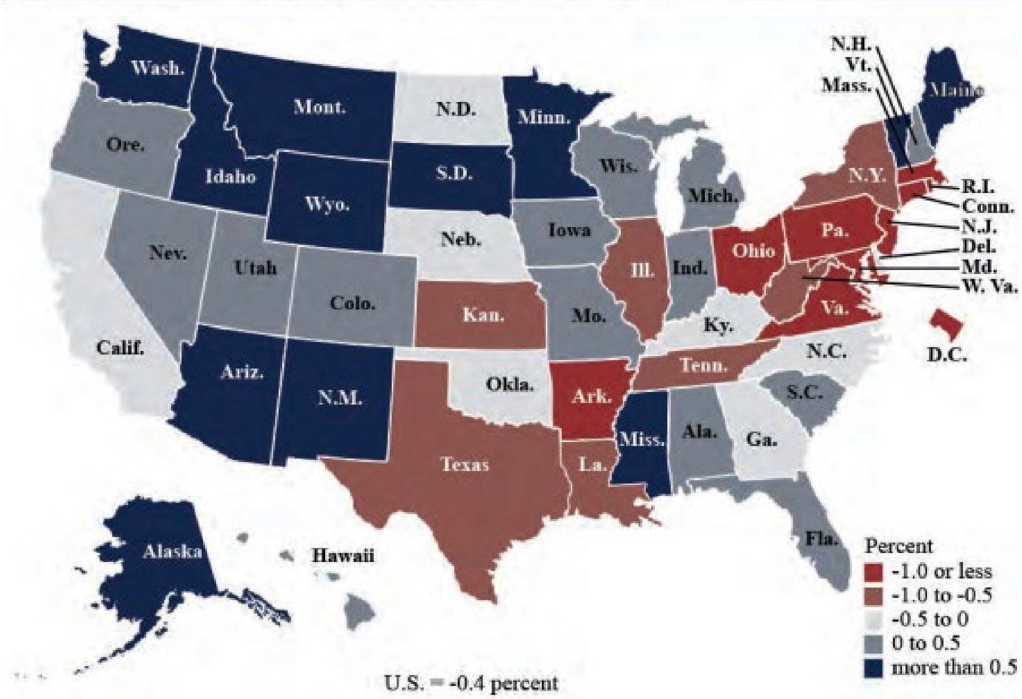
In the third quarter of 2021, 2,535 federally insured credit unions, representing 51 percent of the industry total, each had less than $50 million in assets. Together, these credit unions accounted for only 2 percent of total assets and 3 percent of credit union membership. The number of small credit unions declined substantially over the past five years. In the third quarter of 2016, there were 3,571 credit unions in this category, and they represented 61 percent of the system-wide total.

Small credit unions face challenges to their long-term viability for a variety of reasons, including lower returns on assets, human capital challenges, 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 third quarter of 2021, there were 685 federally insured credit unions with assets of at least $500 million, 38 percent more than five years earlier. These 685 credit unions represented only 14 percent of all federally insured credit unions, but they accounted for 79 percent of credit union members and 83 percent of system-wide assets. Large credit unions tend to offer more complex products, services and investments. Increasingly complex institutions will pose management challenges for the institutions themselves, as well as the NCUA, because consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

Membership Trends

While overall credit union membership continues to grow, more than half of federally insured credit unions had fewer members at the end of the third quarter of 2021 than a year earlier. In 23 states and Washington, D.C., the median membership growth rate was negative over the year. Credit unions with falling membership tend to be small; almost 65 percent had less than $50 million in assets. Credit unions should consider whether their product mix is consistent with their members' needs and demographic profile.

Median Annual Membership Growth



Cybersecurity

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

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

While traditional core banking and payment systems remain attractive targets to cyber criminals because they provide more direct cash-out opportunities and access to personal identifiable information, there has also been an increase in attacks on the supporting information and operational technologies. Credit unions should take a strategic risk management approach, which includes continual hardening, monitoring, and improving credit union network security, as well as a thorough review and mitigation of risk within their respective supply chains. The Financial Stability Oversight Council (FSOC), of which the NCUA Chairman is a member, continues to highlight the importance of improving cybersecurity to combat the growing risks to individual institutions, financial market infrastructure, and the overall financial ecosystem. The FSOC recognizes that a cyber-attack on an important financial market utility, or a sensitive data breach at a large financial institution, could pose an acute threat to U.S. financial stability.

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

The FSOC Annual Report also emphasizes the need for robust monitoring and enhanced information security at third-party service providers, particularly during this time of growing use of such providers. Reliance on such service providers can magnify cyber risks. As in years past, the report recommends Congress pass legislation that ensures the NCUA has adequate examination and enforcement powers to oversee these third-party service providers. It notes that this oversight authority is particularly important since the NCUA issued a final rule in October 2021 expanding the lending activities permitted by credit union service organizations (CUSOs).

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

Looking ahead, the FSOC Annual Report observes that there could be a greater prevalence of teleworking compared with the pre-pandemic period. This could result in elevated cyber vulnerabilities. The use of virtual private networks, virtual conferencing services, and other technologies can increase cyber vulnerabilities and other operational exposures. To the extent that these new technologies change the risk profile of financial institutions, the Council recommends agencies consider the need for any associated change to supervision and regulation.

In January 2022, the NCUA updated its supervisory priorities, which continue to include cybersecurity. The NCUA continues to focus on advancing consistency, transparency and accountability within the cybersecurity examination program. In pursuit of those efforts the agency has continued to improve and enhance the information security examination program. An updated examination program has been developed based on lessons learned from the InTREx-CU Pilot, the Automated Cybersecurity Evaluation Tool rollout, and information security examination practices both within NCUA and best practices identified from outside the agency. The updated information security examination program contains updated procedures that are tailored to institutions of varying size and complexity. This program is being tested with the goal of having the updated procedures finalized by the end of 2022.

In October 2021, NCUA released the Automated Cybersecurity Evaluation Tool application, which provides credit unions the capability to conduct a maturity assessment aligned with the Federal Financial Institutions Examination Council (FFIEC) Cybersecurity Assessment Tool. Using this voluntary and self-administered application allows institutions, regardless of size, to measure their cybersecurity preparedness and identify opportunities for improvement.

Climate-Related Financial Risks

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

Credit unions need to consider climate-related financial risks, and how they could affect their membership and institutional performance. For instance, a credit union's field of membership is often tied to a particular industry or community. To remain resilient, credit unions may need to consider adjustments to their fields of membership as well as the types of loan products they offer.

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

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