



National Credit Union Administration
2015-2016 Annual Performance Plan

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Executive Summary

The National Credit Union Administration's (NCUA) 2015-2016 Annual Performance Plan (Plan), in concert with NCUA's operating budget, outlines the resources and strategies NCUA will use to achieve agency priorities and improve agency performance. The Plan outlines the priorities and performance goals for the next two years to ensure NCUA continues to meet the mission of promoting confidence in the national system of cooperative credit. This Plan is guided by NCUA's Strategic Plan 2014 through 2017, and complies with the Government Performance and Results Modernization Act of 2010 (GPRA Modernization Act) and the Office of Management and Budget's (OMB) Circular A-11.

This Plan strives to provide stakeholders, including NCUA employees, consumers, credit unions, other agencies, and Congress, with transparency and understanding around NCUA's performance goals by drawing a clear line from the agency's mission to the strategic goals, strategic objectives, performance goals, and performance indicators and targets.

The Plan includes four strategic goals supported by strategic objectives and performance goals. The 2014-2017 strategic goals are to:

1. Ensure a safe, sound, and sustainable credit union system
2. Promote consumer protection and financial literacy
3. Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations
4. Cultivate an environment that fosters a diverse, well-trained and motivated staff

NCUA has appointed a senior executive as the goal leader for each strategic goal. The goal leader is responsible for managing the strategic goal and underlying objectives. NCUA will use the performance indicators and targets in this Plan to monitor progress in meeting established objectives and performance goals.

NCUA Chairman Matz established six management priorities in 2009. These management priorities, discussed on page seven, align with NCUA's strategic goals and further guide agency initiatives and objectives.

This Plan addresses NCUA's key challenges and leverages agency strengths. The credit union system continues to consolidate, requiring ongoing adjustments to the examination and supervision program. Preparing the system for potential changes to the interest rate environment and increasingly complex cyber-attacks remain challenges and priorities for the agency. NCUA continues to experience senior management retirements necessitating a greater focus on staff and leadership development as well as capturing valuable institutional knowledge. NCUA's greatest strength continues to be its dedicated, knowledgeable, and professional staff. Specific information on leveraging the strengths to address the challenges is detailed in the remainder of this Plan.

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

Mission and Vision

Throughout 2015 and 2016, NCUA will implement initiatives to continue meeting its mission to *“provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit,”* and its vision to ensure that *“NCUA will protect consumer rights and member deposits.”*

Organizational Structure

Created by Congress, NCUA is an independent federal agency with the unique role of insuring deposits at all federal and most state-chartered credit unions, protecting the members who own credit unions, and regulating federally chartered credit unions. A three member politically appointed Board oversees NCUA’s operations by setting policy, approving budgets, and adopting rules.

As of September 30, 2014, over 98.7 million members have \$939.1 billion in deposits at 6,350 federally insured credit unions. These credit unions have \$1.1 trillion in assets.

Through a robust and effective examination and supervision program, NCUA protects the safety and soundness of the credit union system by mitigating risks to the National Credit Union Share Insurance Fund (NCUSIF). Backed by the full faith and credit of the U.S. Government, the NCUSIF provides members with at least \$250,000 of insurance. NCUA provides insurance to all federal credit unions (FCUs) and the overwhelming majority of state-chartered credit unions.

In addition to the NCUSIF, NCUA operates three other permanent funds—the Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF). The NCUA Operating Fund, in conjunction with the NCUSIF, finances the agency’s operations. The CLF is a contingent federal liquidity source, owned by its member credit unions and administered by the NCUA Board. The CLF serves as a back-up lender to credit unions to meet unexpected needs of its members when funds are unavailable from standard credit sources. The NCUA CDRLF provides loans and grants to low-income designated credit unions. In addition to these four permanent funds, NCUA operates the Temporary Corporate Credit Union Stabilization Fund, which Congress created to manage the costs of paying for the recent corporate credit union failures over time.

Throughout the Plan period, NCUA will rely upon 1,269 employees to perform all the tasks in NCUA’s major program areas and support functions. NCUA operates a central office, an Asset Management and Assistance Center (AMAC) to liquidate credit unions and recover assets, and five regional offices. Reporting to these regional offices, NCUA has 68 supervisory groups each with eight to ten examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

The examination, supervision, and insurance programs are the central focus for NCUA. These functions are the primary responsibility of the regions, the Office of National Examinations and Supervision (ONES), and the Office of Examination and Insurance (OEI). Examination field staff work in a virtual environment and represent nearly two-thirds of the workforce.

Since nearly two-thirds of the workforce do not report to an office on a daily basis, NCUA is a highly decentralized organization. This structure requires creative methods to deliver the necessary administrative and office support to all staff. The support functions of the central offices are critical in providing the infrastructure for the success of the field program in the virtual environment.

NCUA’s organizational chart is below. An interactive organizational chart is available at: http://www.ncua.gov/about/Leadership/Pages/page_org.aspx.



Major Agency Programs

Supervision

The supervision program contributes to the safety and soundness of the credit union system. A program priority includes identifying and resolving risk concerns such as interest rate risk, operational risks including cybersecurity, credit risk, and reputational risk. NCUA supervises federally insured credit unions through examinations and regulatory enforcement including providing guidance through various publications and taking administrative actions as necessary to manage risk.

Insurance

NCUA manages the NCUSIF, which provides insurance for deposits held at federally insured credit unions. The fund is capitalized by credit unions. NCUA manages the fund to ensure member deposits are insured to at least \$250,000.

Small Credit Union Initiatives

NCUA fosters credit union development, particularly the expansion of services provided by small credit unions to eligible members. This is addressed through consulting, training, partnerships and assistance. A major source of assistance is the CDRLF, which provides loans and technical assistance grants to credit unions serving low-income members to provide basic financial services and stimulate economic activities in their communities.

Consumer Protection

NCUA protects credit union members through effective enforcement of federal financial services consumer protection laws, regulations, and requirements. NCUA also develops and promotes financial literacy education programs for credit unions to assist members in making financial decisions.

Asset Management

NCUA conducts credit union liquidations and performs management and recovery of assets through AMAC. AMAC strives to maximize the recovery of assets in liquidations. AMAC assists NCUA regional offices with the review of large, complex loan portfolios and actual or potential bond claims. It also participates extensively in the operational phases of conservatorships and records reconstruction. The purpose of AMAC is to minimize costs to the NCUSIF and credit union members.

Cross-Agency Priority Goals and Collaboration

The GPRA Modernization Act requires federal agencies to address Cross-Agency Priority (CAP) Goals in their strategic plan, annual performance plan, and annual performance report. The national level CAP Goals are located at www.Performance.gov. While NCUA is an independent federal agency and not part of the federal budget, its efforts align to three CAP Goals: Cybersecurity, Open Data, and People and Culture.

NCUA is also involved in numerous cross agency initiatives by collaborating with the other financial regulatory agencies through participation in several councils. Significant councils include the Financial Stability Oversight Council (FSOC), the Federal Financial Institutions Examination Council (FFIEC), the Financial and Banking Information Infrastructure Committee (FBIIC), and the OMB Performance Improvement Council. These councils and their many associated taskforces and working groups contribute to the success of NCUA's mission.

Management Priorities

To fully implement NCUA's mission, the following are NCUA priorities that factor into the strategic plan and annual performance plan. These priorities were established by Chairman Matz in 2009 and updated in 2010 and have been the core theme of NCUA's actions since that time. These priorities will enable NCUA to continue to address system changes and they provide the core of the four strategic goals. The priorities are for NCUA to be:

1. Recognized as a fair, effective regulator that sets the highest standards for safety and soundness (Goal 1).
2. An advocate of initiatives to protect members from predatory, unsafe financial products (Goal 2).
3. A regulator that ensures access to credit union service for all eligible members (Goal 2).
4. An agency that listens and encourages an exchange of ideas with the credit union industry while maintaining its independence (Goal 3).
5. A model corporate citizen that recognizes its responsibility to implement environmentally sound practices and procedures wherever and whenever feasible (Goals 3 & 4).
6. An employer of choice and reliable partner with elected labor representatives, understanding that employees are its most important asset – and a diverse workforce enriches the agency and its employees, and enhances their output (Goal 4).

Summary of Strategic Goals and Objectives

The chart below summarizes NCUA’s 2014-2017 strategic goals and objectives. The objectives support and complement the strategic goals. Each strategic objective has performance goals with measurable indicators and targets. Performance indicators use available data to provide a way to determine if NCUA’s goals and objectives are met in the proposed time frame. Targets serve to establish a level of performance NCUA strives to achieve. NCUA reviews performance indicators and targets to assess the effectiveness of programs and strategies. This assessment allows the agency to make adjustments to improve performance throughout each year and the strategic plan timeframe.

<u><i>Strategic Goals</i></u>	<u><i>Strategic Objectives</i></u>
Goal 1: Ensure a Safe, Sound, and Sustainable Credit Union System	<p>1.1 Identify, measure, monitor, and mitigate levels of risk in the credit union industry through effective regulations, supervision, and examination.</p> <p>1.2 Manage operational vulnerabilities resulting from new products and services, especially shifts in balance sheet composition.</p> <p>1.3 Implement tools and models for evaluation and assessment of industry-wide risks.</p> <p>1.4 Be prepared for and promote awareness of critical risk issues, emerging technologies, and related threats.</p> <p>1.5 Increase ability to manage risk through an effective examination and supervision program that minimizes loss to the NCUSIF.</p>
Goal 2: Promote Consumer Protection and Financial Literacy	<p>2.1 Establish a framework of well-balanced regulations and policy statements.</p> <p>2.2 Ensure federally insured credit unions comply with rules and regulations established to protect consumers.</p> <p>2.3 Develop and promote financial literacy education programs to empower consumers to make informed financial decisions.</p> <p>2.4 Promote access to federally insured financial services for consumers of all backgrounds and income levels.</p> <p>2.5 Review marketing and business plans of community charters to ensure progress toward meeting stated goals.</p> <p>2.6 Educate credit unions about consumer compliance issues.</p>
Goal 3: Further Develop a Regulatory Environment that is Transparent and Effective, with Clearly Articulated and Easily Understood Regulations	<p>3.1 Reduce unnecessary obstacles to credit union competitiveness through modernized regulations.</p> <p>3.2 Collaborate with other regulators to discuss strategies and goals for implementing new or revised regulations.</p> <p>3.3 Maintain a regulatory environment that safeguards member interests and stability in the credit union system.</p> <p>3.4 Enhance NCUA’s communication with credit unions through transparent regulations and guidance.</p>

<p>Goal 4: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff</p>	<p>4.1 Develop and maintain the optimal knowledge, skills, and abilities of the agency’s workforce to meet emerging needs.</p> <p>4.2 Enhance staff effectiveness and efficiency through the use of technology.</p> <p>4.3 Recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force.</p> <p>4.4 Maintain an effective plan of succession to ensure continuity of leadership throughout all levels of the organization.</p> <p>4.5 Improve NCUA's internal communication, both horizontally and vertically.</p> <p>4.6 Enhance NCUA’s position as one of the best places in the government to work.</p>
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Strategic Goals, Objectives, Performance Goals

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

Strategic Objectives	Performance Goals
1.1 Identify, measure, monitor, and mitigate levels of risk in the credit union industry through effective regulations, supervision, and examination.	1.1.1 Maintain strong levels of credit union system-wide net worth and corporate credit union leverage ratios.
	1.1.2 Improve the number of rehabilitated problem credit unions (CAMEL Composite Codes 3, 4, and 5) as a percentage of problem credit unions.
	1.1.3 Examine all federal credit unions annually.
	1.1.4 Examine all federally insured state credit unions with assets above \$250 million annually.
1.2 Manage operational vulnerabilities resulting from new products and services, especially shifts in balance sheet composition.	1.2.1 Implement a robust supervision framework for NCUA’s financial reform regulations including interest rate risk, liquidity and contingency funding plans, derivatives authority, and capital planning and stress testing (<i>Agency Priority Goal</i>).
	1.2.2 Update the automated examination system to incorporate economic model analysis.
1.3 Implement tools and models for evaluation and assessment of industry-wide risks.	1.3.1 Employ business intelligence tools to identify and monitor risks to the credit union industry.
1.4 Be prepared for and promote awareness of critical risk issues, emerging technologies, and related threats.	1.4.1 Identify regional and national emerging risks requiring necessary actions.
	1.4.2 Issue industry guidance related to emerging cybersecurity risks and related threats (<i>Agency Priority Goal</i>).
	1.4.3 Provide training in emerging technologies, especially for field and management staff.
	1.4.4 Assist small and low-income credit unions to secure the proper technology and resources to ensure regulatory compliance and avoid any potential negative threats.
1.5 Increase ability to manage risk through an effective examination and supervision program that minimizes loss to the NCUSIF.	1.5.1 Maintain yearly NCUSIF losses as a percentage of total insured shares.
	1.5.2 Minimize total assets in CAMEL Code 4/5 rated credit unions.

The Director of the Office of Examination and Insurance (OEI) is the goal leader for Strategic Goal 1 and the underlying objectives.

NCUA's primary function is to identify and assess credit union system risks, threats and vulnerabilities, determine the magnitude, and mitigate unacceptable levels through the examination and supervision program. Strategic Goal 1 objectives focus on minimizing current and future risks as early as possible and encouraging sustainability within the system. System risks include interest rate risk, operational risks including cybersecurity, credit risk, and reputation risk. NCUA strives to identify and address emerging issues in order to minimize losses to the NCUSIF.

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

Through its supervision program, NCUA conducts credit union examinations, enforces regulations, and provides guidance to assist credit unions in understanding regulations and emerging risks. Examinations, onsite and offsite supervision, and the collection of credit union 5300 Call Report data, provide information that helps to identify risks to the system and high-risk credit unions. Risks to the credit union system are typically resolved through the modernization of regulations, increased supervisory guidance, and administrative actions.

To maintain safety and soundness for credit unions, NCUA continues to implement its annual examination program. In recent years, the examination and supervision program has been improved by:

- The issuance of NCUA's National Supervision Policy Manual (NSPM) – to standardize the supervision of credit unions.
- A streamlined examination report – to better clarify the priority exam action items to be resolved, reduce redundancy, and ensure consistency.
- Enhanced communication systems for examiners – such as a modernized resource library.
- The realignment of resources toward larger, more complex credit unions.

NCUA continues its efforts to improve the supervision program and reallocate agency resources to credit unions and credit union activities that pose the most risk. To this end, the supervision of the largest credit unions – greater than \$10 billion – was transferred to ONES; and, NCUA expanded the small credit union examination program to include FCUs with \$30 million or less in assets.¹ These modernizations of the supervision program position NCUA to effectively identify and manage risks in the system. Examiners also continue to use administrative actions as necessary to mitigate risks before they escalate to costly problems for the system.

Additionally, NCUA's asset management program, administered by AMAC, ensures members are paid promptly after any necessary liquidation and reduces losses to the NCUSIF through effective liquidation of failed credit union assets. AMAC staff also provide expertise by conducting examinations of large complex loan portfolios and participating in operational phases of conservatorships.

¹ To qualify for the small credit union examination program these FCUs must also receive a composite CAMEL rating of 1, 2, or 3 at their last examination.

Part of ensuring a safe, sound and sustainable credit union system includes assessing the tools and authorities at NCUA's disposal to fulfill its mission. NCUA considers the following legislative priorities important to fulfilling its mission:

1. Providing NCUA with vendor authority through statutory changes that achieve parity with the other federal financial regulatory agencies to regulate, examine, and take enforcement actions against third-party vendors.
2. Restoring NCUA's access to back-up liquidity. The specific statutory changes NCUA seeks include re-establishing NCUA's emergency borrowing authority of \$30 billion which sunset on December 31, 2010, and revising Title III of the Federal Credit Union Act to modernize the Central Liquidity Facility.
3. Improving NCUA's ability to manage the NCUSIF by providing more flexibility in setting the normal operating level and building retained earnings for the NCUSIF in a manner consistent with the size and complexity of the credit union industry and financial stability goals.

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

Strategic Objective 1.1

Identify, measure, monitor, and mitigate levels of risk in the credit union industry through effective regulations, supervision, and examination.

Identifying and managing risk in credit unions is NCUA's core program. A stable and sustainable credit union system is the foundation enabling credit unions to continue providing services to their members and introducing new services or products to meet member needs. NCUA will continue identifying and managing risk through the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Effectively and efficiently manage the annual examination program by ensuring:
 - Resources are allocated to credit unions and credit union activities posing the greatest risk.
 - Timely completion of examinations.
 - Effective follow-up with CAMEL 3, 4, and 5 credit unions to ensure timely resolution of regulatory violations and safety and soundness concerns.
 - Prompt and effective supervisory and resolution actions, if warranted.
- Ensure consistency of supervision and examination for all credit unions.
- Enhance internal tools and reports to support NSPM requirements.
- Continue to enhance existing and develop additional risk management tools and reports to support the supervision program.
- Evaluate ways to enhance the agency's current internal data collection processes.
- Provide ongoing staff training in identified emerging risk areas to enhance examination effectiveness.
- Work closely with the State Supervisory Authorities (SSAs) to ensure necessary action to mitigate risk within the state credit union program.

Human Capital:

In 2015, NCUA will continue reallocating resources from generalist examiners to specialists in order to provide support in higher risk areas, such as lending, capital markets, and information technology. Employing specialists adds expertise commensurate with the increasing sophistication of credit union operations so that NCUA is better equipped to address these risks going forward.

Information Technology:

- Resources will be used to redesign NCUA's Automated Integrated Regulatory Examination System (AIRES) as described under Strategic Objective 1.2.
- NCUA will acquire a lending analytic tool, which will allow lending specialists to quickly and efficiently analyze credit risk in both consumer and commercial loan portfolios.
- ONES will continue using a complete securities investment portfolio management system to monitor regulatory compliance, interest rate and credit risk in corporate credit unions.

Performance Goal 1.1.1

Maintain strong levels of credit union system-wide net worth and corporate credit union leverage ratios.

Indicators

1. Maintain aggregate net worth above 10 percent, annually.
2. Maintain the aggregate corporate credit union leverage ratio above 5 percent, annually.

Performance Goal 1.1.2

Improve the number of rehabilitated problem credit unions (CAMEL Composite Codes 3, 4, and 5) as a percentage of problem credit unions.

Indicators

1. Maintain NCUSIF losses in problem credit unions at less than 0.03 percent of total assets in problem credit unions, annually.

Performance Goal 1.1.3

Examine all federal credit unions annually.

Indicators

1. Examine 100 percent of all federal credit unions, annually.

Performance Goal 1.1.4

Examine all federally insured state credit unions (FISCUs) with assets above \$250 million annually.

Indicators

1. Examine 100 percent of all FISCUs with assets greater than \$250 million, annually.

Strategic Objective 1.2

Manage operational vulnerabilities resulting from new products and services, especially shifts in balance sheet composition.

As credit unions grow, they tend to become more complex, providing a wider array of products and additional services. Such complexity can be beneficial when it addresses members' needs and leads to increased diversification in credit union's assets. However, operational vulnerabilities resulting from the introduction of new products and services must be well managed to ensure a safe, sound and sustainable credit union system. Shifts in balance sheet composition, including acquiring new products in large concentrations, can pose risks to the credit union system if the changes to the balance sheet are not well managed, monitored or controlled.

Sound liquidity planning and access to federal liquidity sources are also vital to managing shifts in balance sheet composition and the safety and soundness of the credit union system. On March 31, 2014, NCUA's Liquidity and Contingency Funding Plans rule went into effect to ensure all credit unions conduct sound liquidity planning and large credit unions establish access to at least one federal source of contingent liquidity.

As described in Appendix C, credit unions' balance sheets should be resilient under a wide variety of rate environments. The interest rate environment in 2015 and 2016 is likely to be marked by uncertainty and dominated by a transition to a more normal interest rate environment. Credit unions' ability to manage and mitigate interest rate risk remains vital for their success.

Operational Processes and Strategies:

- Provide timely guidance to the credit union system and examiners related to effectively incorporating new products and services into credit union operations.
- Continue to perform focused reviews of credit unions exhibiting increased levels of balance sheet risk.
- Continue to enhance existing and develop additional risk management tools and reports to support the supervision program.
- Redesign the examination management system.
- Review capital planning and stress testing for credit unions with assets over \$10 billion.

Human Capital:

In addition to adding specialists in the areas of lending, capital markets, and information technology to the examination staff as described under Strategic Objective 1.1, NCUA plans to add mission support staff in ONES, and the Office of the Chief Economist (OCE) to further support implementation of a robust supervision framework.

Information Technology:

To keep pace with the growing complexities of the credit union system, NCUA is redesigning its examination management system. The AIRES redesign will improve the primary program exam tool used to manage credit union supervision and examination functions. This system is a critical and primary information source for documenting the industry's health, safety and soundness.

Performance Goal 1.2.1 (Agency Priority Goal)

Implement a robust supervision framework for NCUA's financial reform regulations including interest rate risk, liquidity and contingency funding plans, derivatives authority, and capital planning and stress testing.

Indicators

1. Develop a proposal for a separate interest rate risk component for complex credit unions' risk based net worth requirement, by December 31, 2015.
2. Issue examiner and industry guidance introducing revised policy on quantitative risk measurements for interest rate risk, by December 31, 2015.
3. Issue additional supervision guidance on interest rate risk sensitivity methods, by December 31, 2015.
4. Review and assess all capital plans and stress tests for credit unions with assets greater than \$10 billion, within timelines outlined in regulation.
5. Complete an assessment for adding an interest rate sensitivity (S) rating to NCUA's CAMEL rating system consistent with other national bank supervisors, by December 31, 2015.

Performance Goal 1.2.2

Update the automated examination system to incorporate economic model analysis.

Indicators

1. Complete programming and testing of a revised automated examination system, by December 31, 2016.

Strategic Objective 1.3

Implement tools and models for evaluation and assessment of industry-wide risks.

The evaluation and assessment of risks in the credit union industry is essential to the sustainability of the credit union system. NCUA continues to refine information derived from tools and models to prioritize the issuance of system and examiner guidance and to focus supervision efforts to minimize losses to the NCUSIF. NCUA employs business intelligence tools to identify and monitor risks to the credit union system using the following means, strategies and initiatives:

Operational Processes and Strategies:

- The timely collection of credit union data contributes to achieving this objective. In 2014, NCUA began imposing civil money penalties on credit unions that file their 5300 Call Report late to deter late filing and improve NCUA's ability to collect timely data and evaluate and assess risks.
- NCUA's risk report team designs, develops, and maintains offsite monitoring tools and risk reports to help identify adverse trends and emerging issues.
- OCE provides economic information and enhances NCUA's understanding of emerging microeconomic and macroeconomic risks, by producing meaningful and robust modeling and risk identification tools.

Human Capital:

The risk reports team is comprised of representatives from each region and the offices of ONES, OEI, OCIO, OCE, Small Credit Union Initiatives (OSCUI), and Human Resources (OHR). Staff from all offices contribute to the implementation of tools and models to evaluate and assess system-wide risks.

An additional economist position will be used in 2015 to support the increasing demands for in-depth analytical resources including simulation and modeling to support the examination program.

Information Technology:

Models and tools will be used as described to evaluate and assess system-wide risks.

Performance Goal 1.3.1

Employ business intelligence tools to identify and monitor risks to the credit union industry.

Indicators

1. Develop tools and models to provide improved reporting services and risk monitoring, by December 31, 2015.
2. Publish quarterly 5300 Call Report data within 45 days of credit union submission deadline.

Strategic Objective 1.4

Be prepared for and promote awareness of critical risk issues, emerging technologies, and related threats.

NCUA participates on two critical interagency groups designed to prepare the financial sector for and promote awareness in the financial sector of critical risk issues and related threats – the FFIEC and FBIIC. The FFIEC Cybersecurity and Critical Infrastructure Working Group (CCIWG) was created to enhance communication among the FFIEC member agencies and build on existing efforts to strengthen the activities of other interagency and private sector groups. In addition, the FFIEC began assessing and enhancing the state of the industry preparedness and identifying gaps in the regulators' examination procedures and training that can be closed to strengthen the oversight of cybersecurity readiness. The FBIIC's mission is to work with appropriate members of financial institution regulatory agencies, coordinate efforts to improve the reliability and security of financial information infrastructure. Appendix C discusses cybersecurity threats and the actions NCUA is taking to address these threats in more detail.

Participation in interagency groups better prepares NCUA and the credit union system to address critical risk issues. The agency's Risk Forum, comprised of senior executives, enhances awareness of the macro risks facing the system and develops proactive strategies to address identified threats and integrate organizational improvements. OCE provides economic information and enhances the agency's understanding of emerging microeconomic and macroeconomic risks.

OSCUI provides training and consulting services to low-income designated credit unions, minority designated credit unions, and credit unions with less than \$50 million in assets to ensure these credit unions are aware of, and prepared to address, critical risks and related threats.

The agency will continue to promote awareness of critical risk issues, emerging technologies, and related threats to the credit union system using the following means, strategies and initiatives:

Operational Processes and Strategies:

- Conduct quality control reviews of trending and risk analyses to identify critical risks and related threats.
- Distribute ONES' Payment Newsletter to all NCUA staff and SSAs periodically throughout the year to promote awareness of critical risks, emerging technologies, and related threats.
- Review regulations and internal policies on data security.
- Continue to evaluate emerging risks, including threats to cybersecurity, through qualitative and quantitative analysis.
- Communicate strategies to address critical risk issues, emerging technologies and related threats to NCUA staff and the credit union system.

Human Capital:

A cybersecurity position will be added to help establish the policy, risk management, and communication objectives to support the cybersecurity priorities of NCUA and the interagency initiatives jointly managed with the FFIEC to protect the financial services industry. In addition, an intelligence specialist with knowledge of both financial sector threats and cyber threats will provide support to NCUA network security and business operations by sharing information on critical infrastructure protection for the credit union sector. As described under Strategic Objective 1.3, an additional economist position will be used to support the increasing demands for in-depth analytical resources including simulation and modeling to support the examination program.

Information Technology:

NCUA will continue to enhance its ability to evaluate risk through continual improvements to tools and reports.

Performance Goal 1.4.1

Identify regional and national emerging risks requiring necessary actions.

Indicators

1. Each region will perform quality control over a sample of risk reviews to identify trends and note whether supervision plans are appropriate, quarterly.
2. Publish NCUA Quarterly U.S. Map Reviews on the NCUA website, which identify regional and national risks.
3. Issue 50 Economic Updates to NCUA staff and SSAs throughout the year to assist with identifying regional and national risks.

Performance Goal 1.4.2 (Agency Priority Goal)

Issue industry guidance related to emerging cybersecurity risks and related threats.

Indicators

1. Issue industry guidance and review regulations related to emerging cybersecurity risks and related threats, by December 31, 2015.
2. Issue an instruction establishing roles and responsibilities for NCUA offices performing intelligence analysis and sharing information of national security and cybersecurity threats to the financial sector, by December 31, 2015.

Performance Goal 1.4.3

Provide training in emerging technologies, especially for field and management staff.

Indicators

1. Review and assess training needs to ensure information on emerging technologies is current and placed on the learning management system for IT SMEs, and all examination staff, annually.

Performance Goal 1.4.4

Assist small and low-income credit unions to secure the proper technology and resources to ensure regulatory compliance and avoid any potential negative threats.

Indicators

1. Provide operational and strategic management consulting services to 400 small credit unions to ensure regulatory compliance and avoid any potential negative threats.
2. Award at least 35 percent of CDRLF funds to first-time applicants, annually.
3. Maintain a minimum number of 20,000 attendees at OSCUI training, annually.
4. Issue 12 FOCUS newsletters throughout the year addressing technology, resources and regulatory compliance.

Strategic Objective 1.5

Increase ability to manage risk through an effective examination and supervision program that minimizes loss to the NCUSIF.

With the continuing changes in the credit union system, NCUA has shifted its focus on the size, scale, and scope of credit union examinations. NCUA's ONES is responsible for the oversight of the largest and most complex credit unions, and NCUA has adopted a streamlined examination program for financially and operationally sound credit unions with assets less than \$30 million. These two initiatives increase the agency's ability to manage risks in all of its insured institutions. In addition, NCUA's NSPM establishes national policies, procedures, and guidelines for effective supervision of credit unions and, modernizations to the examination report better clarify priority exam action items, reduce redundancy, and ensure consistency.

NCUA will continue to minimize losses to the NCUSIF by managing risks in the credit union system using the following means, strategies and initiatives:

Operational Processes and Strategies:

- Ensure prompt and efficient resolution actions when appropriate.
- Effectively manage assets acquired from liquidations and manage recoveries for the NCUSIF.
- Implement additional changes to the examination and supervision program to further align resources with risk.

Human Capital:

NCUA continues to hire and train new examiners to ensure effective credit union supervision and examination. Resources are also being realigned and additional staff added in specialty areas to ensure NCUA is equipped to address risk concerns well into the future.

Information Technology:

NCUA will continue using its online learning management system to facilitate training and to increase staff efficiency.

Performance Goal 1.5.1

Maintain yearly NCUSIF losses as a percentage of total insured shares.

Indicators

1. Maintain NCUSIF losses at less than 0.03 percent of total insured shares, annually.

Performance Goal 1.5.2

Minimize total assets in CAMEL Code 4/5 rated credit unions.

Indicators

1. Achieve a declining trend in the total assets of CAMEL Code 4/5s year over year.

Strategic Goal 1: Summary Performance Indicators and Targets

Goal	Indicator	2012 Actual	2013 Actual	2014 Est	2015/2016 Target
1.1.1	Aggregate net worth.	10.4%	10.7%	10.93%	> 10%
	Aggregate corporate leverage ratio.	6.3%	7.1%	7.59%	> 5 %
1.1.2	Maintain NCUSIF losses in problem credit unions at less than 0.03 percent of total assets in problem credit unions.	0.1017%	0.0137%	0.0144%	< 0.03%
1.1.3	Examine 100 percent of FCUs.	99.7%	99.7%	100%	100%
1.1.4	Examine 100 percent of FISCUs > \$250 million.	97.3%	100%	100%	100%
1.2.1	Develop a proposal for a separate interest rate risk component for complex credit union' risk based net worth requirement.	N/A	N/A	N/A	Develop proposal in 2015
	Review and assess all capital plans and stress tests within regulatory timeframes.	N/A	N/A	Regulation Established	Achieve
	Issue quantitative risk measurements guidance.	N/A	N/A	N/A	Achieve in 2015
	Develop additional supervision guidance on interest rate risk sensitivity methods.	N/A	N/A	N/A	Achieve in 2015
	Assess adding an interest rate sensitivity (S) rating to CAMEL.	N/A	N/A	N/A	Complete in 2015
1.2.2	Complete programming and testing of a revised automated examination system.	N/A	N/A	N/A	Achieve in 2016
1.3.1	Develop tools and models to provide improved reporting services and risk monitoring.	N/A	N/A	N/A	Achieve in 2015
	Publish quarterly 5300 Call Report data within 45 days of credit union submission deadline.	Achieved	Achieved	Achieved	Achieve
1.4.1	Perform quality control over risk reviews.	N/A	N/A	5%	5%
	Publish NCUA Quarterly U.S. Map Reviews on ncua.gov .	4	4	4	4
	Issue economic updates to NCUA and SSAs.	50	51	50	50
1.4.2	Issue industry guidance and review regulations related to cybersecurity risks and related threats.	N/A	N/A	Achieved	Achieve
	Issue Instruction for NCUA offices performing analysis and sharing information of national and cybersecurity threats to the financial sector.	N/A	N/A	N/A	Achieve in 2015
1.4.3	Conduct annual review of emerging technology training needs and deliver materials to IT SMEs and all staff on the learning management system.	Achieved	Achieved	Achieved	Achieve
1.4.4	Provide consulting services to small credit unions.	410	474	450	≥ 400
	Award 35 percent of CRDLF funds to first-time applicants.	41%	51%	60%	≥ 35%
	Maintain minimum number of attendees at OSCUI training.	7,791	26,134	23,453	≥ 20,000
	Issue FOCUS newsletters throughout the year.	2	12	12	12
1.5.1	Net losses for current year failures/avg insured shares < 0.03 percent.	0.024%	0.008%	0.005%	< 0.03%
1.5.2	Declining trend in total assets of Code 4/5s.	-35.3%	-27.4%	-10.3%	< 0%

Strategic Goal 2: Promote Consumer Protection and Financial Literacy

Strategic Objectives	Performance Goals
2.1 Establish a framework of well-balanced regulations and policy statements.	2.1.1 Collaborate and consult with other federal regulators on consumer financial protection issues and potential regulations.
	2.1.2 Solicit information on potential abusive or deceptive practices through various outreach efforts.
2.2 Ensure federally insured credit unions comply with rules and regulations established to protect consumers.	2.2.1 Complete the risk-based fair lending exam procedures and exam scoping steps to measure credit union compliance with consumer financial protection regulations.
	2.2.2 Ensure quality control reviews of fair lending examination reports highlight potential consumer compliance issues and follow-up for needed corrective actions.
	2.2.3 Increase guidance to the credit union industry to help reduce the number of compliance violations.
2.3 Develop and promote financial literacy education programs to empower consumers to make informed financial decisions.	2.3.1 Monitor issues or trends in consumer complaints to develop effective financial literacy education programs and initiatives (<i>Agency Priority Goal</i>).
	2.3.2 Partner with outside resources to effectively market the availability of financial literacy programs.
2.4 Promote access to federally insured financial services for consumers of all backgrounds and income levels.	2.4.1 Notify credit unions of their eligibility for low-income status.
	2.4.2 Continue to increase usability and contemporary information on MyCreditUnion.gov, including Pocket Cents.
	2.4.3 Increase availability of non-English materials on NCUA websites.
2.5 Review marketing and business plans of community charters to ensure progress toward meeting stated goals.	2.5.1 Ensure community charter penetration rate, loans, shares, and other member services are consistent with credit union submitted community charter business plans.
2.6 Educate credit unions about consumer compliance issues.	2.6.1 Use all available delivery channels to provide information on consumer compliance related guidance and information.

The Director of the Office of Consumer Protection (OCP) is the goal leader for Strategic Goal 2 and the underlying objectives.

Strategic Goal 2 seeks to ensure a regulatory framework exists to provide consumers appropriate and timely disclosures, sufficient protections against unscrupulous products or services, and financial literacy education programs to help consumers make informed financial decisions.

OCP is responsible for overseeing NCUA’s fair lending, consumer protection and access, chartering, and field of membership programs and policies. OCP also focuses on providing information directly to consumers on MyCreditUnion.gov.

The NCUA Board and program staff continue to create an environment allowing credit unions to better serve their members while maintaining safety and soundness of the system. It is NCUA’s objective to

protect consumer rights and member deposits by establishing appropriate regulations, enhancing consumer confidence, and providing financial literacy and education. To this end, NCUA will:

- Collaborate with the other federal regulatory agencies as appropriate, to maintain a safe and sound regulatory environment to protect consumers using credit union products and services.
- Support credit unions in their efforts to offer essential products and services, including financial education programs to all eligible members, especially those of modest means.
- Structure the CDRLF to emphasize credit union outreach and financial services to low-income communities.
- Uphold public confidence in the NCUSIF.
- Review credit union compliance with their community charter business plan.
- Use all available media outlets to promote consumer rights.

These strategies, including the following objectives and performance goals support NCUA's goal of promoting consumer protection and financial literacy.

Strategic Objective 2.1

Establish a framework of well-balanced regulations and policy statements.

NCUA coordinates with other financial regulators to develop policy, regulation and guidance. As part of the FFIEC Taskforce on Consumer Compliance and the Financial Literacy Education Commission (FLEC), NCUA contributes to developing well-balanced regulations and policy statements related to consumer protection and financial literacy.

NCUA collects information related to consumer compliance violations and concerns during examinations. Coordination with other agencies combined with information collection results in a well-rounded framework for developing regulations, policies and guidance. NCUA will continue to establish a framework of well-balanced regulations and policy statements through the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Solicit information related to consumer compliance violations and concerns during quarterly calls with consumer compliance subject matter examiners and through examiner inquiries to guide the development of consumer alerts.
- Actively participate on FFIEC working groups and in FLEC meetings.
- Continue to ensure regulations and policy statements are well formulated and minimize regulatory burden.

Human Capital:

A consumer compliance policy and outreach position will provide expanded outreach to support NCUA staff and credit union officials on federal financial consumer protection matters. This position also supports Strategic Objectives 2.2 and 2.6.

Information Technology:

NCUA anticipates no need for new information technology.

Performance Goal 2.1.1

Collaborate and consult with other federal regulators on consumer financial protection issues and potential regulations.

Indicators

1. Attend 100 percent of FFIEC Taskforce on Consumer Compliance Meetings.

Performance Goal 2.1.2

Solicit information on potential abusive or deceptive practices through various outreach efforts.

Indicators

1. Request information from regions on potential abusive or deceptive practices, semi-annually.

Strategic Objective 2.2

Ensure federally insured credit unions comply with rules and regulations established to protect consumers.

NCUA's fair lending examination program is designed to ensure credit unions comply with the rules and regulations established to protect consumers. NCUA will continue to ensure credit unions comply with consumer protection rules and regulations using the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Maintain the consumer compliance regulatory resource page on ncua.gov.
- Provide timely guidance to the credit union system and examiners related to changes in rules and regulations established to protect consumers.
- Perform fair lending examinations.

Human Capital:

A consumer affairs program officer will support the accurate and timely processing of consumer inquiries and complaints about credit unions, and proactively identify consumer protection concerns. As described under Strategic Objective 2.1, a consumer compliance policy and outreach position will also be filled to assist with executing these initiatives. NCUA will continue to train field examination staff so they are fully knowledgeable on regulations and their effective implementation.

Information Technology:

OCE will provide offsite modeling to assist with the selection of fair lending examinations and offsite fair lending supervision. NCUA will continue to use AIREs for fair lending examinations.

Performance Goal 2.2.1

Complete the risk-based fair lending exam procedures and exam scoping steps to measure credit union compliance with consumer financial protection regulations.

Indicators

1. Complete 25 fair lending examinations, annually.
2. Complete 40 offsite fair lending supervision contacts, annually.

Performance Goal 2.2.2

Ensure quality control reviews of fair lending examination reports highlight potential consumer compliance issues and follow-up for needed corrective actions.

Indicators

1. Complete quality control reviews on 100 percent of fair lending examinations to identify risk trends and guide future supervision efforts, annually.

Performance Goal 2.2.3

Increase guidance to the credit union industry to help reduce the number of compliance violations.

Indicators

1. Conduct one webinar with the credit union industry, as part of indicator 3.4.2, on financial consumer protection law changes, by December 31, 2015.

Strategic Objective 2.3

Develop and promote financial literacy education programs to empower consumers to make informed financial decisions.

OCP maintains its focus on empowering consumers to make informed financial decisions by developing and promoting financial literacy education. This furthers the purpose of Strategic Goal 2. OCP responds to inquiries from credit unions, credit union members, and consumers involving consumer protection and share insurance matters. OCP also processes member complaints filed against federal credit unions.

NCUA will continue developing and promoting financial literacy education programs through the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Produce a monthly report on the top ten aggregate consumer complaints received in the Consumer Assistance Center to guide educational program development.
- Monitor consumer complaints and fair lending examination results to guide educational program development.
- Foster established relationships and focus on increasing the use of NCUA financial literacy materials.
- Engage with additional external parties to promote the use of NCUA's financial literacy tools.

Human Capital:

As described under Strategic Objective 2.2, a consumer affairs program officer will support the accurate and timely processing of consumer inquiries and complaints about credit unions, and proactively identify consumer protection concerns.

Information Technology:

NCUA plans to replace the Consumer Assistance Center's complaint management system in 2015.

Performance Goal 2.3.1 (Agency Priority Goal)

Monitor issues or trends in consumer complaints to develop effective financial literacy education programs and initiatives.

Indicators

1. Implement a more robust Consumer Assistance Center complaint management system in 2015.

Performance Goal 2.3.2

Partner with outside resources to effectively market the availability of financial literacy programs.

Indicators

1. Identify and engage with public and private entities to increase use of NCUA's financial literacy materials as part of the third party entities outreach efforts. Possible organizations include: (1) other federal financial regulators; (2) state financial regulators and agencies; (3) educational institutions; and (4) non-profits.
2. As an active member of FLEC, attend all (100 percent) public FLEC meetings.

Strategic Objective 2.4

Promote access to federally insured financial services for consumers of all backgrounds and income levels.

NCUA strives to promote access to credit union services for consumers of all backgrounds and income levels. To support this endeavor, NCUA strives to foster the preservation and growth of small credit unions. Additionally, OCP's Division of Consumer Access is responsible for chartering new credit unions, and reviewing applications by existing credit unions for charter conversions, bylaw amendments, field of membership expansions, and low-income designations. Credit unions with low-income designations are eligible for grants and loans. Credit unions with less than \$50 million in assets are eligible for OSCUI's consulting, training, and partnership and outreach initiatives.

NCUA also promotes access to financial services through its consumer education focused website MyCreditUnion.gov. This site, available in both English and Spanish, provides a one-stop financial information toolbox for adults and children. NCUA will continue to promote access to federally insured financial services for all consumers using the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Review and approve viable new credit union charters, as quickly as possible.
- Provide credit unions newly qualifying for a low-income designation with notification of their eligibility.
- Encourage greater use of CDRLF to bolster services to low-income members.
- Enhance education and outreach services to credit union boards and management.
- Foster partnerships with organizations that offer programs focused on the underserved community.
- Promote OSCUI programs to assist credit unions with providing access to financial services.
- Collaborate with OCIO to regularly update and expand the content of NCUA's consumer websites.

Human Capital:

NCUA will continue to use existing staff and responsibilities to promote access to financial services.

Information Technology:

Resources are required to continue to update and maintain MyCreditUnion.gov, including Pocket Cents.

Performance Goal 2.4.1

Notify credit unions of their eligibility for low-income status.

Indicators

1. Notify credit unions newly qualifying for low-income status of their eligibility, semi-annually.
2. Make a determination on completed Field of Membership expansion applications within an average of 60 days.

Performance Goal 2.4.2

Continue to increase usability and contemporary information on MyCreditUnion.gov, including Pocket Cents.

Indicators

1. Increase the number of visitors to MyCreditUnion.gov, including Pocket Cents year over year.

Performance Goal 2.4.3

Increase availability of non-English materials on NCUA websites.

Indicators

1. Release a financial literacy tool in Spanish, by December 31, 2015.

Strategic Objective 2.5

Review marketing and business plans of community charters to ensure progress toward meeting stated goals.

Community chartered credit unions are required to develop marketing and business plans during the application for a new or expanded community charter, as outlined in NCUA's Chartering and Field of Membership Manual. NCUA will review these business plans periodically after approval to ensure achievement of the objectives, including providing services to consumers in the new or expanded field of membership. NCUA will continue to review business plans of community charters to ensure progress toward the business plan's goals using the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Continue to follow-up with federal credit unions on the implementation of their business plan every year for three years after receiving a new or expanded community charter.
- Increase partnership and outreach efforts to provide more opportunities for credit unions to learn about and participate in programs to enhance their service delivery or improve operations.

Human Capital:

NCUA staff will continue to contribute to meeting this objective as part of the supervision program.

Information Technology:

No additional information technology required.

Performance Goal 2.5.1

Ensure community charter penetration rate, loans, shares, and other member services are consistent with credit union submitted community charter business plans.

Indicators

1. Issue regional reports assessing compliance with marketing and business plans submitted to support recent community charter actions, semi-annually.

Strategic Objective 2.6

Educate credit unions about consumer compliance issues.

NCUA informs and educates credit unions on a variety of issues through various reports, Letter to Credit Unions, live webinars, and videos. Educating credit unions on consumer compliance issues aligns with NCUA's vision statement and furthers the purpose of Strategic Goal 2.

NCUA will continue educating the credit union system about consumer compliance issues through the following means, strategies, and initiatives:

Operational Processes and Strategies:

- Engage with the credit union system about consumer compliance matters.
- Provide consumer compliance educational materials to credit union staff.

Human Capital:

As described under Strategic Objective 2.1, a consumer compliance policy and outreach position will be added to provide additional support to NCUA staff and credit union officials on consumer protection matters.

Information Technology:

Resources will be needed to develop additional videos.

Performance Goal 2.6.1

Use all available delivery channels to provide information on consumer compliance related guidance and information.

Indicators

1. Develop four consumer protection series videos, to include a video on credit union payday lending alternatives, in 2015.

Strategic Goal 2: Summary Performance Indicators and Targets

Goal	Indicator	2012 Actual	2013 Actual	2014 Est	2015/2016 Target
2.1.1	Attend 100 percent FFIEC Taskforce on Consumer Compliance Meetings.	92%	83%	100%	100%
2.1.2	Request information from regions on potential abusive or deceptive practices.	N/A	N/A	2	2 Requests
2.2.1	Complete 25 fair lending examinations.	11	25	25	≥ 25
	Complete 40 offsite fair lending supervision contacts.	N/A	45	40	≥ 40
2.2.2	Complete quality control reviews on 100 percent of fair lending examinations.	100%	100%	100%	100%
2.2.3	Conduct webinar with industry on financial consumer protection law changes.	N/A	N/A	Achieve	Achieve
2.3.1	Implement a more robust Consumer Access Center complaint management system.	N/A	N/A	N/A	Achieve in 2015
2.3.2	Identify and engage with public and private entities to increase use of NCUA's financial literacy materials as part of the third party entities outreach efforts.	N/A	N/A	Achieved	Achieve
	Attend all (100 percent) public FLEC meetings.	N/A	N/A	100%	100%
2.4.1	Notify credit unions newly qualifying for low-income status of their eligibility, semi-annually.	N/A	1	3	2
	Make a determination on completed FOM applications.	N/A	N/A	N/A	Average 60 days
2.4.2	Increase the number of visitors to MyCreditUnion.gov including Pocket Cents year over year.	156,546	332,596	500,000	600,000
2.4.3	Release a financial literacy tool in Spanish.	N/A	N/A	Achieve	Achieve in 2015
2.5.1	Issue regional reports assessing compliance with marketing and business plans submitted to support recent community charter actions.	N/A	Achieved	Achieved	2
2.6.1	Develop four consumer protection series videos.	N/A	N/A	4	4

Strategic Goal 3: Further Develop a Regulatory Environment that is Transparent and Effective, with Clearly Articulated and Easily Understood Regulations

Strategic Objectives	Performance Goals
3.1 Reduce unnecessary obstacles to credit union competitiveness through modernized regulations.	3.1.1 Update existing and develop new regulations through the annual regulatory review process.
	3.1.2 Coordinate with congressional committees on priority risk issues.
	3.1.3 Identify industry risks necessitating new or revised regulations in industry guidance.
3.2 Collaborate with other regulators to discuss strategies and goals for implementing new or revised regulations.	3.2.1 Actively participate in financial regulators meetings to contribute to the development and implementation of industry guidance.
3.3 Maintain a regulatory environment that safeguards member interests and stability in the credit union system.	3.3.1 Provide sufficient comment periods when introducing new or revised regulations and consider public comments when finalizing regulations.
3.4 Enhance NCUA’s communication with credit unions through transparent regulations and guidance.	3.4.1 Develop guidance to credit unions to provide explanation of regulatory changes and best practices for implementation (<i>Agency Priority Goal</i>).
	3.4.2 Increase target audience awareness of regulatory activities and their positive effects on the industry’s safety and soundness.
	3.4.3 Issue information on new and changed regulations through multiple delivery channels including the NCUA website, Twitter, Facebook, LinkedIn, and YouTube.

NCUA’s General Counsel is the goal leader for Strategic Goal 3 and the underlying objectives.

NCUA strives to effectively manage the balance between regulatory flexibility and responsible oversight. NCUA’s goal is to issue simple, clear, and straightforward regulations while addressing emerging issues before they become major problems.

NCUA continues to improve the effectiveness and transparency of its regulations by increasing communications with credit unions and examiners, as well as the means used to communicate, to ensure greater transparency and fair application of these regulations. The NCUA Board continues its regulatory modernization strategy, which strives to reduce the regulatory burden on credit unions while balancing safety and soundness of the system. The NCUA Board will continue to pursue ways to streamline regulations and reduce regulatory burdens, while still maintaining appropriate safety and soundness.

Strategic Objective 3.1

Reduce unnecessary obstacles to credit union competitiveness through modernized regulations.

NCUA is currently performing a review of its regulations in a manner consistent with the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). The purpose of this review is to identify

outdated, unnecessary, or unduly burdensome regulations and consider how to reduce regulatory burden on insured depository institutions while, at the same time, ensuring their safety and soundness and the safety and soundness of the financial system.

It is NCUA's practice to review one-third of its regulations annually, including publishing them for public comment, and updating and streamlining regulations where necessary.

Operational Processes and Strategies:

NCUA will conduct its annual review using the following means, strategies, and initiatives.

- By early January 2015, identify the one-third of NCUA's regulations up for review in 2015.
- Post the list on NCUA's website and invite public comment on the regulations to be received by August 2015.
- The Office of General Counsel (OGC) will review the submitted comments and report to the NCUA Board.
- The NCUA Board will consider changes recommended by comment letters and NCUA staff in late 2015 and 2016.

Human Capital:

No additional human capital will be required.

Information Technology:

No additional information technology is immediately required. NCUA will review systems to aid in communications with congressional committees.

Performance Goal 3.1.1

Update existing and develop new regulations through the annual regulatory review process.

Indicators

1. Review one-third of all regulations, annually.

Performance Goal 3.1.2

Coordinate with congressional committees on priority risk issues.

Indicators

1. Send letters to the Chairmen and Ranking Members of primary committees and subcommittees of jurisdiction about NCUA's legislative priorities, and conduct follow-up meetings with key congressional staff, as warranted.

Performance Goal 3.1.3

Identify industry risks necessitating new or revised regulations in industry guidance.

Indicators

1. Hold semi-annual Risk Forum meetings to discuss risks and develop action plans to address risks identified following each meeting.

Strategic Objective 3.2

Collaborate with other regulators to discuss strategies and goals for implementing new or revised regulations.

NCUA participates on various councils and interagency groups responsible for regulating the financial system. Frequently, revised regulations and interagency guidance on current risk issues are developed by task forces and working groups, and issued to all insured financial institutions.

Operational Processes and Strategies:

- Participate in development of financial system regulations and guidance as applicable to credit unions.
- Participate in monthly and periodic council, task force, and working group meetings.
- Coordinate guidance development and issuance through various program offices.

Human Capital:

The consumer compliance and cybersecurity positions described under Strategic Objective 2.2 and 1.4 respectively, will be used to further assist with interagency collaboration.

Information Technology:

No addition information technology is required.

Performance Goal 3.2.1

Actively participate in financial regulators meetings to contribute to the development and implementation of industry guidance.

Indicators

1. Participate in 100 percent of all interagency meetings including FSOC, FFIEC, and related Councils, Task Forces, and Subcommittees. Actively participate in the development process on all applicable guidance.

Strategic Objective 3.3

Maintain a regulatory environment that safeguards member interests and stability in the credit union system.

The NCUA Board is concerned with balancing safety and soundness with the credit union system's competitive needs to maintain viability and stability.

Operational Processes and Strategies:

New or revised rules and regulations are generally issued for a minimum of 30 days for public comment; most are issued for 60 days for public comment. NCUA evaluates and considers comments received from stakeholders to understand the impact regulations may have on credit union operations.

Human Capital:

No additional human capital is necessary.

Information Technology:

No additional information technology is required.

Performance Goal 3.3.1

Provide sufficient comment periods when introducing new or revised regulations and consider public comments when finalizing regulations.

Indicators

1. Provide a minimum comment period of 30 days for new and revised regulations.

Strategic Objective 3.4

Enhance NCUA's communication with credit unions through transparent regulations and guidance.

NCUA will maintain open and transparent communications with credit unions to help increase their understanding and implementation of regulations and NCUA initiatives.

Operational Processes and Strategies:

In order to assist in regulation comprehension, NCUA will continue presenting informative webinars regarding recent risk issues and relevant guidance. The agency will continue producing YouTube videos addressing NCUA Board actions, economic data, and regulatory information. NCUA will also continue to issue its monthly NCUA Report, which highlights important NCUA Board actions and key issues that credit unions need to know.

Human Capital:

An OSCUI position responsible for field consultation, automated tools and reports and the OSCUI web microsite will be added to further improve the efficiency and effectiveness of NCUA's small credit union initiatives. OSCUI's videos and microsite communicate regulatory changes and best practices to credit unions of all sizes.

Information Technology:

Available technologies such as webinars, websites, and social media will be used to increase credit union access to NCUA Board actions, economic data, and regulatory information. NCUA is also looking to deliver a mobile version of the NCUA Report to increase the publication's accessibility.

Performance Goal 3.4.1 (Agency Priority Goal)

Develop guidance to credit unions to provide explanation of regulatory changes and best practices for implementation.

Indicators

1. Issue appropriate guidance such as Letters to Credit Unions, Supervisory Letters, Webinars, AIREs questionnaires, or other multi-media outreach in conjunction with regulatory changes issued by the Board when warranted.

Performance Goal 3.4.2

Increase target audience awareness of regulatory activities and their positive effects on the industry's safety and soundness.

Indicators

1. Produce at least 36 virtual events or videos for the credit unions industry in 2015, to include a webinar on financial consumer protection law changes as outlined under Performance Goal 2.2.3.
2. Issue monthly NCUA Report newsletters containing information on regulatory changes, as applicable in 2015.

Performance Goal 3.4.3

Issue information on new and changed regulations through multiple delivery channels including the NCUA website, Twitter, Facebook, LinkedIn, and YouTube.

Indicators

1. NCUA will use social media channels to communicate each rule change as warranted.

Strategic Goal 3: Summary Performance Indicators and Targets

Goal	Indicator	2012 Actual	2013 Actual	2014 Est	2015/2016 Target
3.1.1	Review one-third of all regulations.	1/3	1/3	1/3	1/3
3.1.2	Send letters to the Chairmen and Ranking Members of primary committees and subcommittees of jurisdiction about NCUA's legislative priorities, and conduct follow-up meetings with key congressional staff as warranted.	N/A	N/A	Achieved	Achieve
3.1.3	Hold semi-annual Risk Forum meetings to discuss risks and develop action plans to address risks identified following each meeting.	N/A	N/A	Achieved	Achieve
3.2.1	Participate in 100 percent of all interagency meetings.	N/A	N/A	94%	100%
3.3.1	Provide a minimum comment period of 30 days on new and revised regulations.	30 days	30 days	30 days	30 days
3.4.1	Issue appropriate guidance in conjunction with regulatory changes issued by the board when warranted.	N/A	N/A	Achieved	Achieve
3.4.2	Produce virtual events or videos for the credit union industry in 2015.	5	17	33	36
	Issue monthly NCUA Report newsletters.	12	12	12	12
3.4.3	Use social media channels to communicate each rule change as warranted.	N/A	N/A	Achieved	Achieve

Strategic Goal 4: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff

Strategic Objectives	Performance Goals
4.1 Develop and maintain the optimal knowledge, skills, and abilities of the agency’s workforce to meet emerging needs.	4.1.1 Use all available delivery channels to educate staff on new and updated guidance and regulations.
	4.1.2 Deliver quality training consistent with the various staff areas of discipline.
4.2 Enhance staff effectiveness and efficiency through the use of technology.	4.2.1 Develop specialized systems, tools, and models to create a more effective examination program.
	4.2.2 Deliver leading edge information technology hardware and software to maximize staff efficiency.
	4.2.3 Increase virtual, remote and telework employee efficiency through the use of current technology.
4.3 Recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force.	4.3.1 Increase the number of women, persons with disabilities, and minority staff at all levels particularly in the management ranks (<i>Agency Priority Goal</i>).
	4.3.2 Partner with organizations to increase the diversity of NCUA staff, particularly management.
	4.3.3 Fill vacancies timely with the best-qualified applicants available.
4.4 Maintain an effective plan of succession to ensure continuity of leadership throughout all levels of the organization.	4.4.1 Capture valuable institutional knowledge of retiring senior executives.
	4.4.2 Enhance leadership training programs to provide continued education for all levels of staff.
4.5 Improve NCUA's internal communication, both horizontally and vertically.	4.5.1 Provide clear and timely communication between all levels of staff.
	4.5.2 Coordinate agency communications to maintain consistent strategic messaging.
4.6 Enhance NCUA’s position as one of the best places in the government to work.	4.6.1 Solicit staff input on areas requiring attention.
	4.6.2 Strive to balance organizational needs with comparability with the other financial regulatory agencies in the areas of pay and benefits.
	4.6.3 Streamline operation policies and practices to reduce administrative burden for all staff.
	4.6.4 Strengthen the security program in the areas of personnel, facilities, continuity of operations and secure communications (<i>Agency Priority Goal</i>).

NCUA’s Deputy Executive Director is the goal leader for Strategic Goal 4 and the underlying objectives.

NCUA's most important resource is high quality, skilled staff. To maximize their contributions to the mission, they must be supported by efficient and effective processes and have the proper tools and leading edge technology.

With the goal of cultivating an environment that fosters a diverse, well-trained and motivated staff, Strategic Goal 4 reaches across the organization. Goal 4 emphasizes staff effectiveness through hiring, training, diversity, and career development. It also focuses on maintaining sufficient levels of communication and preparing staff to assume additional responsibilities and duties in leadership positions. The goal also covers the need for strong security programs and other high quality administrative and support functions for all staff.

Strategic Objective 4.1

Develop and maintain the optimal knowledge, skills, and abilities of the agency's workforce to meet emerging needs.

To properly supervise federally insured credit unions, staff must be trained to have the requisite skills and abilities to identify and mitigate risk. Providing ongoing training in identified emerging risk areas is necessary to maintain an effective examination process. In addition to providing ongoing training for generalist examiners in identified emerging risk areas, NCUA is also realigning resources to acquire specialists with focused expertise. NCUA also holds webinars and produces videos as necessary to highlight regulatory changes, and provide training on required examination processes.

Operational Processes and Strategies:

- Continue providing training on a timely basis to help staff understand emerging risk areas and mitigation strategies. Incorporate staff feedback to improve future training.
- Use the ONES IT and Payments Newsletter to deliver current information to NCUA and SSA staff on emerging IT and payment systems risks.

Human Capital:

Realignment of regional resources and the addition of mission support staff will ensure NCUA's knowledge, skills and abilities meet emerging needs.

Information Technology:

NCUA will use technology support to improve training efficiencies with video teleconferencing and web conferencing.

Performance Goal 4.1.1

Use all available delivery channels to educate staff on new and updated guidance and regulations.

Indicators

1. Hold webinars with NCUA staff on significant regulatory changes.

Performance Goal 4.1.2

Deliver quality training consistent with the various staff areas of discipline.

Indicators

1. Obtain at least a 4.4 out of 5 average rating in training class evaluations.

Strategic Objective 4.2

Enhance staff effectiveness and efficiency through the use of technology.

Staff significantly relies upon technology to perform their duties and responsibilities associated with their positions. The technology needs to be at a level appropriate to carry out the agency's mission. In order to create additional efficiencies, administrative tasks need to be streamlined through the use of new programs.

Operational Processes and Strategies:

- Continue making technological hardware and software improvements as required to maintain a high performing staff.
- Work with program offices to develop any necessary programs to improve staff's ability to identify industry risks.

Human Capital:

NCUA's Information Technology Prioritization Council (ITPC) comprised of office and regional directors review and prioritize software initiatives and align IT investments with NCUA's mission.

Information Technology:

Achievement of the indicators supporting this objective is essential to NCUA operations. In addition, NCUA will be replacing a system that supports administrative functions including budget formulation, travel voucher audits, and human resource data.

Performance Goal 4.2.1

Develop specialized systems, tools, and models to create a more effective examination program.

Indicators

1. Deliver CUSO reporting system by December 31, 2015.
2. Deliver Phase I of an upgraded credit union call reporting system in 2015, and Phase II in 2016.
3. Deploy enhanced examination and supervision management tools with updated security module by June 30, 2015.

Performance Goal 4.2.2

Deliver leading edge information technology hardware and software to maximize staff efficiency.

Indicators

1. Deliver Phase I of a new secure file transfer tool to receive and distribute large files with credit unions and third parties, by December 31, 2015.
2. Complete transition to new computers, by March 31, 2015.
3. Implement an automated tracking and data storage system to improve the efficiency of Equal Employment Opportunity (EEO) services, by December 31, 2015.

Performance Goal 4.2.3

Increase virtual, remote and telework employee efficiency through the use of current technology.

Indicators

1. Increase use of mobile technology by NCUA staff, by June 30, 2015.
2. Complete migration of all offices to redesigned NCUACentral, by June 30, 2015.

Strategic Objective 4.3

Recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force.

NCUA incorporates the principles of diversity as one of its core values. These principles serve as the foundation for building an environment where the talents of all individuals are fully utilized. When applied effectively, these principles create a workforce where employees not only succeed, but are provided the opportunity to reach their fullest potential. NCUA has established a Diversity Advisory Council to support the agency's diversity goals, serve as a resource to assist and advise decision-makers on diversity and inclusion efforts, and ensure the goals established in NCUA's Diversity and Inclusion Plan are met.

Developing a well-diversified and highly qualified workforce begins during recruitment. NCUA is committed to filling vacancies timely with the best-qualified applicants available.

Operational Processes and Strategies:

- Evaluate the best approaches for implementing diversity objectives.
- Develop strategies to address low participation rates of identified groups.
- Address and eliminate barriers to equal employment opportunity where low participation exists.
- Provide diversity training to all NCUA employees.
- Publish advertisements in circulars that target diverse communities.

Human Capital:

No additional human capital is required.

Information Technology:

No additional information technology is required.

Performance Goal 4.3.1 (Agency Priority Goal)

Increase the number of women, persons with disabilities, and minority staff at all levels particularly in the management ranks.

Indicators

1. Implement action items under the ‘Workforce Diversity’ goal in the 2012-2016 Diversity and Inclusion Strategic Plan.
2. Hold at least three Outreach Committee meetings to assess diversity outreach needs and progress toward achievement, annually.
3. Continue to conduct analyses to identify any barriers that cause low participation rates of underrepresented groups in the NCUA workforce, and take steps to remove those barriers.
4. Maintain NCUA's position in the top five mid-sized agencies for the Support for Diversity Indicator (Employee Viewpoint Survey Questions 34, 45, and 55). These questions measure the extent to which employees believe that actions and policies of leadership and management promote and respect diversity.

Performance Goal 4.3.2

Partner with organizations to increase the diversity of NCUA staff, particularly management.

Indicators

1. Partner with at least one new organization by December 31, 2015.

Performance Goal 4.3.3

Fill vacancies timely with the best-qualified applicants available.

Indicators

1. Fill vacancies within an average of 70 days from vacancy announcement closing date.

Strategic Objective 4.4

Maintain an effective plan of succession to ensure continuity of leadership throughout all levels of the organization.

Human capital is the agency's most important resource. NCUA must be prepared to pursue other opportunities as staff retire or leave their positions. Planning for succession will help determine knowledge, skills, and abilities necessary to fill critical staff positions.

Operational Processes and Strategies:

- Evaluate the leadership programs available to staff and make changes as necessary.
- Track the success of graduates from the leadership programs into leadership positions.
- Cultivate talent by providing training, mentoring, detail assignments, and other leadership development opportunities.
- Implement management development program recommendations to improve employee retention, particularly for mid-career hires.
- Facilitate leadership transition by striving for an overlap between the incumbent and the retiring senior executive.

Human Capital:

No additional human capital is necessary.

Information Technology:

No additional information technology is required.

Performance Goal 4.4.1

Capture valuable institutional knowledge of retiring senior executives.

Indicators

1. Assess whether NCUA will develop and implement a Phased Retirement policy, per OPM guidelines by September 30, 2015.
2. Have at least four management staff participate in the executive development program per year.
3. Provide executive coaching to at least five managers per year.

Performance Goal 4.4.2

Enhance leadership training programs to provide continued education for all levels of staff.

Indicators

1. Conduct post-program reviews of management and executive development programs in coordination with oversight committees and participant supervisors at the conclusion of each program.
2. Promote successful graduation of all NCUA leadership program participants as warranted.
3. Annually gather and analyze data and trends on leadership program graduates to enhance leadership training programs.

Strategic Objective 4.5

Improve NCUA's internal communication, both horizontally and vertically.

NCUA leadership understands the importance of keeping all staff informed of major issues internal and external to the agency. Communications will continue to be enhanced using the following means, strategies, and initiatives.

Operational Processes and Strategies:

NCUA has implemented several tools to enhance communication within the agency, including a revised communications manual. In 2015, staff will receive training on the new communications manual. NCUA will also continue to:

- Empower employees by maintaining the partnership council relationship with the National Treasury Employees Union (NTEU).
- Offer webinars, teleconferences, and timely emails to improve communications with staff.
- Send regulatory and policy action briefings to staff prior to external release.
- Publish the Inside NCUA Weekly newsletter to keep staff apprised of changes and issues.

Human Capital:

Continue providing resources for the internal communications working group and partnership council.

Information Technology:

Use available technology to communicate information to staff and allow for interaction and feedback.

Performance Goal 4.5.1

Provide clear and timely communication between all levels of staff.

Indicators

1. Hold quarterly Chairman's webinars with all staff.
2. Publish weekly Inside NCUA communication emails.
3. Hold semiannual regional and annual central office management meetings.

Performance Goal 4.5.2

Coordinate agency communications to maintain consistent strategic messaging.

Indicators

1. Publish at least 45 communications reminders in Inside NCUA in 2015.

Strategic Objective 4.6

Enhance NCUA's position as one of the best places in the government to work.

NCUA leadership recognizes the agency needs its most important resource, its people, in order to meet its goals and mission. To this end, NCUA's Internal Communications Working Group (ICWG) and Partnership Council both provide venues for agency staff to provide input on areas within NCUA needing improvement. Additionally, quarterly webinars with agency leadership, including the Board Chairman, encourage and solicit input from all staff on ways to improve the organization. Leadership is committed to creating an environment that fosters a diverse, well-trained, and motivated staff. NCUA has also committed to strengthening its security program and communications. The Office of Continuity and Security Management (OCSM) began operation in 2014 and is responsible for the following programs: continuity of operations and emergency management, physical security, personnel security, and national security and intelligence.

Operational Processes and Strategies:

- Evaluate the results of the Employee Viewpoint Survey in particular areas. Make changes as necessary to address lower scoring areas.
- Continue to hold quarterly webinars with all NCUA staff
- Promote the use of forums such as the Partnership Council and ICWG to bring matters to the attention of management.
- Strengthen NCUA's security programs and communications.
- Strengthen NCUA's emergency management program through the development of an emergency management instruction and accompanying guidance.
- Survey the regional offices to determine ways to improve the safety of staff.
- Develop guidance for emergency management for remote and field staff.

Human Capital:

OCSM will be hiring additional personnel in 2015 to support NCUA's security programs and financial sector threats.

Information Technology:

NCUA's ITPC prioritizes information technology needs to improve agency efficiencies. Hardware and software updates will continue to maintain secure communications and staff efficiencies. Procurement of a background investigation management system is planned to aid in strengthening the agency's security program. An updated incident management system will assist NCUA staff with efficiently tracking and monitoring the operational status of credit unions during, and after, a contingency event.

Performance Goal 4.6.1

Solicit staff input on areas requiring attention.

Indicators

1. Maintain at least 65 percent staff participation in the annual employee viewpoint survey.

Performance Goal 4.6.2

Strive to balance organizational needs with comparability with the other financial regulatory agencies in the areas of pay and benefits.

Indicators

1. Complete Collective Bargaining Agreement (CBA) negotiations during 2015 and strive to balance a pay and benefit system with current Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) comparability levels and organizational needs.

Performance Goal 4.6.3

Streamline operation policies and practices to reduce administrative burden for all staff.

Indicators

1. Reduce or eliminate at least two administrative management requirements as part of labor relations activities.

Performance Goal 4.6.4 (Agency Priority Goal)

Strengthen the security program in the areas of personnel, facilities, continuity of operations and secure communications.

Indicators

1. Implement an automated background investigation management system by December 31, 2015.
2. Conduct an NCUA-wide survey in 2015 to identify security threats and concerns and develop guidance for staff to improve the percentage of positive responses for Employee Viewpoint Survey Question 36 in 2016. This question measures the extent to which employees believe the organization has prepared employees for potential security threats.
3. Develop security policies and conduct self-inspections and risk assessments to appropriately manage security operations and ensure accountability, by December 31, 2015.
4. Implement a more robust incident management system to improve efficiency of emergency preparedness and response activities with Regions and Central Office, December 31, 2015.
5. Perform at least eight emergency management exercises throughout the year in the central office and additional exercises in regions.

Strategic Goal 4: Summary Performance Indicators and Targets

Goal	Indicator	2012 Actual	2013 Actual	2014 Est	2015/2016 Target
4.1.1	Hold webinars with NCUA staff on significant regulatory changes.	Achieved	Achieved	Achieved	Achieve
4.1.2	Obtain at least a 4.4 out of 5 average rating in training class evaluations.	4.2	4.1	4.47	> 4.4
4.2.1	Deliver CUSO reporting system.	N/A	N/A	N/A	Achieve in 2015
	Deliver an upgraded credit union call reporting system.	N/A	N/A	N/A	Phase I - 2015 Phase II - 2016
	Deploy exam and supervision management tools with updated security module.	N/A	N/A	N/A	Achieve in 2015Q2
4.2.2	Deliver Phase I of a new secure file transfer tool.	N/A	N/A	N/A	Achieve in 2015
	Complete transition to new computers.	N/A	Achieved	N/A	Achieve in 2015Q1
	Implement an automated tracking and data storage system to improve efficiency of EEO services.	N/A	N/A	N/A	Achieve in 2015
4.2.3	Increase use of mobile technology by NCUA staff.	N/A	N/A	N/A	Achieve in 2015Q2
	Complete migration of all offices to redesigned NCUACentral	N/A	N/A	N/A	Achieve in 2015Q2
4.3.1	Implement action items under the 'Workforce Diversity' goal in the 2012-2016 Diversity and Inclusion Strategic Plan.	Developed	Achieved	Achieved	Achieve
	Hold Outreach Committee meetings to assess diversity outreach needs and progress toward achievement.	N/A	Committee Established	2	3
	Continue to conduct analyses to identify any barriers that cause low participation rates of underrepresented groups in the NCUA workforce, and take steps to remove those barriers.	N/A	N/A	N/A	Achieve in 2015
	Maintain NCUA's position in the top five mid-sized agencies for the Support for Diversity Indicator (Employee Viewpoint Survey Questions 34, 45, and 55).	4 th	4 th	5 th	Top 5
4.3.2	Partner with at least one new organization.	N/A	1	1	1
4.3.3	Fill vacancies within an average of 70 days from vacancy announcement closing date.	N/A	N/A	76	70
4.4.1	Assess whether NCUA will develop and implement a Phased Retirement policy.	N/A	N/A	N/A	Achieve in 2015Q3
	Have at least four management staff participate in the executive development program.	N/A	Resumed Program	4	4
	Provide executive coaching to at least five managers.	N/A	10	7	5

Goal	Indicator	2012 Actual	2013 Actual	2014 Est	2015/2016 Target
4.4.2	Conduct post-program reviews of management and executive development.	N/A	N/A	N/A	Achieve
	Promote successful graduation of all NCUA leadership program participants as warranted.	100%	95%	100%	100%
	Annually gather and analyze data and trends on leadership program graduates to enhance leadership training programs.	N/A	N/A	Achieved	Achieve
4.5.1	Hold quarterly Chairman's webinars with all staff.	2	4	4	4
	Publish weekly Inside NCUA communication emails.	52	52	52	52
	Hold semiannual regional and annual central office management meetings.	10	10	11	11
4.5.2	Publish communications reminders in Inside NCUA.	N/A	4	45	≥ 45
4.6.1	Maintain at least 65 percent staff participation in employee viewpoint survey.	65%	72%	68%	≥ 65%
4.6.2	Complete Collective Bargaining Agreement (CBA) negotiations during 2014 and strive to balance a pay and benefit system with current FIRREA comparability levels and organizational needs.	N/A	N/A	Negotiations Commenced	Achieve
4.6.3	Reduce or eliminate at least two administrative management requirements as part of labor relations activities.	2	2	2	2
4.6.4	Implement automated background investigation management system.	N/A	N/A	N/A	Achieve in 2015
	Conduct NCUA-wide survey to identify security threats and concerns and develop guidance for staff to improve the percentage of positive responses for EVS Question 36.	71.1	59.74	62.5	Achieve improvement in 2016
	Develop security policies and conduct self-inspections and risk assessments.	N/A	N/A	7	3
	Implement a more robust incident management system.	N/A	N/A	N/A	Achieve in 2015
	Perform emergency management exercises throughout the year.	N/A	N/A	4	≥ 8

Agency Priority Goals

OMB encourages all agencies to prioritize goals in their strategic and annual performance plans. An Agency Priority Goal (APG) is a subset of the agency's performance goals and represents the highest implementation priorities. An APG is a near-term result or achievement to accomplish within approximately 24 months. NCUA identifies the following six performance goals as APGs.

1. Performance Goal 1.2.1

Implement a robust supervision framework for NCUA's financial-reform regulations including interest rate risk, liquidity and contingency funding plans, derivative authority, and capital planning and stress testing as measured by:

- Developing a proposal for a separate interest rate risk component for complex credit unions' risk based net worth requirement, by December 31, 2015.
- Issuing examiner and industry guidance introducing revised policy on quantitative risk measurements for interest rate risk, by December 31, 2015.
- Issuing additional supervision guidance on interest rate risk sensitivity methods, by December 31, 2015.
- Reviewing and assessing all capital plans and stress tests for credit unions with assets greater than \$10 billion within timelines outlined in regulation.
- Completing an assessment for the addition of an interest rate sensitivity (S) rating to NCUA's CAMEL rating system consistent with other national bank supervisors, by December 31, 2015.

2. Performance Goal 1.4.2

Issue industry guidance related to emerging cybersecurity risks and related threats achieved by:

- Issuing industry guidance and reviewing regulations related to emerging cybersecurity risks and related threats, by December 31, 2015.
- Issuing an instruction establishing roles and responsibilities for NCUA offices performing intelligence analysis and sharing information of national security and cybersecurity threats to the financial sector, by December 31, 2015.

3. Performance Goal 2.3.1

Monitor issues or trends in consumer complaints to develop effective financial literacy education programs and initiatives achieved by implementing a more robust Consumer Assistance Center complaint management system in 2015.

4. Performance Goal 3.4.1

Develop guidance to credit unions to provide explanation of regulatory changes and best practices for implementation achieved by issuing appropriate guidance such as Letters to Credit

Unions, Supervisory Letters, Webinars, AIREs questionnaires, or other multi-media outreach in conjunction with regulatory changes issued by the Board, when warranted.

5. Performance Goal 4.3.1

Increase the number of women, persons with disabilities, and minority staff at all levels particularly in the management ranks as measured by:

- Implementing action items under the ‘Workforce Diversity’ goal in the 2012-2016 Diversity and Inclusion Strategic Plan.
- Holding at least three Outreach Committee meetings to assess diversity outreach needs and progress toward achievement, annually.
- Continuing to conduct analyses to identify any barriers that cause low participation rates of underrepresented groups in the NCUA workforce, and taking steps to remove those barriers.
- Maintaining NCUA's position in the top five mid-sized agencies for the Support for Diversity Indicator (Employee Viewpoint Survey Questions 34, 45, and 55). These questions measure the extent to which employees believe that actions and policies of leadership and management promote and respect diversity.

6. Performance Goal 4.6.4

Strengthen the security program in the areas of personnel, facilities, continuity of operations and secure communications achieved by:

- Implementing an automated background investigation management system.
- Conducting an NCUA-wide survey to identify security threats and concerns and developing guidance for staff to improve the percentage of positive responses for Employee Viewpoint Survey Question 36. This question measures the extent to which employees believe the organization has prepared employees for potential security threats.
- Developing security policies and conducting self-inspections and risk assessments to appropriately manage security operations and ensure accountability.
- Implementing a more robust incident management system to improve efficiency of emergency preparedness and response activities with Regions and Central Office.
- Performing at least eight emergency management exercises throughout the year in the Central Office and additional exercises in regions.

Management Review

NCUA uses a quarterly data driven review process. Each designated goal leader is responsible for the progress in meeting the goals, reporting the results, and making operational adjustments. These reviews are coordinated by the Office of the Chief Financial Officer.

Program Evaluation and Research

NCUA will use the results of the quarterly reviews and its annual performance report as a data point for future development of the strategies, goals, measures, and targets. For this Plan, each office provided their analysis and support for each performance goals. Several performance goal indicators in this Plan are new for 2015 and 2016; therefore, historical data is not available. These indicators are marked as N/A 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 NCUA's Plan.

Data Management and Reliability

Data management and data reliability are important in determining performance outcomes. Currently, the data is reviewed by OEI, ONES, OCE and the regions. In 2015, NCUA has budgeted for improvements to its data management system including the development of business intelligence tools. Combined with an enterprise data warehouse, data storage will be expanded and analysis and reporting strengthened.

Data provided by NCUA during the financial statement audits provides another level of assurance. The NCUA Chairman deems the data as current, reliable and accurate to support NCUA's performance results and the annual plans.

Lower-Priority Program Activities

The President's Budget identifies the lower-priority program activities, as required under the GPRA Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at: <http://www.whitehouse.gov/omb/budget>.

Hyperlinks

NCUA Strategic Plan, 2014 through 2017
2015 Budget Documents
Interest Rate Risk Resources
Cybersecurity Resources
Consumer Compliance Regulatory Resources
NCUA Diversity and Inclusion Strategic Plan

Appendix A – Budgetary Requirements by Strategic Goal

FY 2015 Budgeted Dollars by Strategic Goal (in Millions)								
Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Strategic Goal 4		Total
Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
\$203.81	72.93%	\$17.09	6.11%	\$9.56	3.42%	\$49.02	17.54%	\$279.5
FY 2015 Projected FTE by Strategic Goal								
Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Strategic Goal 4		Total
FTE	Percent	FTE	Percent	FTE	Percent	FTE	Percent	FTE
1043	82.77%	76	6.03%	38	2.98%	104	8.21%	1260 ²
The offices of Board, OED, OIG and OCFO are allocated across all Strategic Goals.								

FY 2015 Capital Acquisition Dollars by Strategic Goal (in Millions)								
Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Strategic Goal 4		Total
Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
\$3.9	44.15%	\$1.2	13.53%	\$0.0	0.0%	\$3.8	42.35%	\$8.9

² NCUA's 2015 FTEs of 1,268.7 are funded by three different sources. The Central Liquidity Facility funds 3.5 FTEs and the Temporary Corporate Credit Union Stabilization Fund funds 5 FTEs. NCUA's Operating Fund funds the remaining 1,260.2 FTEs.

Appendix B – Performance Management Programs Process

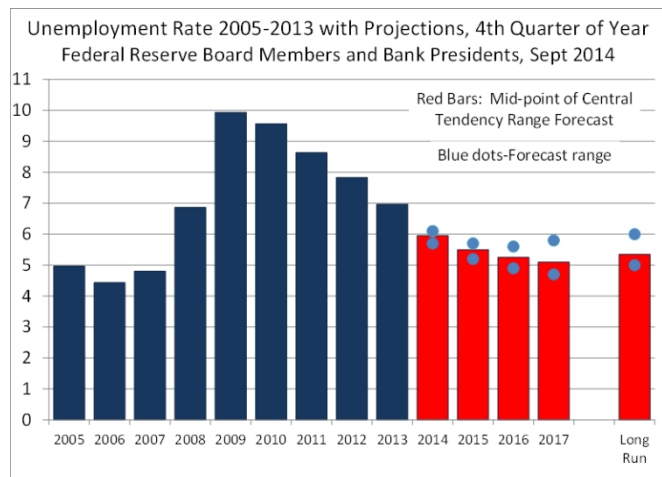
NCUA's performance management programs process begins with the agency's strategic plan that provides long-term strategic goals for the agency and serves as the cornerstone of the performance management process. The Plan serves as the agency's operational plan. It outlines NCUA's annual (short-term) objectives,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

Appendix C – External Factors 2015 and 2016

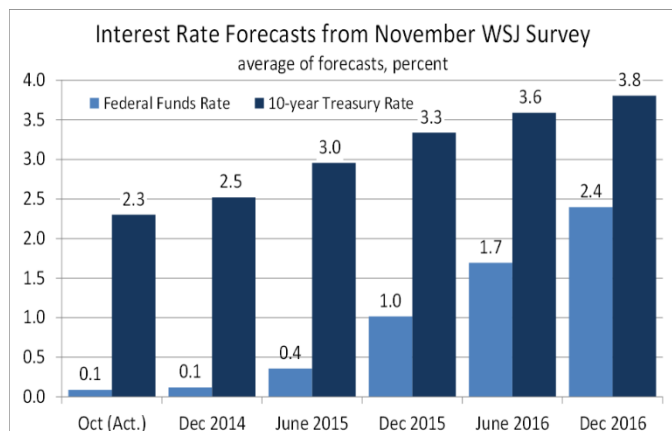
The external environment will influence credit union system results in 2015 and 2016. The near term outlook calls for continued improvement in labor markets and modest economic growth. While those conditions are supportive of increased lending activity and continued low delinquency rates, an improving economy may also result in a normalization of the interest rate environment. Therefore, credit unions’ ability to manage and mitigate interest rate risk remains vital for their success. Continued weakness in global economic growth, highlighted by slowing economies in Europe and Asia are a key risk in the economic forecast. An emerging issue is the growing threat of cyber-attacks and the risk of critical operational failures. Providing modern services to members requires understanding and mitigating the risks that can be introduced by new technologies. A continuing trend is the steady pace of consolidation. If the pace of consolidation continues unabated, smaller institutions will continue to shrink as both a share of institutions and system assets with important implications for the system and NCUA.

Economy and Credit Unions

The economy is expected to continue to normalize in coming years, with growth moving back to its long-term trend. The labor and housing markets are expected to grow at a moderate pace, and inflation should remain contained. More vibrant economic and job growth will mean the environment facing credit unions will be supportive in many dimensions, including growth in lending and improving loan quality and membership growth. In the past few quarters, we have seen robust lending growth. However, global factors are a key risk to the forecast. Slowing economies in the rest of the developed world may negatively impact U.S. growth.



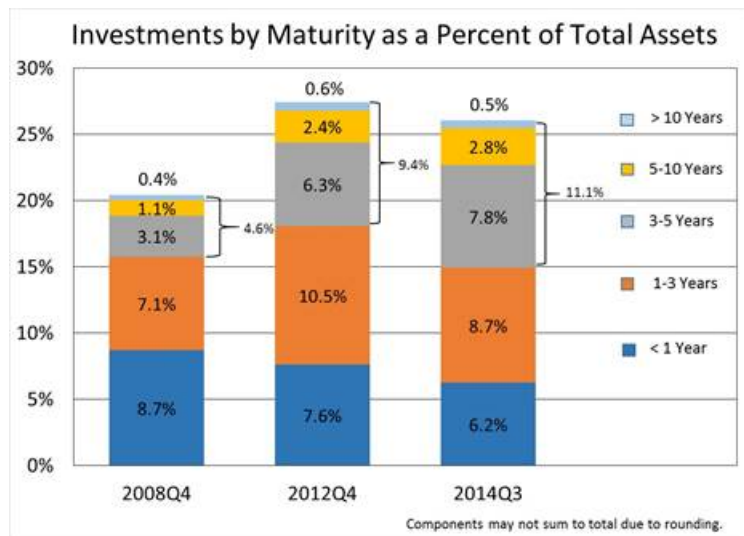
With a normalized economic environment, we may see a normalizing interest rate environment. Currently, Federal Reserve policymakers’ forecasts indicate that short-term interest rates may rise sometime in 2015. The Federal Reserve policymaker forecasts suggest that the federal funds rate may be 2.9 percent by the end of 2016. Private forecasters also see a significant rise in short-term rates through 2016, though they see a slightly smaller rise than do Federal Reserve policymakers. Private forecasters expect interest rates to move up to 2.4 percent at the short end and 3.8 percent at the long-end by the end of 2016.



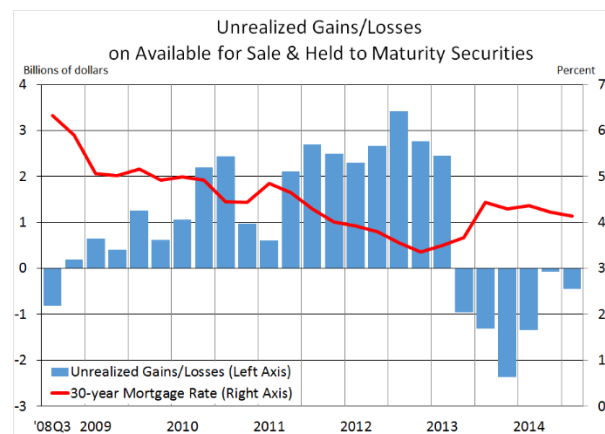
The Low Rate Environment and Interest Rate Risk

The current interest rate environment – with short-term rates near zero and long-term rates at historic lows – is unprecedented. As a regulator, NCUA does not have a specific view on interest rates. Instead, NCUA believes credit unions’ balance sheets should be resilient under a wide variety of rate environments. For some credit unions, rising interest rates might reduce earnings, lower asset valuations, and exacerbate liquidity stress. The possibility of rising interest rates has gradually increased and now persists in a time when consumers can move their funds quickly and are presented with many new alternatives for payment. There have also been regulatory changes that may result in more competition for deposits.

Many credit unions appear to be using their investment portfolio – in particular, lengthening the term of investments – to boost earnings. This “reaching for yield” raises important concerns and can exacerbate interest rate risk and make navigating a period of higher interest rates more difficult. As the adjacent figure indicates, over the business cycle, investments in total have increased, rising from 20 percent of assets in 2008Q4 to 26 percent today. During this same period, the share of investments with greater than three years’ maturity has increased dramatically, rising from 5 percent to 11 percent. While this trend has moderated and started to reverse in recent quarters as loan growth has accelerated, the exposure remains elevated.

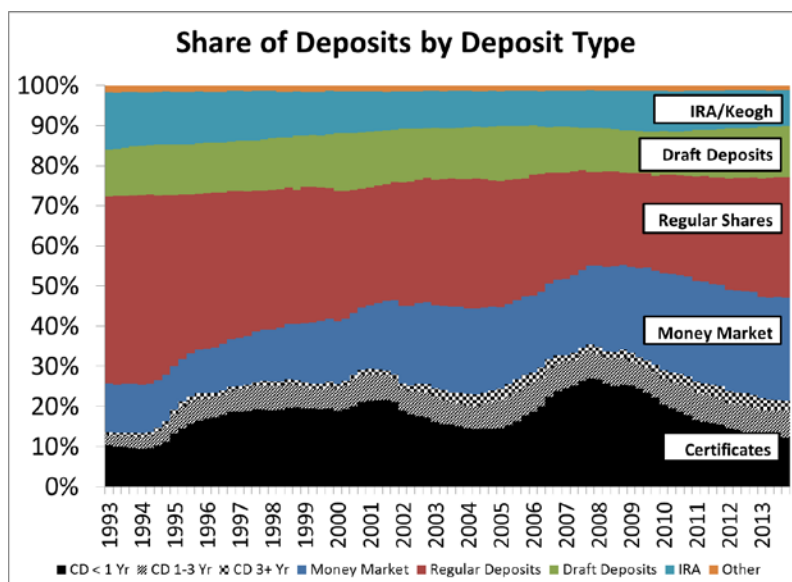


An early indication of the rate sensitivity of credit union investment portfolios can be observed in the impact of rising rates in 2013. The modest rise in interest rates in 2013Q2 and Q3 had a dramatic impact on unrealized gains and losses in credit union investment portfolios. Between 2013Q1 and 2013Q3, an unrealized gain of nearly \$2.5 billion turned into an unrealized loss of \$1.8 billion. As long-term rates fell in 2014, credit union investment portfolios returned to a more neutral gain/loss territory. If long-term rates rise in coming years while longer-maturity investments are being held, unrealized losses are likely to grow again.



Implications of a Rising Rate Environment

While there is much uncertainty surrounding how and when the economy transitions to a more typical rate environment, it is clear the transition could be difficult for credit unions that have significant portfolios of fixed-rate assets and rate-sensitive deposits. Both of these have experienced substantial growth in recent years.



When short-term interest rates increase, credit unions generally raise deposit rates to match or exceed market rates; this is more pronounced in interest rate-sensitive accounts. Moreover, the historical trend when short-term interest rates increase is for credit union members to increase their demand for more interest rate-sensitive accounts. During the previous rate cycle, when the Federal Reserve raised short-term interest rates beginning in 2004 and ending in 2008, the share of 1-year certificate deposits as a share of total credit unions deposits increased dramatically. This suggests that

members may be more rate-sensitive and demand higher rates on deposits as the economy enters a period of rising rates.

At the same time, credit unions continue to increase the net long-term share of assets. While fixed-rate real estate has stabilized as a share of assets over the past few years, as noted above, the extension of investment maturities has increased dramatically.

In a rising rate environment, credit unions with rate-sensitive deposits and fixed-rate assets may come under multiple stresses as fixed-rate assets lose value, deposit rates rise, liquidity decreases and earnings are compressed by lower net interest margins.

Cybersecurity

Cyber threats pose significant dangers to the stability and soundness of the credit union system. The nation faces a growing threat not only from the number of these cyber-threats, but also the sophistication of malicious events. Collectively termed “cyber-attacks” these events include such acts as theft of personally identifiable information, denial of service, disruption of operations, and even destruction of key information or network systems. Criminal actors conducting cyber-attacks pose a pervasive threat to our critical infrastructure, including the financial sector. Of increasing concern to all sectors is the potential for “hactivist” to conduct cyber-attacks that disrupt an industry or cause significant economic damage locally or regionally, or state actors who may infiltrate U.S. network systems to gather proprietary information and conduct economic espionage.

In its 2014 Annual Report, the FSOC recognized vulnerabilities posed by cross-sector dependencies and interconnected systems across firms, markets, and service providers can lead to significant cybersecurity risks. These risks could impact economic security, demanding a coordinated and collaborative government-wide commitment and partnership with the private sector to promote infrastructure security and resilience. Along with other key strategies, the FSOC recommended that regulators continue to undertake awareness initiatives to inform institutions, market utilities, service providers, and other key stakeholders of the risks associated with cyber incidents, and assess the extent to which regulated entities are using applicable existing regulatory requirements and non-regulatory principles, including the National Institute of Standards and Technology (NIST) Cybersecurity Framework. The FSOC also recommended that financial regulators continue their efforts to assess cyber-related vulnerabilities facing their regulated entities and identify gaps in oversight that need to be addressed. The FSOC recognized the overarching contribution the private sector makes to infrastructure cybersecurity and urged continued expansion of this work to engage institutions of all sizes and their service providers.

The FFIEC conducted a pilot cybersecurity risk assessment at more than 500 institutions in 2014 that found financial institutions face a variety of risks from cyber-attacks including operational, liquidity, and capital risks and the potential for fraud losses. The FFIEC jointly employed a comprehensive cybersecurity framework for the review. Among other findings, the FFIEC, on behalf of its members, recommended financial institutions of all sizes participate in the Financial Services Information Sharing and Analysis Center (FS-ISAC). Financial institutions participating in information-sharing forums have improved their ability to identify attack tactics and successfully mitigate cyber-attacks on their systems. Additionally, these institutions have gained deeper insight into specific vulnerabilities and collected methods for identifying vulnerabilities on their systems and enhancing controls. The FFIEC agencies are currently working to assess the results for further consideration and specifically to identify opportunities for:

1. Additional awareness training
2. Information sharing and communications
3. Industry guidance
4. Examination procedures
5. Staff alignment and training

NCUA is committed to ensuring the credit union system is prepared for a range of cybersecurity threats. Collaboration with other financial regulators is critical. NCUA collaborates with its counterparts to develop and promulgate cybersecurity guidance for federally insured credit unions and actively promotes the use of the FFIEC IT Handbooks, which constitute the majority of information and cybersecurity examination guidance and policies for financial institutions. Technical experts participate on the FFIEC information security and cybersecurity working groups, including the CCIWG, and work to align the agency's efforts with FFIEC initiatives. In addition, the agency is developing protocols to receive and share intelligence reports on cyber-threats and is in the process of developing a critical communications approach for supervised institutions and state regulatory partners.

NCUA regularly receives and shares information on cybersecurity and other national security threats through participation on the FBIIC, and receives updates on cyber-attacks directly from the Department of the Treasury, the Federal Bureau of Investigation, the Department of Homeland Security, and the U.S. Secret Service.

To increase preparedness and improve information sharing throughout the financial services sector, NCUA continues to work with FFIEC and FBIIC counterparts to encourage credit unions to join the FS-ISAC and similar organizations. NCUA has also deployed a comprehensive cybersecurity resources page on ncua.gov.

Other Emerging Risk Areas for Credit Unions:

Lending trends: Increasing concentrations in new lending areas, including member business loans and private 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.

Membership trends: Demographic and field of membership changes are likely to continue to result in declining membership at many credit unions (more than half of credit unions had negative membership growth in the year ending in 2014Q3). All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile.

Alternative loan/depository institutions: New financial products that mimic deposit and loan accounts, are emerging. As these institutions and products gain popularity, credit unions may have to be more active in marketing and rethink their business models.

Small Credit Union Challenges and the Future Composition of the Credit Union System

Small credit unions face challenges to their long-term viability for a variety of reasons, including weak earnings, declining membership, high loan delinquencies, and elevated non-interest expenses that reflect limited operational economies of scale. One result of these challenges has been a trend towards consolidation, primarily driven by the acquisition of underperforming small credit unions by their larger peers.

If current trends persist over the next decade, there will be fewer credit unions in operation and those that remain will be considerably larger. As credit unions grow, they tend to become more complex, providing a wider array of products and additional services. Such complexity can be beneficial when it addresses members' needs and leads to increased diversification in credit union's assets. However, that increased scope often requires additional expertise and resources to properly oversee the expanded operations, with implications for credit union resources and management. In addition, larger credit unions pose a greater risk to the NCUSIF, and require more specialized examiner resources. Thus, the trend toward consolidation and complexity has implications not only for the credit unions themselves, but also for NCUA resources and management initiatives.