# ANNUAL REPORT 2023

www.ncua.gov

# INDUSTRY AT A GLANCE

Prepared by the Office of External Affairs and Communications
For the quarter ending December 31, 2023

**National Credit Union Administration**
1775 Duke St., Alexandria, VA 22314-3418
Phone | (703) 518-6300 Website | www.ncua.gov
Consumer Website | www.MyCreditUnion.gov

## General Industry Statistics

| | |
|---|---|
| Federally Insured Credit Unions: | 4,604 |
| Members: | 139.3 million |
| Total Assets: | $2.26 trillion |
| Average Credit Union Assets: | $490 million |
| Return on Average Assets: | 69 basis points |
| Total Insured Shares and Deposits: | $1.72 trillion |
| Net Income (Year-to-Date, Annualized): | $15.2 billion |
| Net Worth Ratio: | 10.95% |
| Average Shares per Member: | $13,506 |

## Loans

| | |
|---|---|
| Total Loans: | $1.60 trillion |
| Average Loan Balance: | $17,922 |
| Loan-to-Share Ratio: | 85.2% |
| Mortgages/Real Estate: | 53.4% |
| Auto Loans: | 31.1% |
| Unsecured Credit Cards: | 5.1% |
| Delinquency Rate: | 83 basis points |

The NCUA makes the complete details of its quarterly Call Report data available online in an Aggregate Financial Performance Report, as well as a Call Report Data Summary at: https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data.

## National Credit Union Share Insurance Fund

Member deposits insured up to $250,000

| | |
|---|---|
| Total Share Insurance Fund Assets: | $21.4 billion |
| NCUSIF Reserves: | $209.0 million |
| Equity Ratio: | 1.30% |
| Insurance Loss Expense (Reduction): | ($12.2) million |
| Net Income: | $209.7 million |
| Failed Federally Insured Credit Unions: (year-to-date) | 3 |

## NCUA's 2022–2026 Strategic Goals

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

## NCUA Facts

Chairman: Todd M. Harper
Vice Chairman: Kyle S. Hauptman
Board Member: Tanya F. Otsuka

2023 Operating Budget: $344.2 million

**Eastern Region**

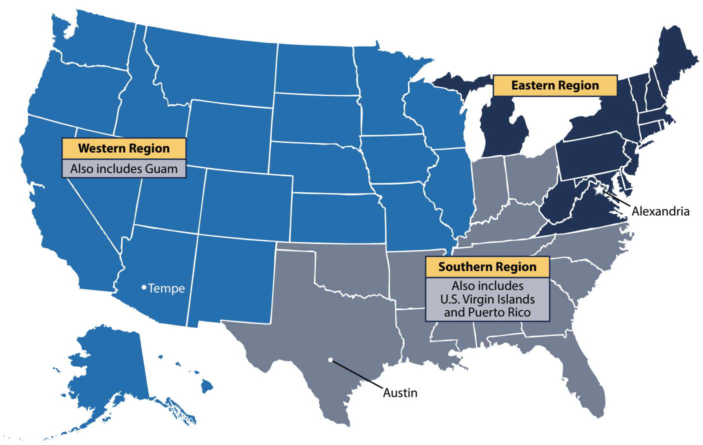
CT, DE, DC, ME, MD, MA, MI, NH, NJ, NY, PA, RI, VT, VA, WV
Director: John Kutchey, (703) 519-4600

**Southern Region**

AL, AR, FL, GA, IN, KY, LA, MS, NC, OH, OK, PR, SC, TN, TX, VI
Director: C. Keith Morton, (512) 342-5600

**Western Region**

AK, AZ, CA, CO, GU, HI, ID, IL, IA, KS, MN, MO, MT, NE, NV, NM, ND, OR, SD, UT, WA, WI, WY
Director: Cherie Freed, (602) 302-6000




**MAP KEY** ● Eastern Region ● Southern Region ● Western Region ☆ Central Office

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the United States, the NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. At MyCreditUnion.gov, the NCUA also educates the public on consumer protection and financial literacy issues.

*"Protecting credit unions and the consumers who own them through effective regulation."*

NCUA National Credit Union Administration

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www.youtube.com/@NCUAchannel

# About This Report

The National Credit Union Administration's (NCUA) 2023 *Annual Report* (also referred to as the Performance and Accountability Report) provides financial and high-level performance results for the agency and demonstrates to the President, Congress, and the public the agency's commitment to its mission and accountability over the resources entrusted to it.

The 2023 *Annual Report* focuses on the NCUA's strategic goals and performance results and details the agency's major regulatory and policy initiatives, activities, and accomplishments during the January 1, 2023 through December 31, 2023 reporting period. It also contains financial statements and audit information for the four funds the NCUA administers: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

This report and prior NCUA annual reports are available on the NCUA's website at https://ncua.gov/news/publications-reports.

To comment on this report, email oeacmail@ncua.gov.

The NCUA is committed to providing an excellent user experience to all individuals, including persons with disabilities. If you require an accommodation to access information found in this report, contact Section508@NCUA.gov to request one. Please visit the NCUA's Accessibility Statement for additional information at https://ncua.gov/accessibility.


## Certificate of Excellence in Accountability Reporting

The NCUA won the prestigious Certificate of Excellence in Accountability Reporting award from the AGA for its 2022 *Annual Report*.

# How this Report is Organized

The 2023 *Annual Report* begins with a message from the NCUA Chairman. This introduction is then followed by six main sections:

### Management's Discussion and Analysis

The Management's Discussion and Analysis section provides an overview of the NCUA's performance and financial information. It includes a brief summary of the agency's mission and describes the agency's organizational structure and office functions. This section highlights challenges, accomplishments, and results in key performance programs in 2023. It offers forward-looking information on trends and issues that will affect the credit union system and the NCUA in the coming years. The section also highlights the agency's financial results and provides management's assurances on the NCUA's internal controls.

### Performance Results

The Performance Results section contains information on the agency's strategic and priority goals, and it details the NCUA's performance results and challenges during the calendar year.

### Financial Information

The Financial Information section begins with a message from the Chief Financial Officer, and details the agency's finances, including the NCUA's four funds. It also includes the audit transmittal letter and management challenges from the Inspector General, the independent auditors' reports, and the audited financial statements and notes.

### Other Information

The Other Information section includes a summary of the results of the agency's financial statement audit and management assurances, the NCUA Inspector General's assessment of the most serious management and performance challenges facing the agency, payment integrity reporting details, and information on its civil monetary penalties.

### Statistical Data

The Statistical Data section contains an overview of the credit union system's financial performance in 2023, as well as data on trends affecting the National Credit Union Share Insurance Fund and all federally insured credit unions.

### Appendix

The Appendix contains biographic information for the agency's senior leadership and information about the functions of each NCUA office and region. In addition, the reader will find a glossary of key terms and acronyms, as well as a list of hyperlinks to additional information that appears in this report.

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NCUA staff participates in the Feds Feed Families government-wide food drive.

**Todd M. Harper**
NCUA Board Chairman

February 13, 2024

# Message from the Chairman

**Each day, the National Credit Union Administration strives to protect consumers and their deposits in federally insured credit unions, maintain the strength of credit unions and the National Credit Union Share Insurance Fund, and expand consumer access to safe, fair, and affordable financial services in and for under-resourced communities. This *2023 Annual Report* to Congress highlights our efforts to achieve each of these things.**

Required by the Federal Credit Union Act, this report reviews the agency's performance in 2023 and includes the audited financial statements for the NCUA's four funds:

- The National Credit Union Share Insurance Fund.
- The NCUA Operating Fund.
- The Central Liquidity Facility.
- The Community Development Revolving Loan Fund.[1]

Each of these funds received an unmodified — or "clean" — audit opinion and reported no material weaknesses in 2023. The financial and performance data contained in this report are also reliable, complete, and consistent with applicable Office of Management and Budget circulars.[2]

The National Credit Union Administration's mission is to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance. This work, in turn, promotes confidence in the national system of cooperative credit. The NCUA also insures members' share deposits at federally insured credit unions and safeguards the National Credit Union Share Insurance Fund from losses.

The NCUA engaged in many important initiatives in 2023. The most significant activities are highlighted in this report and grouped into these broad categories:

- Responding to economic headwinds.
- Advancing financial security, economic equity, and allyship.
- Maintaining cyber resiliency.
- Investing in our employees.

Accordingly, this 2023 *Annual Report* summarizes the NCUA's activities, projects, and programs in all of these aspects.

## Responding to Economic Headwinds

As 2023 began, we faced considerable economic headwinds. Interest rate and liquidity risks were rising within the system, and NCUA field examiners and policy teams had to meet those challenges head on at the end of March when the collapse of two large regional banks with sizable amounts of uninsured deposits rippled through the financial system. The NCUA acted in advance of those shocks to strengthen the resiliency of the industry, and we developed new tools and

**Mission**

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

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

dashboards to monitor and mitigate risks to the credit union system going forward.

In responding to these economic shocks, NCUA examiners remained risk focused and ready to act expeditiously, when needed, at credit unions encountering issues with liquidity, interest rate, credit, cybersecurity, and other risks. In doing so, the agency fortified the Share Insurance Fund's defenses.

The NCUA also increased the short-term investments of the Share Insurance Fund to more than $5 billion in overnight reserves to ensure adequate liquidity in the event of future external economic shocks and credit union losses. Further, the agency assessed the system's exposure to the growing risks posed by commercial real estate loans and emphasized the importance of liquidity and interest-rate risk management and contingency planning in stakeholder communications. As we proceed in 2024, the NCUA will continue to ensure credit unions conduct liquidity and asset-liability management planning to address current challenges and future uncertainties.

## Advancing Financial Security, Economic Equity, and Allyship

Throughout the last year, the NCUA continued to advance financial security and economic equity for all Americans while promoting the value of allyship. The agency hosted well-attended and informative events like the Minority Depository Institution (MDI) Symposium in October and the agency's fourth Diversity, Equity, and Inclusion Summit in November. Allyship was a key focus of the DEI Summit and for the NCUA in 2023.

To highlight the agency's commitment to allyship, and in response to feedback from MDIs, the NCUA modified its policies and implemented new procedures to examine MDIs. Specifically, the NCUA is no longer comparing MDI performance against comparably sized non-MDIs during the examination process. Instead, we have adopted an apple-to-apples approach of comparing MDIs to their peers.

In support of allyship, NCUA efforts through the Small Credit Union and MDI Support Program provided one-on-one attention to resolve credit union issues and identified new opportunities. Through this initiative, the agency dedicated field resources to address operating concerns in areas such as staff training, strategic planning, examinations, recordkeeping, and earnings. Additionally, the 2023 Community Development Revolving Loan Fund grant round awarded $3.5 million to 146 low-income and MDI credit unions.

The NCUA's rulemaking activities in 2023 addressed current issues with an eye toward the future and achieving the statutory mission of the credit union system to meet the credit and savings needs of members, especially those of modest means.[3] For instance, the NCUA's financial innovation final rule codified several long-standing supervisory guidance letters on third-party

3 12 U.S.C. 1751

due diligence, indirect lending, and loan participations. The rule also gives credit unions greater flexibility in leveraging fintech partners and products to improve operational performance while managing the associated risks.

Additionally, the NCUA Board approved proposed changes to the interpretive ruling and policy statement on the agency's Minority Depository Institution Preservation Program. The proposal would amend an existing interpretive ruling and policy statement to update the program's features, clarify the requirements for a credit union to receive and maintain an MDI designation, and reflect the transfer of the MDI Preservation Program administration from the agency's Office of Minority and Women Inclusion to its Office of Credit Union Resources and Expansion. The proposal would also adopt changes in the merger process to better ensure that a merging MDI credit union maintains its MDI character.

The NCUA Board also approved a proposed rule to incorporate the NCUA's Second Chance Interpretive Ruling and Policy Statement, and statutory prohibitions imposed by Section 205(d) of the Federal Credit Union Act, into the agency's regulations. This proposed rule would allow people convicted of certain minor offenses to work in the credit union industry without applying for the NCUA Board's approval.

And, the charitable donations final rule added "war veterans' organizations" to the definition of a "qualified charity" that a federal credit union may contribute to using a charitable donation account going forward.

## Maintaining Cyber Resiliency

Cybersecurity threats within the financial services industry remained high during 2023, and they are expected to remain so for the foreseeable future. To maintain vigilance against these threats, the NCUA is committed to ensuring consistency, transparency, and accountability in its cybersecurity examination program and related activities.

The NCUA deployed its updated, scalable, and risk-focused Information Security Examination (ISE) procedures in 2023. The ISE examination initiative offers flexibility for credit unions while providing examiners with standardized review steps to facilitate advanced data collection and analysis. Together with the agency's voluntary Automated Cybersecurity Evaluation Toolbox maturity assessment, the new ISE procedures will assist the NCUA in protecting the credit union system from cyberattacks.

In addition, the NCUA's implementation of the cyber incident reporting rule in September proved helpful to the agency, the credit union industry, and its member-owners. In the first 30 days after the rule became effective, the NCUA received 146 incident reports—more reports than received in total in the previous year. More than 60 percent of these incident reports involved third-party service providers and credit union service organizations.

And, in late 2023, following a ransomware attack on a third-party service provider, the NCUA's cyber incident experts responded to service outages impacting 60 small credit unions with nearly 100,000 members and almost $1 billion in assets nationwide. The NCUA's response to these cyber incidents showed the agency's ability to break down silos, quickly collaborate, and demonstrate agility, which is particularly noteworthy given the NCUA's lack of third-party vendor supervisory authority.

## Investing in Our Employees

In July, the entire NCUA team gathered for their first national training conference in nearly a decade. During the week, NCUA's professionals received valuable training, networked with colleagues, and learned that leadership is everyone's business at the agency.

In further support of employees, the NCUA Board approved a consensus budget in November investing in its field examination program to protect credit union members and the system's safety and soundness as credit unions respond to growing liquidity, interest rate, credit, and cybersecurity risks. Notably, the NCUA will increase the number of examiner positions in the year ahead to better position the agency in addressing industry issues.

The 2024 budget also includes adjustments to the pay and benefits of the agency's workforce, allowing the NCUA to remain a competitive employer and an attractive destination for talent. Thanks to the work of the Office of Human Resources, the regions, and others, the NCUA hired and onboarded scores of new examiners. Consequently, the agency fully staffed its examiner ranks for the first time in years.

Because of the professionalism and dedication of NCUA employees, our nation's credit unions remain safe, stable, and strong; the Share Insurance Fund remains stable; and the consumers who use federally insured credit unions are better protected.

## The Road Ahead

Credit union performance overall during 2023 was stable and relatively resilient against economic disruptions. Credit union assets, loans outstanding, membership, and insured shares and deposits all rose. The industry's aggregate net worth increased, and it maintained a healthy loan-to-share ratio.

However, the NCUA has seen growing signs of financial strain on credit union balance sheets and in household budgets. The loan delinquency and net charge-off rate levels both rose in 2023, returning to pre-

**Vision**

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

pandemic averages. As the lagged effects of elevated interest rates take hold in 2024, we will also see changes in credit union performance, including slower share deposit growth, higher costs of funds, and lower earnings. Additionally, the NCUA has seen growing stress within the system because of the rise in interest rate and liquidity risks, as reflected in the increasing number of composite CAMELS code 3, 4, and 5 credit unions. Sharp rises in and historically elevated levels of credit card delinquencies over the last year also demonstrate growing credit risks for the industry.

To protect the Share Insurance Fund against potential losses, the NCUA will continue safeguarding members, their credit unions, and the Share Insurance Fund from ongoing liquidity, interest rate, credit, and cybersecurity risks. In addition, the agency will advance efforts to improve consumer financial protection supervision; strengthen safety and soundness; expand access to safe, fair, and affordable financial products and services; and increase transparency, among other priorities. The NCUA will also, when appropriate, take action to protect credit union members and their deposits.

Further, the risks resulting from the NCUA's lack of vendor authority pose a growing regulatory blind spot for the industry. As such, it is the NCUA's continuing policy to seek this power from Congress. Until then, the agency is working within its current statutory limitations, but it is evident that additional oversight is needed on par with other federal banking regulators. If granted third-party vendor authority, the NCUA would implement a risk-based examination program focusing on services that relate to safety and soundness, cybersecurity, Bank Secrecy Act and Anti-Money Laundering Act compliance, consumer financial protection, and areas posing national security and significant financial risk for the Share Insurance Fund.

And, with the NCUA Board's unanimous support of a statutory change to restore the ability of corporate credit unions to

## Values

**Integrity** — Adhere to the highest ethical and professional standards.
**Accountability** — Accept responsibilities and meet commitments.
**Transparency** — Be open, direct, and frequent in communications.
**Inclusion** — Foster a workplace culture that values diverse backgrounds, experience, and perspectives.
**Proficiency** — Deploy a workforce with a high degree of skill, competence, and expertise to maximize performance.

serve as Central Liquidity Facility agents on behalf of a subset of their member credit unions, the NCUA will continue to support a statutory adjustment to better protect the credit union system from future liquidity events like those that occurred in the banking sector during the first half of 2023.

## Closing Thoughts

In sum, America's federally insured credit unions overall remain safe, stable, and well-capitalized. That is thanks in large part to the work and dedication of the NCUA team and my fellow Board members. The challenges on the horizon for the credit union system are many and varied, but the NCUA team has demonstrated its flexibility to rise to every challenge in the past. That will continue going forward.

Additionally, I thank fellow Board Member Rodney E. Hood, who left the agency in January 2024, and welcome Tanya Otsuka to the NCUA Board. During two terms at the NCUA, Board Member Hood advanced financial innovation and enhanced financial inclusion. Board Member Otsuka will bring her fresh perspective and deep knowledge of the financial services system to the agency's policymaking by seeking to build a fair and competitive financial system that works for all and supports the needs of small credit unions. And, Vice Chairman Kyle Hauptman continues to provide valuable insights and support on matters like chartering process reforms, the adoption of innovative financial technologies, and agency accountability.

For the credit union system to reach its full potential, the NCUA must stay focused on both its safety and soundness and consumer financial protection missions. To that end, the agency will continue to monitor credit union performance and coordinate with other federal financial institution regulators, as appropriate, to ensure the overall resiliency and stability of our nation's financial services system and economy.

Finally, we commemorate the ninetieth anniversary of the Federal Credit Union Act in 2024. In recognition of that landmark statute, the NCUA — as the steward, regulator, and insurer of the credit union system — will set a course for the future. In doing so, the agency can ensure the nation's system of cooperative credit will thrive by continuing to offer consumers access to safe, fair, and affordable credit for the next 90 years and beyond.

Todd M. Harper
Chairman
National Credit Union Administration
1775 Duke Street | Alexandria, VA 22314

# Management's Discussion and Analysis

## About

The National Credit Union Administration enhanced the content quality, report layout, and public accessibility of the 2023 Annual Report by improving graphics and providing more useful and easily understood information about the NCUA's programs, financial condition, and performance. Hyperlinks to relevant web content are embedded in the body of the report to provide additional information about the NCUA's programs. To best take advantage of these links, the NCUA recommends accessing this report through the agency's website.

This section highlights information on the NCUA's performance, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address select challenges.

### NCUA in Brief

The NCUA in Brief provides information about the NCUA's mission, an overview of its history, and describes the agency's organizational structure. The full list of offices with a description by function can be found in the Appendix of this report.

### Year in Review

The Year in Review highlights challenges, accomplishments, and performance results in key programs in 2023.

### Looking Forward

The Looking Forward section describes the trends and issues that will affect the credit union system and the NCUA in the coming years as well as actions taken by the NCUA to address any risks or uncertainties.

### Performance Highlights

The Performance Highlights section provides a brief summary of the NCUA's performance goals and results for 2023. Additional information can be found in the Performance Results section of the report.

### Financial Highlights

The Financial Highlights section provides a high-level perspective of the NCUA's financial results, position, and condition. Additional information for the NCUA's four funds can be found in the Financial Information section of the report.

### Management Assurances and Compliance with Laws

The Management Assurances and Compliance with Laws section provides management assurances related to the Federal Managers' Financial Integrity Act. The NCUA's internal control framework and its assessment of controls, in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, provide assurance to NCUA leadership and external stakeholders that financial data produced by the NCUA's business and financial processes and systems are complete, accurate, and reliable.

# NCUA in Brief

Created by the U.S. Congress in 1970, the National Credit Union Administration is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions, charters and regulates federal credit unions, and promotes widespread financial education and consumer protection. The NCUA protects the safety and soundness of the credit union system by identifying, monitoring, and reducing risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides up to $250,000 of federal share insurance to more than 139.3 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. No credit union member has ever lost a penny of share deposits insured by the Share Insurance Fund.

A three-member Board of Directors oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.[4] Besides the Share Insurance Fund, the NCUA operates three other funds: the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund. The NCUA Operating Fund, in conjunction with the Share Insurance Fund, finances the agency's operations.

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

As detailed in the *2022–2026 Strategic Plan*, NCUA's strategic goals in 2023 were to:

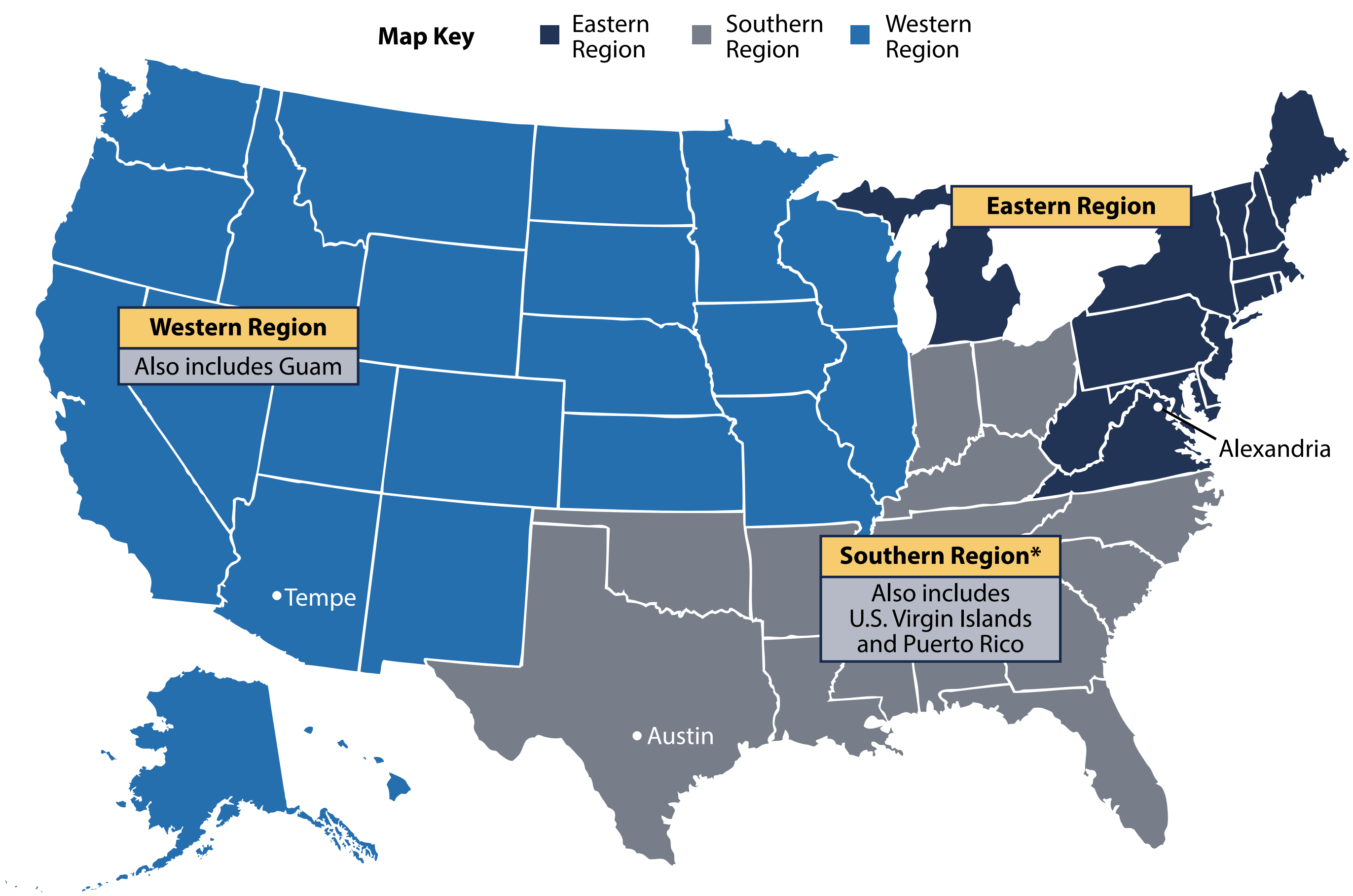
- Ensure a safe, sound, and viable system of cooperative credit that protects consumers
- Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services
- Maximize organizational performance to enable mission success

The NCUA also plays a role in helping to ensure broader financial stability as a member of the Federal Financial Institutions Examination Council, which the NCUA chaired in the first quarter of 2023, and the Financial and Banking Information Infrastructure Committee. The NCUA's Chairman is also a voting member of the Financial Stability Oversight Council, an interagency body tasked with identifying and responding to emerging risks and threats to the financial system.

4 Each Board Member is appointed by the President and confirmed by the Senate. The President also designates the Chairman of the NCUA Board. No more than two Board members can be from the same political party, and each member serves a staggered six-year term.

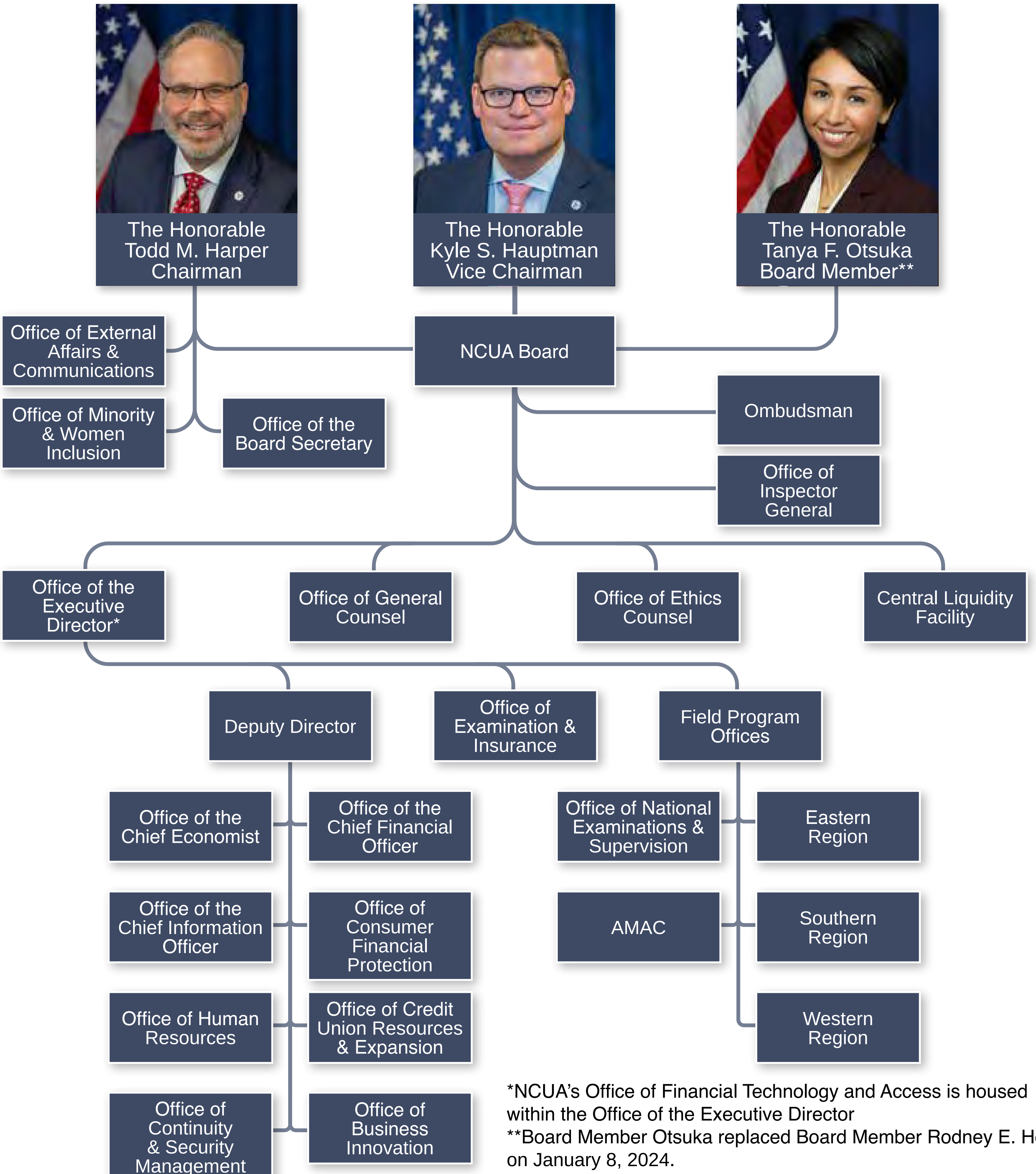
The agency operates its headquarters in Alexandria, Virginia; its Asset Management and Assistance Center in Austin, Texas, which liquidates credit unions and recovers assets; and three regional offices—Eastern, Southern, and Western—which carry out the agency's supervision and examination program, along with the Office of National Examinations and Supervision (ONES), which oversees large credit unions with more than $15 billion in assets as well as corporate credit unions. Reporting to these regional offices and ONES, the NCUA has credit union examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

## NCUA's Regional Offices




* Responsibility for the State of Ohio shifted from the Eastern to the Southern Region on January 1, 2023.

# National Credit Union Administration
# Organizational Chart




*NCUA's Office of Financial Technology and Access is housed within the Office of the Executive Director

**Board Member Otsuka replaced Board Member Rodney E. Hood on January 8, 2024.

Office descriptions and additional information on the NCUA's organizational chart can be found in the Appendix of this report.

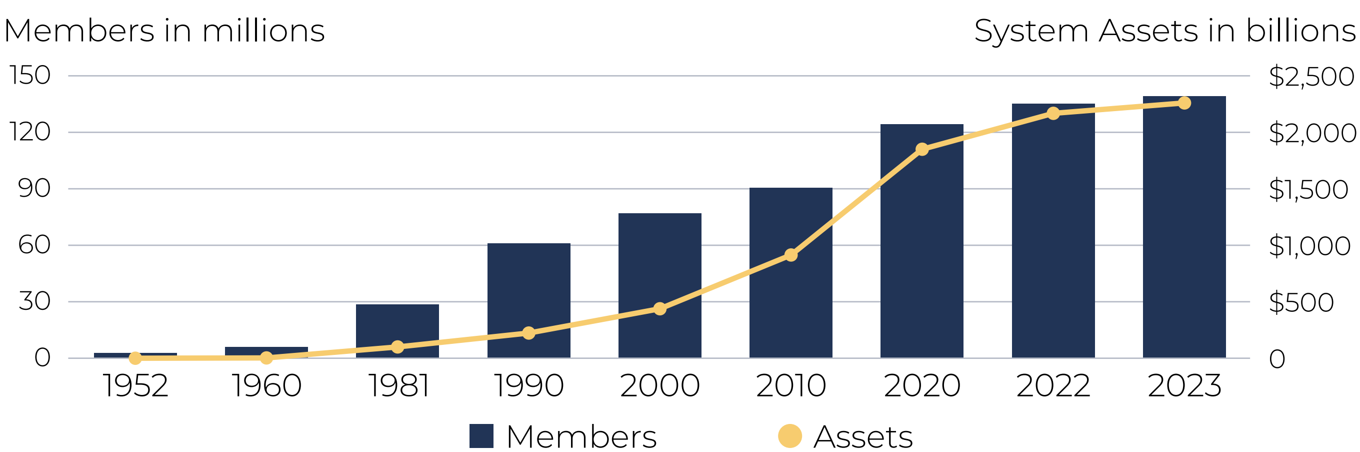
## NCUA's History

For more than 100 years, credit unions have provided financial services to their members in the United States. Credit unions are unique depository institutions created not for profit, but to serve their members as cooperatives. On June 26, 1934, President Franklin Delano Roosevelt signed the Federal Credit Union Act into law, which created the system of federally chartered credit unions that exists today. The purpose of the federal law was to make credit available to Americans and promote thrift through a national system of nonprofit, cooperative credit unions.

By the 1970s, the credit union industry had grown rapidly, both in terms of institutions and members. That rapid growth called for independent oversight and leadership. As a result, Congress created the NCUA as an independent regulatory body. For more than 50 years, the NCUA has maintained the safety and soundness of federally insured credit unions and the National Credit Union Share Insurance Fund. As a result, millions of Americans can confidently entrust their savings and financial well-being to our nation's cooperative credit system.

As of December 31, 2023, the NCUA was responsible for the regulation and supervision of 4,604 federally insured credit unions. Together, these institutions had more than 139.3 million members and approximately $2.26 trillion in assets across all states and U.S. territories.

### Growth in Credit Union Members and Credit Union Systems Assets



## NCUA Timeline

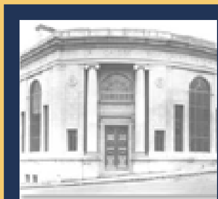
Here is a timeline of a few major events that have shaped the credit union industry and the NCUA. A full timeline of events can be found on the NCUA's website. A short video documenting the history of America's credit unions and the NCUA can be found on the NCUA's YouTube Channel.

1900

1920

1940

1960



**April 6, 1909 –** St. Mary's Cooperative Credit Association, the first U.S. credit union, opens in Manchester, New Hampshire.

**June 26, 1934 –** President Franklin Delano Roosevelt signs the Federal Credit Union Act into law.

**October 1, 1934 –** Morris Sheppard Federal Credit Union in Texarkana, Texas, becomes the first federally chartered credit union.

**1948 –** The Federal Credit Union Division is renamed the Bureau of Federal Credit Unions and is moved from the Federal Deposit Insurance Corporation to the Federal Security Administration.

**1967 –** In November, Congressman John William Wright Patman of Texas introduces a bill for the creation of an independent federal regulator of credit unions. This bill, House Resolution 14030, fails to gain traction, but it represents the first step in creation of what would become the National Credit Union Administration.

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

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

**1979 –** A three-member Board replaces the NCUA Administrator as the governing body for the agency after Congress amends the Federal Credit Union Act. Congress also creates the Central Liquidity Facility. This facility is similar to the Federal Reserve's Discount Window and serves a similar function as the lender of last resort for the credit union system. Share insurance coverage increases to $100,000, making it equal to the amount of deposit insurance coverage for banks provided by the Federal Deposit Insurance Corporation.

1980

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

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

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

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

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

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

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

1990

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

2000 2002 2004 2006 2008 2010 2012

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

**May 2009 –** The Temporary Corporate Credit Union Stabilization Fund was created to accrue the losses from five failed corporate credit unions and assess insured credit unions for such losses over time. But for the creation of the Stabilization Fund, these losses would have been borne by the National Credit Union Share Insurance Fund, exhausting the Share Insurance Fund's retained earnings and significantly impairing credit unions' one percent contributed capital deposit. The Stabilization Fund is also used to account for the costs of the Corporate System Resolution Program and provide short-term and long-term funding to resolve a portfolio of residential mortgagebacked securities, commercial mortgage-backed securities, other asset-backed securities, and corporate bonds, collectively referred to as Legacy Assets.

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

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

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

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

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

**September 28, 2017 –** The NCUA Board approves the closing of the Stabilization Fund on Oct. 1, 2017, four years ahead of its sunset date of June 30, 2021.

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

**March 16, 2020 –** In response to the global coronavirus pandemic, the NCUA issues a Letter to Credit Unions that outlines several strategies credit unions may consider when determining how to address the challenges associated with COVID-19. The NCUA and other financial regulators issue a joint statement encouraging credit unions and other financial providers to work with borrowers affected by financial and economic disruptions resulting from the COVID-19 pandemic.

**March 25, 2020 –** The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is signed into law in response to the COVID-19 pandemic. This law temporarily provides the NCUA Board with the power to expand access to and increase the borrowing authority for the Central Liquidity Facility and allows credit unions to provide guaranteed loans to businesses and self-employed individuals through the U.S. Small Business Administration's paycheck protection program, among other relief measures.

**August 12, 2021 –** The NCUA begins industry-wide transition to using NCUA Connect, Admin Portal, Modern Examination and Risk Identification Tool (MERIT), and Data Exchange Application (DEXA) applications. The agency facilitates and completes all internal and external user training sessions between August 18, and December 14, 2021.

**Oct. 21, 2021 –** The NCUA Board approves a final rule that adds the "S" (Sensitivity to market risk) component to the existing CAMEL rating system, thus updating the rating system from CAMEL to CAMELS, and redefines the "L" (Liquidity risk) component. The benefits of adding the "S" component are to enhance transparency and allow the NCUA and federally insured, consumer and corporate credit unions to better distinguish between liquidity risk ("L") and sensitivity to market risk ("S"). The addition of "S" also enhances consistency between the supervision of credit unions and financial institutions supervised by the other banking agencies.

**October 20, 2022 –** The NCUA Board unanimously approves the NCUA's new enterprise risk appetite statement, which provides guidance on the amount of risk the agency is willing to undertake in pursuit of its objectives.

**December 1, 2022 –** By notation vote, the NCUA Board approves moving management and oversight of the Asset Management and Assistance Center from the Southern Region to an independent office, effective Jan. 1, 2023.

Recipients of the 2023 Chairman's Outstanding Achievement Awards.

## Year in Review

During 2023, the credit union system remained largely stable in its performance and relatively resilient against economic disruptions. By December 2023, credit union membership grew to more than 139.3 million members, assets in the credit union system increased to $2.26 trillion, and the system's aggregate net worth ratio stood at 10.95 percent, well above the 7-percent statutory level for being considered well-capitalized.

In recent quarters, the NCUA has seen growing signs of financial strain on credit union balance sheets and consumer financial stress. This financial stress has manifested itself in the number of credit unions and the percentage of assets held by composite CAMELS code 3, 4, and 5 credit unions.[5] A consensus of private-sector forecasters are anticipating an economic slowdown as the lagged effects of elevated interest rates take hold. Each of these developments could affect credit union performance in the coming quarters.

Despite these challenges, the NCUA and its workforce successfully executed its congressionally mandated mission to ensure the safety and soundness to the credit union system and the National Credit Union Share Insurance Fund (Share Insurance Fund). The following is a discussion of the NCUA's significant activities in 2023, as outlined in the *2022–2026 Strategic Plan*, as well as some of the challenges facing the credit union system and the NCUA in the near future. This report's Performance Results section provides additional information about how the agency met its strategic goals and objectives.

**Continued on page 24**

5 Additional information for the CAMELS rating system can be found on page 22, "What is the CAMELS Rating System?".

## What is the CAMELS Rating System?

In 2021, the NCUA Board approved a final rule that adds the sensitivity to market risk or "S" component to the existing CAMEL rating system and redefines the liquidity risk or "L" component. Separating the liquidity and market sensitivity components will allow the NCUA to better monitor these risks within the credit union system, better communicate specific concerns to individual credit unions, and better allocate resources. The effective date of the CAMELS transition was for examinations starting after April 1, 2022.

The CAMELS rating system is based on an evaluation of six critical elements of a credit union's operations. It considers and reflects all significant financial, operational, and management factors examiners assess in their evaluation of a credit union's performance and risk profile. Examiners assign a numeric rating between 1 (strongest) and 5 (weakest) to each of the CAMELS components based on their evaluation of 6 critical elements of a credit union's operations throughout an exam:

**C**apital Adequacy – A credit union is expected to maintain capital commensurate with the nature and extent of risk to the institution and the ability of management to identify, measure, monitor, and control these risks. The effect of credit, market, and other risks to the credit union's financial condition is considered when evaluating capital adequacy.

**A**sset Quality – The asset quality rating reflects the quantity of existing and potential credit risks associated with the loan and investment portfolios, other real estate owned, and other assets, as well as off-balance sheet transactions. The ability of management to identify, measure, monitor, and control credit risk is also reflected here.

**M**anagement – The capabilities of the board of directors and management, in their respective roles, to identify, measure, monitor, and control the risks of a credit union's activities and to ensure a credit union's safe, sound, and efficient operation in compliance with applicable laws and regulations, including consumer financial protection, is reflected in this rating.

**E**arnings – This rating reflects the adequacy of current and future earnings to fund capital commensurate with the credit union's current and prospective financial and operational risk exposure, potential changes in the economic climate, and strategic plans.

**L**iquidity Risk – This rating considers current and prospective sources of liquidity compared to funding needs and the adequacy of liquidity risk management relative to a credit union's size, complexity, and risk profile. A credit union's liquidity risk management practices should ensure it maintains sufficient liquidity to meet its financial obligations and member share and loan demands. The bank failures in the first half of 2023 resulted in heightened attention to liquidity risks during examinations by all federal financial institutions regulators.

**S**ensitivity to Market Risk – The sensitivity to market risk reflects the exposure of a credit union's current and prospective earnings and economic capital arising from changes in market prices and interest rates. Effective risk management programs include comprehensive interest rate risk policies, appropriate and identifiable risk limits, clearly defined risk mitigation strategies, and a suitable governance framework.

## Ensuring a Safe, Sound, and Viable System of Cooperative Credit that Protects Consumers

The Federal Credit Union Act authorizes the NCUA Board to oversee America's credit union system and administer and manage the Share Insurance Fund. The NCUA also has statutory responsibility for supervising compliance with and enforcing laws and regulations that protect all credit union members of federally insured credit unions. The NCUA's primary functions are to identify and assess credit union system risks, threats, and vulnerabilities; determine the magnitude of such risks; and mitigate unacceptable levels of risk through its examination, supervision, and enforcement programs.

## Maintaining a Financially Sound Share Insurance Fund

The NCUA must maintain a financially sound Share Insurance Fund to protect credit union members against unexpected losses from failed credit unions and to maintain public confidence in federal share insurance. Sound management of the Fund also requires the agency to timely identify, assess, and respond to current and emerging risks through the effective execution of its examination program. As such, the NCUA's examination program focuses on the areas that pose the highest risk to the credit union system and the Share Insurance Fund.

In 2023, NCUA field staff completed 3,735 supervisory contacts and reported 534,195 examination hours, compared to 5,533 supervisory contacts and 538,059 examination hours in 2022. In 2022, offsite contacts increased in order to facilitate data transfer to NCUA's Modern Examination and Risk Identification Tool (MERIT), and then declined in 2023 as the data transfer to MERIT was complete.

For most small federal credit unions with less than $50 million in total assets and CAMELS ratings of 1, 2, or 3, the NCUA follows its Small Credit Union Examination Program. This streamlined examination program focuses on the most pertinent areas of risk in these types of institutions. The agency typically provides oversight to small credit unions with a CAMELS rating of 4 or 5 using risk-focused examinations. The NCUA's three regional offices oversee and examine consumer credit unions with less than $15 billion in assets. For credit unions with more than $50 million in total assets, the agency conducts risk-focused examinations that review areas with the highest potential risks, new products and services, and compliance with federal regulations.

The agency's Office of National Examinations and Supervision (ONES) supervises and examines consumer credit unions with $15 billion or more in assets.[6] The large credit union

6 Effective January 1, 2023, credit unions with assets between $10 billion and $15 billion will be supervised by their appropriate Regional Office. All credit unions above $10 billion in assets currently supervised by ONES will continue to be supervised by that office under the final rule. Each year credit unions meeting the $15 billion threshold as of the March 31 call reporting period will be supervised by ONES beginning the following year.

program includes a continuous supervision model, including enhanced offsite monitoring and data analysis. During these examinations, field staff focus on interest rate risk; evaluate lending and credit practices; and assess information technology, cybersecurity, and payment system risks. In addition, these institutions undergo annual stress tests to assess their capital levels under a series of adverse financial and economic scenarios. The examinations conducted in large consumer credit unions with greater than $15 billion in total assets are also subject to heightened quality control that is conducted by the Office of Examination and Insurance (E&I).

ONES also supervises 11 corporate credit unions, ranging in size between $142.1 million and $6.2 billion in assets. Each of these institutions acts as a "credit union for credit unions" by providing several critical financial services for consumer credit unions, including payment processing. The NCUA assesses these institutions' capital levels, interest rate risk, cybersecurity preparedness, and other critical areas.

The NCUA annually outlines its primary focus areas for its exam program. In 2023, the NCUA updated its supervisory priorities to focus its examination activities on areas that pose an elevated risk to the credit union industry and the Share Insurance Fund. The agency's supervisory priorities were:

- **Fraud Prevention and Detection** – Examiners reviewed credit unions' internal controls and segregation of duties. In 2023, the NCUA implemented a management questionnaire designed to enhance the identification of fraud red flags, material supervisory concerns, or other potential new risks to which the credit union may be exposed.

- **Consumer Financial Protection** – Consumer financial protection remained an NCUA supervisory priority during 2023. NCUA examiners reviewed compliance with applicable consumer financial protection regulations and assessed the credit union's compliance with Flood Disaster Protection Act requirements, including disclosure requirements, as the agency continued to evolve its understanding of the impact of climate-related financial risk on credit unions, credit union members, and the Share Insurance Fund.

- **Credit Risk** – In 2023, NCUA examiners reviewed the soundness of existing lending programs, any adjustments credit unions made to loan underwriting standards and portfolio monitoring practices, and loan workout strategies for borrowers facing financial hardships. NCUA examiners focused on any adjustments credit unions made to lending programs to address borrowers facing financial hardship and verified that any relief efforts were reasonable and conducted with proper controls and management oversight.

- **Information Security (Cybersecurity)** — Cybersecurity risks remain a significant, persistent, and ever-evolving threat to the financial system. The NCUA continued to evaluate whether credit unions have established adequate information security programs to protect members and the credit union. In 2023, the NCUA utilized updated information security examination procedures that are tailored to institutions of varying size and complexity.

- **Liquidity Risk** — Higher interest rates have caused a slowdown in prepayments for some loans and investment holdings, which has resulted in reduced cashflows. During 2023, examiners reviewed credit union's liquidity policies, procedures, and risk limits. Examiners also evaluated the adequacy of credit union's liquidity risk management framework relative to the size, complexity, and risk profile of the credit union.

- **Interest Rate Risk** — Interest rates rose significantly during 2022, elevating interest rate risk and the related exposure to earnings and capital. High levels of interest rate risk can increase credit unions liquidity risks, contribute to asset quality deterioration and capital erosion, and put pressure on earnings. During 2023, examiners evaluated credit union's interest rate risk programs for key risk management and control activities.

Credit union feedback helps the NCUA evaluate the effectiveness of our examination processes and improves communication with credit unions. In September 2021, the NCUA initiated a post-examination survey pilot to gather feedback on examinations. In addition to pilot survey responses, the NCUA has conducted focus groups comprised of senior credit union staff and NCUA examination staff to gather input. In 2023, the NCUA updated the post-examination survey to continue obtaining feedback from credit unions on their NCUA examinations.

## Resolving Troubled Credit Unions

When prudent, the NCUA uses its conservatorship authority provided in the Federal Credit Union Act to resolve operational problems that could affect a credit union's safety and soundness. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the Share Insurance Fund. The NCUA was the conservator of four credit unions placed into conservatorship in 2023. As of December 31, 2023, there was one credit union operating under the NCUA's conservatorship.[7]

## Protecting Member Deposits

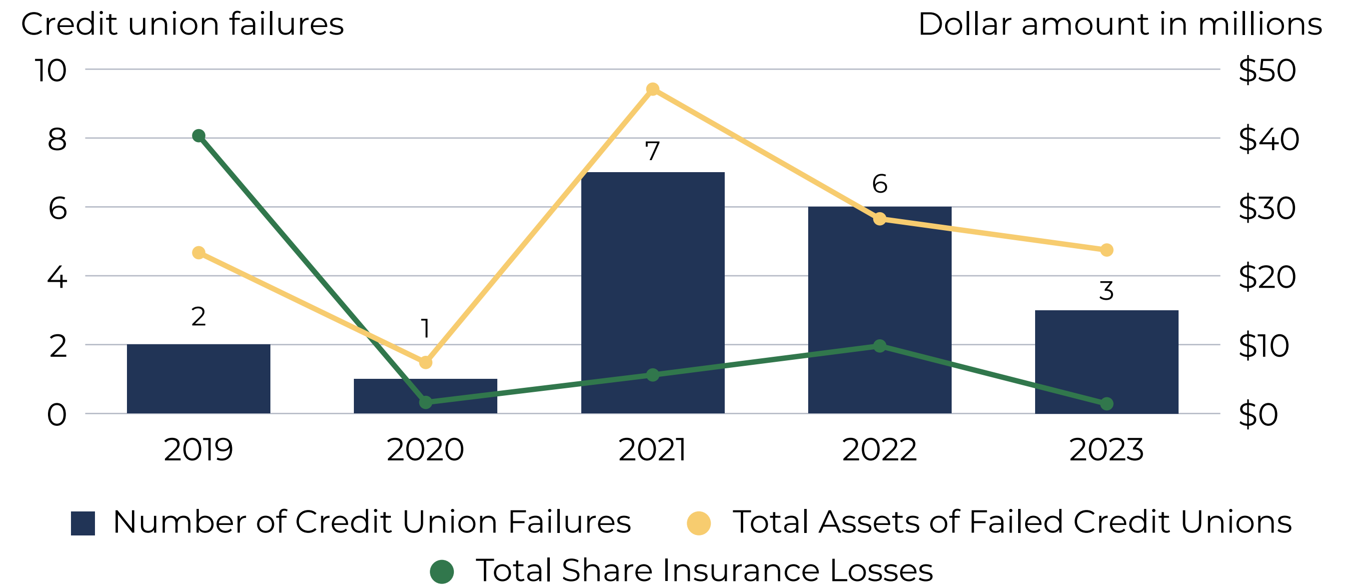
In 2023, there were three credit union failures compared to the six failures in 2022. The Share Insurance Fund insures member deposits at all federally insured credit unions up to $250,000.

7 As of December 31, 2023, the NCUA was the conservator of Valwood Park Federal Credit Union, located in Carrollton, Texas.

As a result, the members of the federally insured credit union that failed in 2023 suffered no losses on their insured deposits. Verified shares were paid out within five days of closure.

The cost to the Share Insurance Fund of these failures was $1.4 million, a decrease from $9.8 million in 2022. The loss figure will change depending on the performance of the remaining assets of the liquidated credit unions. The NCUA continues to evaluate all courses of action that will maximize potential recoveries from the assets of the liquidated credit unions and minimize losses to the Share Insurance Fund. The Share Insurance Fund remains financially strong and has sufficient equity and reserves to cover anticipated losses.

**Number of Credit Union Failures to Total Assets (2019–2023)**




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

Gross assets managed by the NCUA's Asset Management and Assistance Center (AMAC), which are comprised primarily of loans, were approximately $257.5 million at the end of 2023, a decrease from $280.7 million at the end of 2022. The decrease in gross assets managed was due to the resolution of loans and real estate owned assets.

## Providing Effective and Efficient Supervision

One of NCUA's long-term modernization initiatives is the virtual exam project. The NCUA Board approved this project and associated resources in 2017. Currently, the project is in the research and discovery phase. During this phase, staff identifies new and emerging data sources and methods to access the data, assesses advancements in analytical techniques, and considers how other technologies can be harnessed to automate and streamline various aspects of the examination process. By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to reduce the frequency and scope of onsite examination activities.

Cyberattacks and cybersecurity vulnerabilities pose significant risks to the financial system. Because of vulnerabilities within the credit union industry and the broader financial system to potential cyberattacks, cybersecurity is one of the NCUA's top supervisory priorities and a top-tier risk under the agency's enterprise risk management program. The NCUA engages in interagency cybersecurity preparedness as members of the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee. The NCUA monitors cyber threats identified by federal and non-federal sources and shares relevant information about them with the credit union industry and financial sector partners.

In 2023, the NCUA deployed the improved Information Security Examination (ISE) procedures. This updated examination initiative offers flexibility for credit unions while providing examiners with standardized review steps to facilitate advanced data collection and analysis. Together with the agency's voluntary Automated Cybersecurity Evaluation Toolbox maturity assessment, the new ISE procedures will assist the NCUA in protecting the credit union system from cyberattacks.

In addition, the NCUA's recently implemented cyber incident reporting rule has proven to be helpful to the agency and credit union industry. The final rule requires a federally insured credit union to report a substantial cyber incident to the NCUA as soon as possible but no later than 72 hours after the credit union reasonably believes a reportable cyber incident has occurred. Since September 1, 2023, the NCUA received 571 incident reports. More than 56 percent of these incident reports involved third-party service providers and credit union service organizations (CUSOs).

### Using Supervisory Tools to Address Compliance Concerns

To protect the credit union system and the Share Insurance Fund from losses, the NCUA employs several supervisory tools and enforcement actions depending on the severity of the situation. The number of total outstanding enforcement actions for federally insured credit unions increased from 141 at the end of 2022, to 160 at the end of 2023. With the NCUA's return to onsite examinations and supervision in October 2022, field staff have found an increase in recordkeeping deficiencies, problems with internal controls, and instances of fraud. While the agency will continue to use offsite supervision as appropriate, the NCUA will allocate necessary resources to conduct in-person examinations to find and address other internal control, recordkeeping, and fraud issues before they become significant and lead to Share Insurance Fund losses.

| Outstanding Enforcement Actions at Year-end (2019-2023) | | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Federal Credit Unions** | | | | | | |
| Increasing Severity | Preliminary Warning Letters | 38 | 30 | 25 | 23 | 32 |
| | Unpublished Letters of Understanding and Agreement | 119 | 84 | 76 | 69 | 72 |
| | Published Letters of Understanding and Agreement | 0 | 0 | 0 | 1 | 0 |
| | Cease-and-Desist Orders | 2 | 3 | 3 | 3 | 1 |
| | Conservatorship | 1 | 0 | 2 | 1 | 1 |
| **Federal Credit Union Totals** | | 160 | 117 | 106 | 97 | 106 |
| **Federally Insured, State-Chartered Credit Unions** | | | | | | |
| Increasing Severity | Preliminary Warning Letters | 6 | 4 | 5 | 5 | 5 |
| | Unpublished Letters of Understanding and Agreement | 54 | 48 | 46 | 30 | 40 |
| | Cease-and-Desist Orders | 6 | 4 | 6 | 8 | 8 |
| | Conservatorship | 1 | 2 | 3 | 1 | 1 |
| **Federally Insured, State-Chartered Credit Union Totals** | | 67 | 58 | 60 | 44 | 54 |
| **Federally Insured Credit Unions Totals** | | 227 | 175 | 166 | 141 | 160 |

Source: NCUA Examination Data

In addition, the NCUA assesses civil monetary penalties against credit unions that fail to file a Call Report on time. No late filer civil monetary penalties were assessed in 2023 or 2022 due to a decision to suspend such penalties during the COVID-19 pandemic. In November 2023, the NCUA announced that it will reinstate civil money penalties for credit unions failing to submit Call Report data on time effective January 1, 2024. As required by law, the NCUA remitted all funds collected from late filers to the United States Treasury. For more information on the civil monetary penalties the NCUA can impose, please see the Other Information section of this report.

In 2023, the NCUA issued administrative actions prohibiting 19 individuals from participating in the affairs of any federally insured financial institution, compared to 13 issued in 2022.

## Enforcing Federal Consumer Financial Protection Laws and Regulations

Equally vital to credit union members are consumer financial protection and fair and equitable access to credit. To that end, the NCUA continues to strengthen its consumer financial protection program to ensure that all consumers receive the same level of protection, regardless of their financial provider of choice. In 2023, the agency's consumer financial protection supervisory priorities included overdraft protection, fair lending, residential real estate appraisal bias, and Truth in Lending Act and Fair Credit Reporting Act compliance.

In addition, the agency increased its review of overdraft programs and non-sufficient funds fee practices at credit unions to assess whether providing those practices and charging the fees are potentially unfair practices. The NCUA's supervision of these programs aims to create a more equitable system that supports financial stability for credit union members, improves transparency, and advances the statutory mission of credit unions to meet the credit and savings needs of their members, especially those of modest means. Furthermore, the NCUA conducts targeted fair lending examinations and supervision at federal credit unions to assess compliance with federal fair lending laws and regulations. These reviews are critical to identifying discrimination and fostering financial inclusion.

In 2023, the NCUA's Office of Consumer Financial Protection spent 5,882 hours examining 46 credit unions for compliance with fair lending laws and regulations. Agency staff spent an additional 643 hours performing 22 offsite supervision contacts to review credit unions' loan policies and, if necessary, provide recommendations to bring them into compliance with fair lending laws.

Another part of the NCUA's enforcement of consumer financial protection laws and regulations is our Consumer Assistance Center, which receives and handles consumer complaints and does its own investigation to determine compliance with applicable federal consumer financial protection laws and regulations. During the year, the Consumer Assistance Center handled more than 48,258 written complaints, inquiries, and telephone calls from consumers and recorded over $1.1 million in monetary benefits for complainants.[8]

## Delivering Policies and Regulations that Appropriately Address Emerging and Innovative Financial Technologies

The rapid emergence of financial technology, including artificial intelligence and digital assets, is creating risks and opportunities for credit unions to increase speed of service, improve security, and expand products and services. The NCUA is committed to supporting the credit union system as it navigates the changes fintech and other innovations are bringing to the financial services industry.

In September, the NCUA Board approved a financial innovation final rule that provides flexibility for federally insured credit unions to utilize advanced technologies and opportunities offered by the financial technology sector. The final rule specifically provides credit unions with options to participate in loans acquired through indirect lending arrangements and financial

8 This figure includes restitution by the credit union, relief from an alleged monetary obligation imposed by the credit union, and access to disputed credit or financial services products otherwise not available to the member by the credit union.

technology. With the adoption of this final rule, the limits previously found in the NCUA's regulations are replaced with policy, due diligence, and risk-management requirements that can be tailored to match each credit union's risk levels and activities.

### Delivering an Effective and Transparent Regulatory Framework

As the financial services system and credit unions continue to evolve—especially with many credit unions growing larger and more complex—the regulatory framework must keep pace to maintain the strength and stability of the credit union system. In response to these changes and to legislation enacted into law, the NCUA proposed or completed five substantive changes to the NCUA's regulatory structure to help credit unions stay competitive in the changing environment and continue to provide financial services to their members and communities.

- **MDI Preservation** – In June, the NCUA Board approved proposed changes to the interpretive ruling and policy statement on the agency's Minority Depository Institution Preservation Program. The proposal amends an existing interpretive ruling and policy statement to update the program's features, clarify the requirements for a credit union to receive and maintain an MDI designation, and reflect the transfer of the MDI Preservation Program administration from the agency's Office of Minority and Women Inclusion to its Office of Credit Union Resources and Expansion. Proposed amendments to the interpretive ruling and policy statement also include incorporating recent program initiatives, providing examples of technical assistance an MDI may receive, establishing a new standard for MDIs to assess their designation periodically, and updating how the NCUA will review an MDI's designation status, among other changes.

- **Charitable Donation Accounts** – In November, the NCUA Board approved a final rule that would add "war veterans' organizations" to the definition of a "qualified charity" that a federal credit union may contribute to using a charitable donation account. The NCUA Board approved the final rule noting the attributes of "veterans' organizations" as defined by section 501(c)(19) of the Internal Revenue Code are aligned with the purposes of the current charitable donation account rule. A "qualified charity" is a section 501(c)(3) entity defined by the Internal Revenue Code and must be both a non-profit and be organized for a charitable purpose.

- **Member Expulsion** – In July, the Board finalized a rule to implement requirements of the Credit Union Governance Modernization Act of 2022. This regulation streamlines procedures for credit unions to expel a member in cases of serious misconduct. The final rule strikes a balance between addressing the legitimate concerns over providing services to violent and disorderly members and providing due process rights to credit union member-owners. These rights include proper disclosures, hearings, and appeals processes.

- **Field of Membership** — In February, the NCUA Board unanimously approved a proposed rule that would amend the chartering and field-of-membership rules through nine changes to enhance consumer access to safe, fair, and affordable financial services, especially in under-resourced communities. The proposed amendments would also reduce duplicative or unnecessary paperwork and administrative requirements. These proposed amendments result from the agency's experience in reviewing field-of-membership changes, community charter conversions, and adding underserved areas, along with its study of chartering and field-of-membership issues. The proposed rule includes a provision to allow all federal credit unions to better capture the ongoing bond between individuals within a field of membership and their immediate family members following the death of a member.

- **Trust Accounts** — In October, the NCUA Board unanimously approved a proposed rule that would simplify the NCUA's share insurance regulations by establishing a "trust accounts" category. The trust accounts category would provide Share Insurance Fund coverage of funds in both revocable and irrevocable trusts deposited at federally insured credit unions in the accounts of members or those otherwise eligible to maintain insured accounts. Additionally, the proposed rule would provide consistent share insurance treatment for all mortgage servicing account balances held to satisfy principal and interest obligations to a lender and more flexible recordkeeping requirements to explicitly allow the NCUA to look to records held in the normal course of business that are maintained by parties other than federally insured credit unions and their members.

A full listing and description of the final and proposed rules approved by the NCUA Board in 2023 is available on the NCUA's website.

## Collaborating with Other Agencies

The NCUA is involved in numerous cross-agency initiatives and collaborates with other financial regulatory agencies through participation in several councils, including the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council (FFIEC), and the Financial and Banking Information Infrastructure Committee. In 2021, NCUA Chairman Todd M. Harper was named Chairman of the FFIEC for two years, ending on March 31, 2023. These councils and their associated task forces and working groups contribute to the success of the NCUA's mission by providing the agency with access to critical financial and market information and opportunities to share information on critical issues and threats to the nation's financial infrastructure, among other benefits.

In June, the NCUA and five other federal regulatory agencies requested public comment on a proposed rule designed to ensure the credibility and integrity of models used in real estate valuations. In particular, the proposed rule would implement quality control standards for automated valuation models (AVMs) used by mortgage originators and secondary market issuers in valuing real estate collateral securing mortgage loans. Under the proposed rule, the agencies would require institutions that engage in covered transactions to adopt policies, practices, procedures, and control systems to ensure that AVMs adhere to quality control standards designed to ensure the credibility and integrity of valuations.

Additionally, the NCUA and four other federal regulatory agencies requested public comment on proposed guidance addressing reconsiderations of value (ROV) for residential real estate transactions. The proposed guidance advises on policies that financial institutions may implement to allow consumers to provide financial institutions with information that may not have been considered during an appraisal or if deficiencies are identified in the original appraisal. ROVs are requests from a financial institution to an appraiser or other preparer of a valuation report to reassess the value of residential real estate. An ROV may be warranted if a consumer provides information to a financial institution about potential deficiencies or other information that may affect the estimated value.

In 2023, the NCUA cohosted webinars with the Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, Internal Revenue Service, Federal Trade Commission, Federal Housing Finance Agency, and the U.S. Department of Housing and Urban Affairs on topics such as best practices for commercial real estate loans accommodations; the Volunteer Income Tax Assistance program designed to support free tax preparation services for underserved communities; protecting older Americans against financial crimes; protecting Americans credit and identity with cybersecurity awareness; and the federal government's efforts to combat bias in home valuation and increase opportunities for homeownership.

### Improving the Financial Well-being of Individuals and Communities through Access to Affordable and Equitable Financial Products and Services

The Federal Credit Union Act charges the NCUA with promoting access to safe, fair, and affordable credit union services for consumers of all backgrounds and income levels, including those of modest means. To support this effort, the NCUA works to foster the preservation and growth of credit unions in a changing demographic, economic, and technological landscape. The NCUA helps increase access to affordable financial services through its chartering and field-of-membership initiatives, especially for individuals and communities in rural and underserved areas.

### Enhancing Consumer Access to Affordable, Fair, and Federally Insured Financial Products and Services

Generally, federal credit unions can only grant loans and provide services to persons who have joined the credit union. The field of membership defines those persons and entities eligible for membership in a credit union. The table below shows the number of applications to modify federal credit union fields of membership that were approved by the NCUA during the year. This will provide consumers and businesses with greater access to the national system of cooperative credit.

| Expansions of Credit Union Fields of Membership (2019-2023) | | | | | |
|---|---|---|---|---|---|
| Type | 2019 | 2020 | 2021 | 2022 | 2023 |
| Multiple Common-Bond Expansions | 7,171 | 8,329 | 8,681 | 8,861 | 9,433 |
| Community Expansions | 52 | 42 | 50 | 41 | 36 |
| Community Charter Conversions | 24 | 10 | 7 | 8 | 12 |
| Underserved Area Expansions | 43 | 25 | 54 | 39 | 47 |

The NCUA issued three new federal credit union charters in 2023, to For Members Only Federal Credit Union in Chicago, Illinois; Generations United Federal Credit Union in New York City, New York; and Young Community Federal Credit Union in Shively, Kentucky.

### Supporting and Fostering Small, Minority, Low-Income, and New Credit Unions

Small credit unions, low-income designated credit unions, and MDIs play a critical role in providing affordable financial services to millions of Americans. Often, these credit unions are the only federally insured financial institutions in underserved communities. Yet, they face the challenges of increased competition, stagnant membership growth, and lagging earnings.

Small credit unions, defined as those with less than $100 million in assets, made up 61.5 percent of all federally insured credit unions. These 2,831 credit unions had 7.7 million members and held $83.0 billion in assets at year-end 2023.

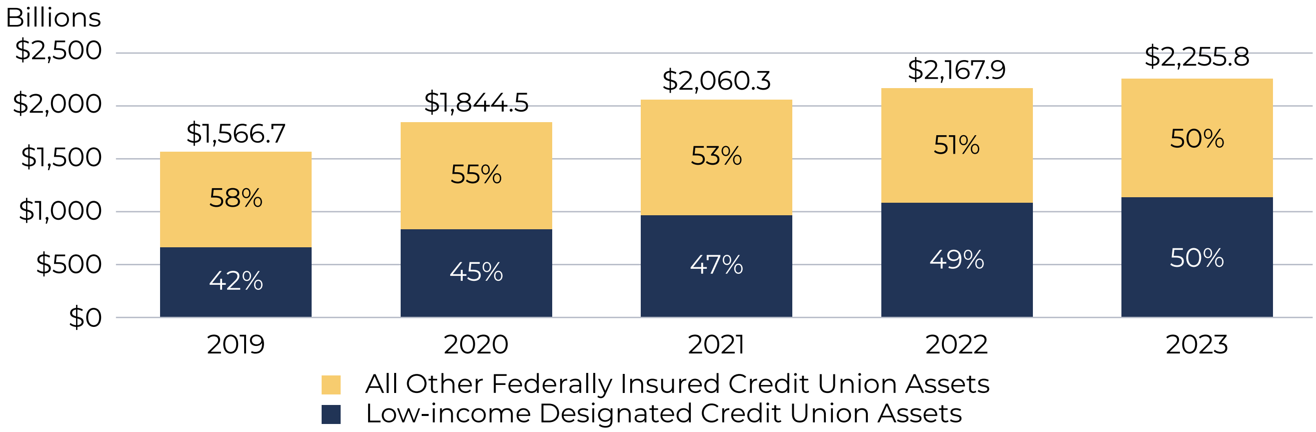
The low-income designation is a critical component of the NCUA's efforts to support these credit unions. To qualify as a low-income designated credit union, most of a credit union's membership must meet certain low-income thresholds based on data from the American Community Survey done by the U.S. Census Bureau.

There are several benefits for credit unions that carry a low-income designation, including:

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

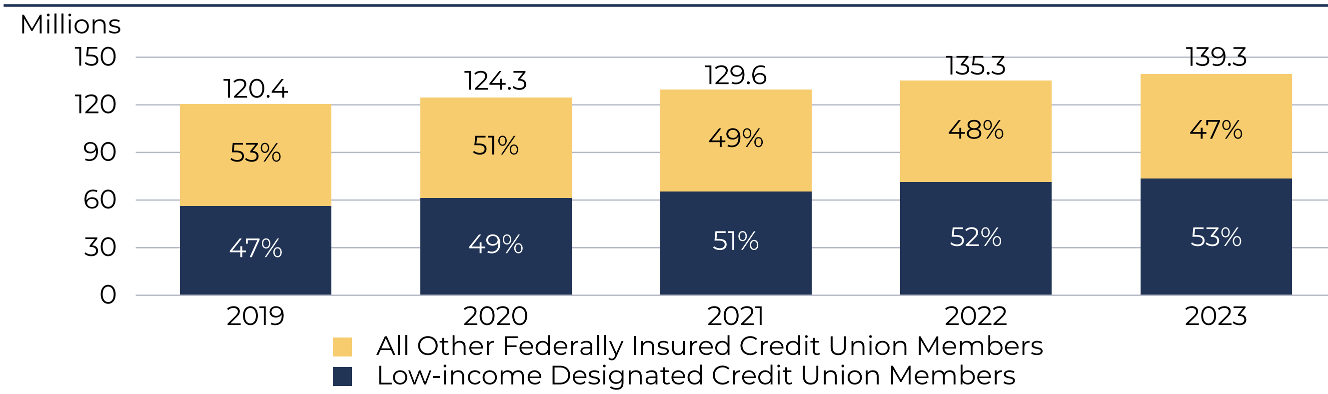
By the end of 2023, there were 2,483 low-income credit unions, down from 2,612 at the end of 2022. This means 53.9 percent of all federally insured credit unions have a low-income designation. Low-income credit unions had 73.6 million members and $1.1 trillion in assets at the end of 2023, compared to 70.9 million members and $1.1 trillion in assets at the end of 2022.

## Distribution of Credit Union Assets by Income Designation (2019–2023)




Source: NCUA Call Report Data

## Distribution of Credit Union Members by Income Designation (2019–2023)




Source: NCUA Call Report Data

Another initiative the NCUA uses to support credit unions is its MDI preservation program. These credit unions play a vital role in serving the financial needs of historically underserved populations such as African Americans, Hispanic Americans, Native Americans, and Asian Americans. Resources include educational webinars and the identification of grants and other financial resources to support the development and implementation of financial products and services to assist members experiencing financial hardship.

The NCUA further supported these credit unions by:

- Offering technical assistance grants and training sessions;
- Facilitating mentor relationships between credit unions;
- Negotiating financial support to sustain MDIs;
- Delivering guidance to groups establishing new MDIs; and
- Approving new charter conversions and field-of-membership expansions to facilitate new opportunities for growth, among other forms of support.

By the end of 2023, 492 federally insured credit unions had self-certified as MDIs. These credit unions served 6.5 million members, held $88.8 billion in assets, and represented 10.7 percent of all federally insured credit unions.

It is often difficult to compare MDI performance to other comparably sized non-MDIs during the examination process. The unique business models of MDIs often allow for higher expenses and higher delinquencies when compared to federally insured credit unions overall. The imbalance created by measuring MDIs with metrics intended for other credit unions can have a negative effect on MDI operations and development such as lowering an MDI's CAMELS rating.

To provide MDIs a more constructive basis for comparison, the NCUA started using new procedures to examine MDIs this year. These procedures are tailored to the unique business models of MDIs. Using a job aid designed for this express purpose, examiners had customized guidance and gained greater insight into MDI credit unions' strategies and member needs. The new MDI-specific procedures represent an important evolution of the examination process. MDIs are now provided with useful metrics to benchmark their work against their true peers, and in the process, enhance their service to members and under-resourced communities.

Despite these challenges, MDIs, which averaged $180.0 million in assets, performed better in returns on average assets than those credit unions with more than $1.0 billion in assets (75.0 basis points compared to 70.0 basis points). These numbers show that a credit union with a focused mission and strong leadership can compete in today's complex financial and economic environment.

The NCUA provides technical assistance grants and low-interest loans to support credit union growth through the Community Development Revolving Loan Fund. Congress more than doubled the CDRLF funding for 2023 and added minority depository credit unions as eligible institutions. So, both low-income credit unions and minority depository institutions can now use CDRLF grants to build capacity, invest in their communities, reach under-resourced populations, and provide their members with products and services to strengthen their economic security. In 2023, five NCUA grant initiatives focused on providing resources to address racial, socio-economic, and technological challenges facing credit unions and their members, particularly members of modest means:

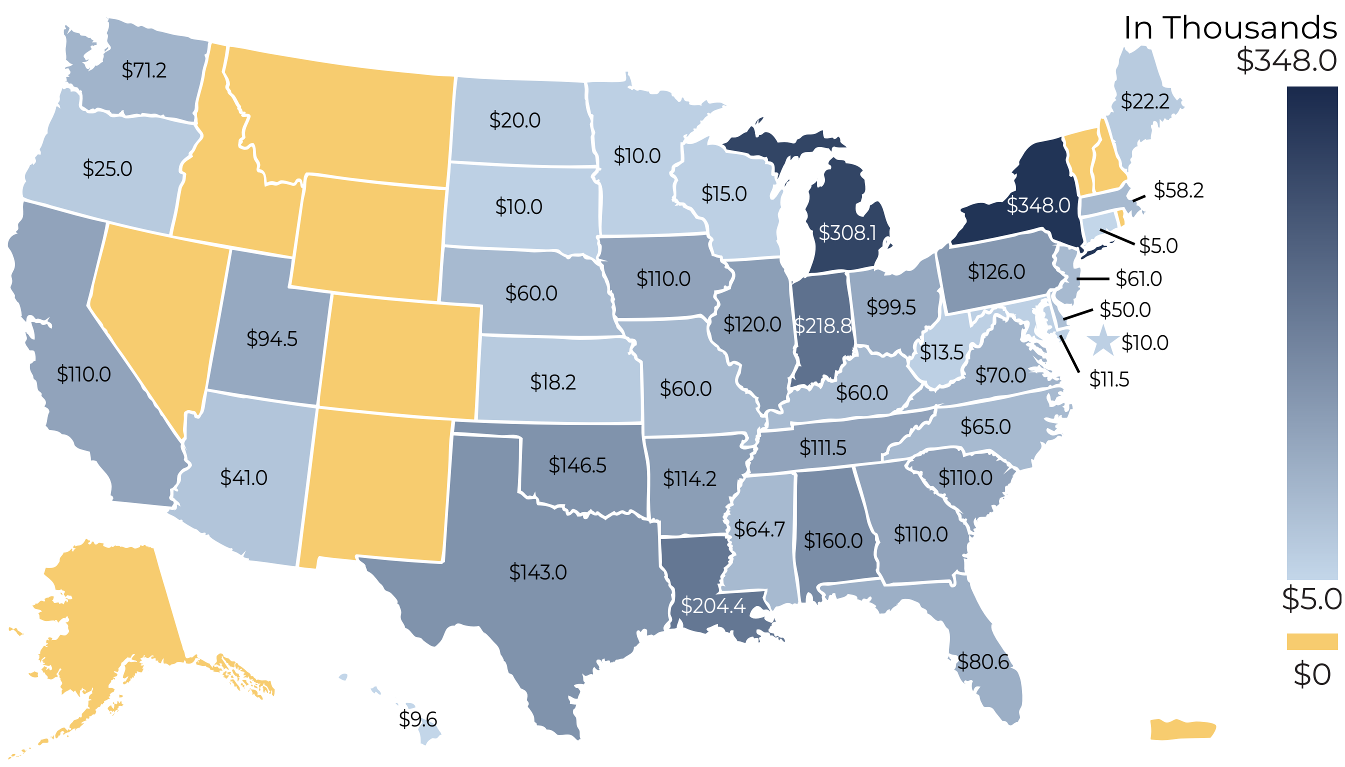
- Underserved Outreach (maximum award of $50,000);
- MDI Capacity Building (maximum award of $50,000);
- Consumer Financial Protection (maximum award of $10,000);
- Digital Services and Cybersecurity (maximum award of $10,000); and
- Training (maximum award of $5,000).

During this year's funding round, the NCUA also piloted two new grant initiatives that eligible credit unions may apply for:

- Impact Through Innovation (maximum award of $100,000); and
- Small Credit Union Partnership (maximum award of $50,000).

In 2023, the NCUA awarded more than $3.5 million in grants to 146 low-income credit unions.

## Map of Technical Assistance Grants Funding by Dollar Amount (in thousands)




Source: Audited 2023 NCUA CDRLF Grant Awards Population Reports

## Maximizing Organizational Performance to Enable Mission Success

The NCUA's most valuable resource is a high-quality, skilled staff. To maximize employee contributions to the NCUA's mission, the agency's team must be supported by efficient and effective processes, tools, data, and modern technology. Throughout 2023, the agency took several steps to develop its human capital and improve its systems and processes.

## Attracting, Developing, and Retaining a Diverse Workforce within an Inclusive Environment

The NCUA aims to foster a professional work environment that attracts and retains innovative, high-performing, highly engaged, and inclusive employees. As a financial services regulator, the NCUA requires employees with expertise in accounting and finance and those who understand commercial and residential lending, consumer financial protection laws and regulations, payment systems, and cybersecurity trends and risks. Developing such a workforce begins with the recruitment and assessment of candidates. The NCUA also prioritizes diversity and inclusion as a strategic business imperative and seeks to achieve this through workforce diversity and inclusion efforts, support for equal employment opportunity, and supplier diversity initiatives.

Promoting diversity of backgrounds and experiences within the agency's staff helps leverage each employee's unique skillset while empowering them to pursue development and growth opportunities. Creating an inclusive work environment ensures that each employee can contribute to the NCUA's mission and helps drive innovation and collaboration. The NCUA's employee resource groups serve more than 30 percent of agency staff, surpassing the industry standard membership level of 10 percent. Further, the NCUA's special emphasis program educates staff on cultural diversity and provides dedicated support for employees and managers with disabilities.

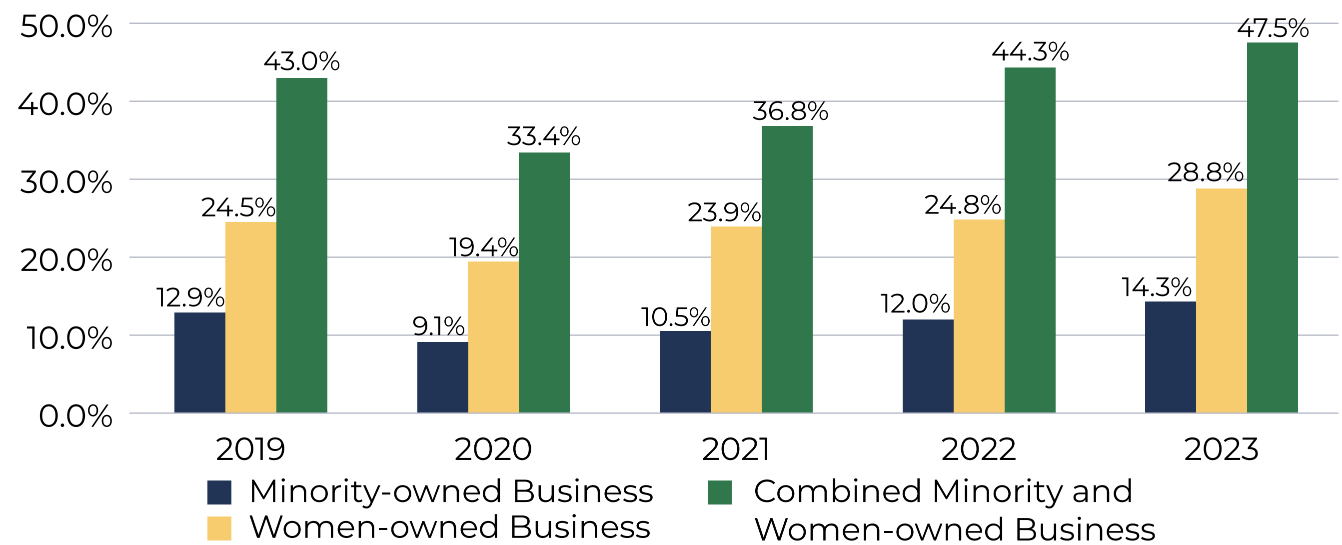
In 2023, the NCUA experienced a slight increase in both the percentage of women and percentage of minorities in senior staff positions. The number of women increased from 2022 by 1.0 percentage point (49.1 percent in 2023 compared to 48.1 percent in 2022), and minorities in the senior staff ranks had a slight increase of 1.1 percentage points (19.3 percent in 2023 compared to 18.2 percent in 2022). None of these changes are statistically significant and reflect minor staff changes.

Self-reported rates of NCUA employees with disabilities also exceeded the federal goals in 2023. The federal goal is 12.0 percent for people with disabilities and 2.0 percent for targeted disabilities. The NCUA continues to exceed those goals, 17.0 percent and 4.7 percent of employees have self-reported as having a disability or targeted disability, respectively.

The NCUA also understands the importance of developing and maintaining a base of suppliers and contractors where a diverse group of businesses is well-represented. The agency's supplier diversity efforts promote the inclusion of minority- and women-owned businesses in the NCUA's contracting opportunities. The chart below shows the NCUA's progress over the last five years.

In 2023, 47.5 percent of the agency's reportable contracting dollars were awarded to minority and women-owned businesses, an increase of 3.2 percentage points from 44.3 percent in 2022. This performance represents a strong, sustained showing for the NCUA and keeps it in the company of top performers among federal financial regulatory agencies.

## Supplier Diversity as a Percentage of Total Awards (2019–2023)




Source: NCUA Supplier Data
Figures exclude duplicates for firms that are both minority-owned and women-owned.

### Delivering Improved Business Processes Supported by Secure, Innovative, and Reliable Technology Solutions and Data

In 2023, the NCUA continued its efforts to modernize its technology solutions through our Enterprise Solution Modernization Program (ESM), which supports examination, data collection, and reporting functions to improve key, integrated business processes. Modernizing the NCUA's technology will facilitate greater collaboration and enhance the exchange of information between credit unions, credit union service organizations, state supervisory authorities, and the NCUA. It will also allow the NCUA to proactively manage risks to the credit union system, adapt to changes in the financial services environment, and create a more effective, less burdensome examination process.

In 2023, the NCUA focused on system enhancements to MERIT, onboarded CUOnline to NCUA Connect to strengthen security and streamline access to NCUA applications, and improved access to MERIT data. The agency also focused on user adoption and change management activities including streamlining the user experience, facilitating refresher training, providing timely responses to user questions and inquiries, and ensuring a stable platform to perform examinations.

In 2023, the NCUA continued the development of the Enterprise Data Program, which provides leadership on business and governance process needs for the Data Reporting Solution (DRS). The DRS is part of the overarching ESM program and focused on modernizing the NCUA's data environment and implementing a business intelligence solution for enhanced data access, integrity, analytics, and reporting. As part of this initiative, the NCUA delivered four business intelligence tool training classes in 2023 and is planning additional training opportunities in 2024. DRS will integrate the NCUA's legacy enterprise data and new MERIT data into structures optimized for analytics that can be leveraged to provide a modern self-service business intelligence tool for the enterprise.

The NCUA started exploring opportunities to automate current business workflows and streamline processes with the Data Collection and Sharing Solution (DCS) project under ESM. These improved processes will increase efficiency, decrease errors, and reduce redundancy.

Further, the NCUA is working closely with other federal agencies and is assessing the regulatory, data collection, and data dissemination requirements and impact of the Financial Data Transparency Act passed with the National Defense Authorization Act in December of 2022. Legal, business, and technical representatives across the NCUA actively participate in interagency meetings related to the Financial Data Transparency Act rulemaking. The NCUA continues to provide input on the approach for the draft joint rule and data standards. In addition to collaborating with the Financial Stability Oversight Council agencies, the NCUA is also assessing the potential impact on credit unions, our data collection, and data sharing practices. As the draft joint rule is finalized, the NCUA will continue refining our impact analysis and aligning internal resources to ensure compliance with the statute.

### Ensuring Sound Organizational Governance

Sound corporate governance requires integrity in financial management and appropriate stewardship of the fees paid by the credit union system to finance the NCUA's operations. It also implements efficient and effective business processes to accomplish the agency's mission and achieve its strategic goals. The NCUA maximizes its resources by continually improving its operations and strengthening its internal controls.

A foundation of sound corporate governance is the awareness of risks and the appropriate planning and investment to address those challenges or opportunities. Through the NCUA's Enterprise Risk Management (ERM) program, the agency is proactively managing risks to achieving its mission, as well as maximizing opportunities across the agency. Enterprise risk management examines the full spectrum of risks related to achieving the NCUA's strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making. The agency's Enterprise Risk Management Council works collaboratively with risk leads, other agency governing councils, and subject-matter experts to optimize risk management and mitigation on a consistent and continuous basis.

### Formulating the NCUA's Budget

The NCUA's budget formulation starts with reviewing the agency's goals and objectives outlined in the strategic plan with the actions planned to address risks identified through the ERM program. The strategic plan is a framework that sets the agency's direction and guides resource requests. The ERM process helps senior executives identify priority investments necessary to ensure strategic goals and objectives are met. Budget submissions from individual offices are structured to align resources and the workforce to the agency's priorities and initiatives. In 2023, the budget included funding for the NCUA to increase permanent staffing in critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues and responding to changes in economic conditions that may impact the credit union system.

The 2023 budget also included staff resources to provide greater assistance to small credit unions; investments to expand ongoing efforts to ensure robust cybersecurity in the credit union system and at the agency; and critical investments in new information technology systems and infrastructure.

Given the agency's unique financing authorities, the NCUA Board considers both the resources required to achieve its goals and the impact these expenditures will have on the credit union system that pays for the agency's operations. The Board balances the need for robust and effective supervision and insurance operations with the responsibility to be good stewards of fees collected from the credit union system and ultimately paid by credit union members.

As required by law, the NCUA has made draft budgets available for public comment in the *Federal Register* and on the NCUA's website to solicit public comments before presenting final budget recommendations for the Board's approval. The NCUA is the only Financial Institutions Reform, Recovery, and Enforcement Act agency that publishes a detailed draft budget and solicits public comments at a meeting with its Board or other agency leadership.

Annually, the NCUA assesses the effectiveness of its internal controls, noting areas of specific improvement since the previous study and areas that require future focus to preclude negative results. The Office of the Chief Financial Officer partners with leadership across the agency to improve the quality of controls and encourages risk self-identification and resolution when improvement opportunities are identified. This enterprise-focused approach to internal controls ensures that all offices within the NCUA are responsible for ensuring sound management practices.

# Looking Forward

In 2023, the NCUA focused on ensuring the credit union system and the Share Insurance Fund adapted to the evolving financial landscape while concentrating on the areas of greatest risk to credit unions, their members, and the broader system. This focus will continue into 2024 with additional areas of emphasis.

### Combating Growing Cyberthreats

Credit unions' growing reliance on technology exposes the credit union system to escalating cyberattacks. Malware, ransomware, distributed denial of service attacks, and other forms of cyber intrusion affect credit unions of all sizes and will require ongoing measures for containment. These trends will continue, and even accelerate, in the future.

Electronic payment systems remain attractive targets to cybercriminals, and the impact of COVID-19 has increased opportunities for cyber fraud. As such, credit unions should take a strategic risk management approach, including continually hardening, monitoring, and improving the security of their networks, as well as reviewing and mitigating risk within their respective supply chains. Fintech and credit union reliance on third-party vendors increases systemic cybersecurity risks across the financial services landscape. Credit unions are especially vulnerable because the NCUA lacks the same authority as its federal banking agency counterparts to oversee these vendors. This growing regulatory blind spot means that thousands of credit unions, tens of millions of members, and $2.26 trillion in assets are unnecessarily exposed to cybersecurity risks.

The Financial Stability Oversight Council (FSOC), of which the NCUA Chairman is a voting member, continues to highlight the importance of improving cybersecurity to combat the growing risks to individual institutions, the financial market infrastructure, and the overall financial ecosystem. The FSOC recognizes that a cyberattack on an essential financial market utility or a sensitive data breach at a large financial institution could pose an acute threat to U.S. financial stability.

In FSOC's *2023 Annual Report*, the Council emphasized the ongoing threat to the financial system posed by cybersecurity incidents, including ransomware and malware attacks. As in years past, the FSOC report continues to recommend Congress pass legislation that ensures the NCUA has adequate examination and enforcement powers to oversee these third-party service providers.

The FSOC annual report also highlighted the importance of maintaining and improving the cyber resilience of the financial system through the continuous assessment of cyber vulnerabilities and close coordination across firms and governments within the United States and internationally. The FSOC recommends that federal and state agencies continue to promote information sharing related to cyber risks and undertake additional work to assess and mitigate cyber-related financial stability risks. It also supports the G7 Cyber Expert Group's international efforts to help financial institutions better understand cybersecurity risks and improve the cyber resilience of the financial system through preparedness, a consensus understanding of the threat landscape, and a shared approach to mitigating risk.

In the financial services industry, the use of cloud computing continues to grow, and many firms are looking to migrate core business services to the cloud in the coming years. The FSOC points out that the financial sector's dependence on a limited number of cloud service providers for critical information technology services is a potential risk to financial stability. Reliance on such service providers can magnify cyber risks. Therefore, the FSOC emphasizes the need for robust monitoring and enhanced information security at third-party vendors, including cloud service providers.

Another innovative technology that is gaining widespread use in financial services is artificial intelligence (AI). Financial firms tend to use AI for tasks, such as fraud prevention, customer service, and credit underwriting, to reduce costs and improve efficiencies. However, AI introduces several potential risks such as safety and soundness and consumer compliance risk. The FSOC Council recommends monitoring the rapid developments in AI, including generative AI, to ensure that oversight structures keep up with or stay ahead of emerging risks to the financial system while facilitating efficiency and innovation. To support this effort, the Council recommends financial institutions, market participants, and regulatory and supervisory authorities further build expertise and capacity to monitor AI innovation and usage and identify emerging risks.

The NCUA's supervisory priorities continue to include cybersecurity, and the agency remains focused on advancing consistency, transparency, and accountability within its information technology and cybersecurity examination program. In pursuit of those efforts, the NCUA has continued to improve and enhance the Information Security Examination (ISE) program. Building on the success of the NCUA's Automated Cybersecurity Evaluation Tool application, the ISE examination initiative offers flexibility for credit unions while providing examiners with standardized review steps to facilitate advanced data collection and analysis. Together with the agency's voluntary Automated Cybersecurity Evaluation Toolbox maturity assessment, the new ISE procedures will assist the NCUA in protecting the credit union system from cyberattacks.

### Adapting to Technology-Driven Changes to the Financial Landscape

Vendors outside of the chartered financial system are using emerging technology to offer financial products that mimic loan accounts or insured deposits, such as mobile payment systems, pre-paid shopping cards, and peer-to-peer lending. These alternative financial service providers, and the products they offer, pose a competitive challenge to credit unions and banks alike. Consumers may not be aware that their funds are not protected by share or deposit insurance when funds are held by entities other than a federally insured credit union or bank. Recent technology trends have profoundly reshaped consumer behaviors. For example, the increased use of high-cost, short-term loan products; buy now, pay later retail financing; and other similar financial services often expose individuals to various forms of consumer harm through excessive fees, higher interest rates, and biased lending decisions.

The credit union industry is also expanding the use of emerging and innovative technology to provide financial services to its members. Third-party vendors and CUSOs are rapidly developing new technology tools to expand access to affordable, fair, and equitable financial products and services. Through the team in the Office of Financial Technology and Access, the NCUA is focused on helping federally insured credit unions address barriers and identify opportunities to use technology to meet their members financial needs. Examples of technology tools being used include AI, generative AI, distributed ledger technology, and blockchain technology. Credit unions are using technology tools to connect to unbanked and underbanked communities, address communication barriers, and provide needed financial services through digital delivery channels. While the use of technology offers many promises for enhancing and expanding member services, credit unions must be vigilant in identifying and managing the risks and perils associated with emerging technologies.

Technological advances outside the financial sector may also lead to changes in consumer behavior indirectly affecting credit unions. Many of these trends have accelerated in recent years, resulting in a profound reshaping of consumer behaviors. For example, the increased use of on-demand auto services and the potential for pay-as-you-go on-demand vehicle rentals could reduce purchases of consumer-owned vehicles. That could lead to a potential slowdown or reduction in the demand for vehicle loans, which comprise slightly more than a third of the credit union system's loan portfolio.

Emerging and innovative financial technologies, including digital ledger technology and crypto currency, present opportunities, and risks to the credit union system. The NCUA is committed to supporting the credit union system as it navigates the changes fintech and other innovations are bringing to the financial services industry. The agency must identify financial services industry risks and opportunities as well as marketplace developments that may prompt regulatory or policy changes. Initiatives include exploring methods to enhance the virtual examination and supervision process and promoting the development and deployment of technologies and innovations that can expand financial inclusion and equitable and affordable consumer access within the credit union system.

## Near-Term Economic Outlook

The U.S. economy was far more resilient to the rapid tightening of credit conditions in 2023 than expected when the year began. Defying expectations of a downturn, real GDP expanded by 3.1 percent over the four quarters of the year, considerably faster than the 0.7 percent increase recorded during 2022. Employment growth moderated compared with the prior year, but the average monthly pace of hiring in 2023 remained strong by historical standards. The unemployment rate edged up slightly over the course of the year and stood at 3.7 percent in December. It remained at that level in January, completing a second straight year of unemployment readings below 4 percent — the longest period of sub-4 percent unemployment in more than five decades.

Interest rates rose sharply. Between March 2022 and July 2023, Federal Reserve policymakers raised the federal funds target rate by 525 basis points to a range of 5¼ to 5½ percent — a level last seen in early 2001. Market interest rates also climbed. The average rate on a 3-month Treasury bill reached a two-decade high of 5.6 percent in October, the rate on a 10-year Treasury note peaked at 4.9 percent, and the average rate on a 30-year fixed-rate mortgage jumped to 7.8 percent.

The combination of tighter credit conditions, expansion of the labor force, and the resolution of pandemic-era supply chain disruptions helped to reduce inflation in 2023. By December, consumer price inflation stood at 3.4 percent on a 12-month basis and personal consumption expenditures inflation was 2.6 percent. Both measures were down sharply from year-earlier levels of 6.5 percent and 5.4 percent, respectively.

Robust job and wage growth and low unemployment supported consumer spending throughout the year, with growth in outlays strengthening in the second half of 2023 as inflation moved lower. Even so, performance in key sectors for credit unions was mixed. Sales of new motor vehicles strengthened considerably, rising 12.5 percent from the 11-year low posted in 2022. In contrast, elevated mortgage rates and home prices along with low inventories of homes for sale, weighed on housing activity and home sales fell to a 12-year low.

The credit union system turned in a favorable performance in 2023. Federally insured credit unions added 4.0 million members over the year ending in the fourth quarter of 2023, boosting credit union membership to 139.3 million. Credit union assets rose by 4.1 percent over the year to $2.26 trillion, and total loans outstanding at federally insured credit unions increased 6.4 percent to $1.60 trillion. Credit union auto loan balances expanded by 2.6 percent over the four quarters of the year, with new auto loans outstanding edging up by 1.1 percent and used auto loans outstanding increasing 3.4 percent. Residential real estate loans outstanding at all credit unions increased by 7.3 percent. Loan growth slowed across all major categories compared with 2022. Loan performance deteriorated somewhat, with particularly notable deterioration in delinquency rates for credit cards and auto loans. The system-wide delinquency rate rose 21 basis points over the year to 83 basis points in the fourth quarter of 2023. Credit union shares and deposits increased by 1.7 percent over the year to $1.88 trillion in the fourth quarter. Credit unions remained well-capitalized through the end of 2023. The credit union system's composite net worth ratio stood at 10.70 percent in the fourth quarter, down slightly from 10.74 percent in the fourth quarter of 2022. Liquidity has declined from the elevated levels reached in late 2020 and early 2021. Cash and short-term investments as a percentage of assets rose from 10.2 percent in the fourth quarter of 2022 to 11.5 percent in the fourth quarter of 2023, reflecting an 18 percent increase in cash and short-term investments.

A consensus of private-sector forecasters is anticipating slower growth and a mild deterioration in labor market conditions in 2024. The unemployment rate is projected to rise to 4.2 percent by the fourth quarter of 2024 as economic activity moderates in response to the elevated level of interest rates. Inflation is forecast to move closer to the Federal Open Market Committee's 2-percent target rate. With inflation on a steady downward path, Federal Reserve policymakers opted to cease tightening in July and maintained their short-term policy rate in a range of 5¼ to 5½ percent through the end of the year. At their last meeting in January 2024, they signaled that further rate increases are unlikely, but rate cuts will not occur until they see evidence that inflation is moving credibly back to 2 percent. Most private forecasters surveyed in early February expected Federal Reserve policymakers to begin lowering the federal funds target rate in late spring. Market interest rates are projected to decline as well, with the 3-month Treasury rate falling 100 basis points over the four quarters of 2024 to 4.3 percent in the fourth quarter, and the 10-year Treasury rate falling 60 basis points to 3.8 percent. Additional declines are projected for 2025, and the Treasury yield curve is expected to return to a more normal upward slope after being inverted for more than a year, beginning in October 2022. [9]

## Managing Interest Rate Risk and Liquidity Risk

Although the outlook for the coming year favors a soft landing for the economy, credit unions could face challenges. In a slowing economy with rising unemployment, credit unions are likely to experience reduced loan demand and higher credit risk. In fact, auto loan and credit card delinquencies were elevated at the end of 2023 compared with pre-pandemic levels. Further, credit card delinquencies in a relatively low unemployment market were slightly higher at the end of 2023 than the highest levels of the Great Recession.

Credit unions will also need to be mindful of interest rate risk. The changing interest rate environment will affect credit union performance. In 2023, rising short-term interest rates put pressure on credit unions to raise deposit rates to avoid deposit attrition. The expected decline in short-term interest rates in 2024 should relieve pressure on credit union funding costs and liquidity. At the same time, however, longer-term rates are expected to fall, putting downward pressure on credit union loan rates. The net effect on credit unions' net interest margin and

9 Based on forecasts submitted in early February 2024 and published in Blue Chip Economic Indicators, February 9, 2024.

net income will depend in large part on balance sheet composition, but in the aggregate the projected narrowing of the negative term spread should be a favorable development. Moreover, the expected reversion to a positive term spread in 2025 should cause credit union net interest margins to widen and provide a boost to net income.

The ability to manage economic risks will remain a crucial determinant of credit union performance. Credit unions' ability to manage and mitigate interest rate risk will continue to be important to their success in 2024. Credit union executives, administrators, and boards of directors must especially remain diligent in managing the identified safety-and-soundness and consumer financial protection risks within their institutions.

### Declining Membership in Small Credit Unions

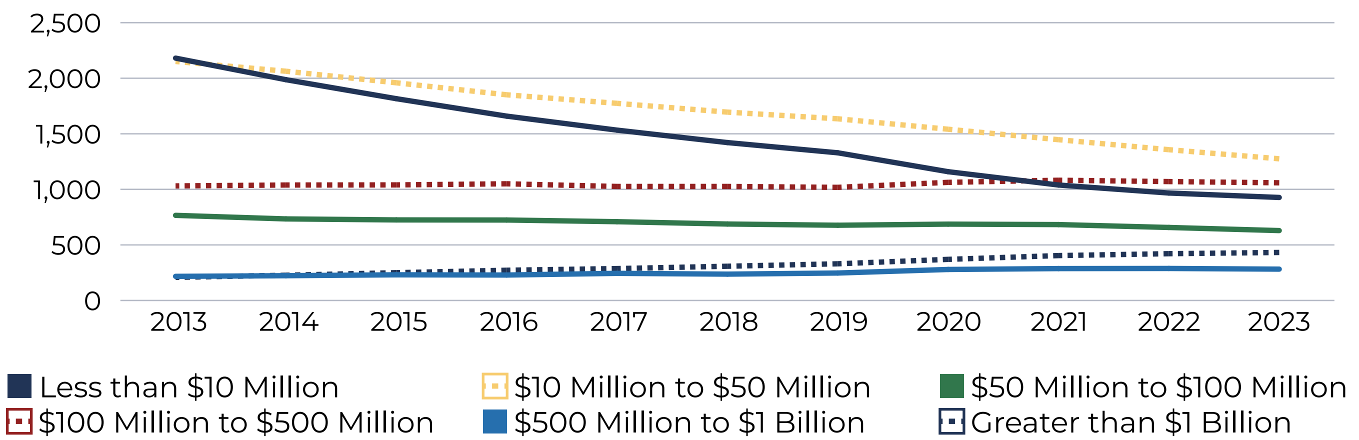
While overall credit union membership continues to experience strong growth, about half of federally insured credit unions had fewer members at the end of 2023 than a year earlier. This is a long-term trend, as smaller credit unions often lack the resources to provide technology, products, and services that many consumers expect from a financial provider. As such, all credit unions need to consider whether their product mix is consistent with their members' needs and demographic profiles. For example, in some areas, to be effective, credit unions may need to explore how to meet the needs of an aging population, a growing Hispanic population, or an increasing consumer population more comfortable with using digital services.

The NCUA provides an array of technical assistance to smaller credit unions, including chartering and field-of-membership expansions, grants and loans, training, and a preservation program for minority credit unions to help these vital institutions remain viable. In 2022, the NCUA established its Small Credit Union and MDI Support Program, which dedicates field resources to help these credit unions address operating concerns in areas such as staff training, strategic planning, examinations, and improving earnings. For 2023 and 2024, the agency budgeted 10,000 staff hours across its three regional offices for the initiative, which includes 5,500 hours for direct support to MDI credit unions. During 2024, the NCUA will continue providing assistance to these important credit unions in areas such as understanding applicable laws and regulations, reporting requirements, and filing grant applications. NCUA employees can also offer assistance with operational needs such as developing strategic plans, budgets, succession plans, and marketing plans. The NCUA will also continue to develop initiatives to create opportunities to promote financial education, consumer financial protection, and financial inclusion and foster an environment where those with low-to-moderate incomes, people with disabilities, and the otherwise underserved have access to safe, fair, and affordable financial services.

## Small Credit Unions Challenges and Industry Consolidation

Small credit unions face challenges to their long-term viability for several reasons, including lower returns on assets, declining membership, high loan delinquencies, increasing non-interest expenses, and a lack of succession planning for credit union boards and key personnel. As the consolidation trend continues there will be fewer credit unions in operation, and those that remain will be considerably larger and more complex. In the fourth quarter of 2023, there were 714 federally insured credit unions with assets of at least $500 million, 31 percent more than five years earlier. These 714 credit unions represented only 15 percent of all federally insured credit unions but accounted for 82 percent of credit union members and 85 percent of system-wide assets. In comparison, the remaining 3,890 credit unions accounted for only 18 percent of credit union members and 15 percent of the system's total assets.

### Number of Credit Unions by Asset Class at Year-end (2013–2023)




Source: NCUA Call Report Data

Large credit unions tend to offer more complex products, services, and investments. Increasingly complex institutions will pose management challenges for the institutions themselves and the NCUA, because consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

## Monitoring the Share Insurance Fund's Equity Ratio

The Share Insurance Fund is capitalized through a combination of credit union funds held on deposit and retained earnings. The NCUA Board is required, by law, to maintain a strong Share Insurance Fund, which is backed by the full faith and credit of the United States. This fund insures individual accounts up to $250,000. As of December 31, 2023, the Share Insurance Fund protected $1.72 trillion in insured shares and deposits across all states, the District of Columbia, and U.S. territories.

The Share Insurance Fund's equity ratio is the overall capitalization of the fund to protect against unexpected losses. Any incident, like a significant credit union failure, that drops the equity ratio below 1.0 percent would result in a direct expense to credit unions through the impairment of the 1.0 percent capital deposit they contribute to the fund, which credit unions have recorded as an asset on their balance sheets. Additionally, if the equity ratio falls below 1.20 percent, or is expected to within six months, the Federal Credit Union Act requires the NCUA Board to assess a premium on federally insured credit unions to restore the fund to at least 1.20 percent or adopt a fund restoration plan.

Conversely, when the equity ratio exceeds the normal operating level — or the desired equity level of the Share Insurance Fund set between 1.20 percent and 1.50 percent — the Share Insurance Fund pays a distribution if the other statutory requirements are met. For the period ending December 31, 2023, the equity ratio for the Share Insurance Fund is 1.30 percent, slightly below the 1.33 percent normal operating level set by the NCUA Board. The Share Insurance Fund continues to perform well, with no premiums or distributions expected at this time.

To better manage the fund's operations, the NCUA Chairman requested Congress amend the Federal Credit Union Act to remove the 1.50 percent ceiling for the Share Insurance Fund's equity ratio from the current statutory definition of "normal operating level," which limits the ability of the Board to establish a higher normal operating level for the Share Insurance Fund. A statutory change should also remove the limitations on assessing Share Insurance Fund premiums when the equity ratio of the Share Insurance Fund is greater than 1.30 percent and if the premium charged exceeds the amount necessary to restore the equity ratio to 1.30 percent.

Together, these amendments would bring the NCUA's statutory authority over the Share Insurance Fund more in line with the Federal Deposit Insurance Corporation's authority as it relates to administering the Deposit Insurance Fund. These amendments would also better enable the NCUA Board to proactively manage the Share Insurance Fund by building reserves during economic upturns so that sufficient money is available during economic downturns. This more counter-cyclical approach to managing the Share Insurance Fund would better ensure that credit unions will not need to impair their one percent contributed capital deposit or pay premiums during times of economic stress, when they can least afford it.

### Climate-Related Financial Risks

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

Credit unions need to consider climate-related financial risks and how they could affect their membership and institutional performance. For instance, a credit union's field of membership is often tied to a particular industry or community. To remain resilient, credit unions may need to consider adjustments to their fields of membership and the types of loan products they offer. Ultimately, credit unions, not the NCUA, are best positioned to assess various risks and opportunities within their field of membership.

Climate change presents several complex conceptual and practical challenges not only for credit unions but also for the NCUA. Just as credit unions must continue to adapt to account for climate-related financial risks, the NCUA will need to enhance its understanding of the impact on credit unions, credit union members, the credit union system, and the Share Insurance Fund. NCUA staff have been studying climate-related financial risks to credit unions and partnering with staff from other FSOC member agencies within the FSOC's Climate Related Financial Risk Committee to further the agency's knowledge. This committee has established several workstreams to explore climate data requirements, scenario analysis, and risk assessment. Internal analysis and research, along with collaboration with other financial regulators, will assist the agency in developing tools that contribute to credit unions' understanding and mitigation of climate-related financial risks.

### Enhancing the Examination Program

The NCUA remains committed to incorporating efficiencies into our supervision program. Strengthening the agency's data security and IT system safeguards and controls to address emerging threats will continue in 2024 and beyond. In 2023, the NCUA continued to implement future-facing technology solutions for the NCUA's workforce and business processes. In 2024, the NCUA will continue the development of the Enterprise Data Program, which is intended to enhance how the agency governs and reports on its data.

The NCUA continues working to streamline field operations to ensure the agency's staff carry out their responsibilities in an efficient and effective manner. As part of the virtual examination program, the agency is exploring ways to harness new and emerging data, advancements in analytical techniques, innovative technology, and improvements in supervisory approaches. As the team continues its efforts in the research and discovery phase of the project, they will perform periodic stakeholder outreach, conduct pilots and feasibility testing, and incrementally incorporate procedures and processes into the examination and supervision program.

### Building the Workforce to Supervise an Evolving Credit Union Environment

Like many agencies in the federal government, the NCUA's workforce is changing and evolving. The NCUA needs generalist examiners as well as specialists in areas such as cybersecurity, capital markets, commercial lending, consumer financial protection, and payment systems. The agency also has a large percentage of employees who have reached, or will soon reach, retirement age, including many in senior levels of management. The agency set specific hiring targets for generalist examiners in 2024 to improve vacancy fill rates. These recruitment efforts, along with finding appropriate successors who can lead the agency and employees who have the requisite skills and expertise, are essential to ensuring the NCUA can continue to achieve its mission effectively.

The NCUA will continue to make critical investments in its human capital. This includes providing the agency's workforce with new training, developing the next generation of agency leaders, and fostering a diverse and inclusive environment. In 2024 the NCUA released its *2024–2026 Diversity, Equity, Inclusion, and Accessibility Strategic Plan*. The plan represents a roadmap through which the NCUA can promote a culture of inclusion by leveraging existing initiatives and embracing new and innovative Diversity, Equity, Inclusion and Accessibility (DEIA) efforts and solutions. The plan aims to identify and adopt best practices to promote diversity and inclusion and mitigate identified barriers to equity and accessibility.

To supervise federally insured credit unions properly, all staff must receive the training necessary to develop their skills and abilities for identifying and mitigating risk. The NCUA will continue to review and revise its training curricula to respond to emergent industry trends, highlight regulatory and other changes to its business context, and address employee feedback.

The NCUA hosts the 2023 Diversity, Equity, and Inclusion Summit in Washington, DC.

# Performance Highlights

The performance information contained in this report is organized around the strategic goals and objectives identified in the NCUA's *2022–2026 Strategic Plan*. The strategic plan outlines our efforts to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance. The strategic goals and objectives outlined below serve as the foundation for all the agency's operations.

## NCUA'S 2022-2026 *Strategic Plan*: Vision, Mission, and Goals

**Vision**

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

**Mission**

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

**Strategic Goal 1**

Ensure a safe, sound, and viable system of cooperative credit that protects consumers.

- **1.1** Maintain a financially sound Share Insurance Fund.
- **1.2** Provide effective and efficient supervision.
- **1.3** Ensure compliance with and enforcement of federal consumer financial protection laws and regulations at credit unions.
- **1.4** Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity and climate-related financial risk.
- **1.5** Implement NCUA policies and regulations that appropriately address emerging and innovative financial technologies, including digital assets.

**Strategic Goal 2**

Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services.

- **2.1** Enhance consumer access to affordable, fair, and federally insured financial products and services.
- **2.2** Support and foster small, minority, low-income, and new credit unions.

**Strategic Goal 3**

Maximize organizational performance to enable mission success.

- **3.1** Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment.
- **3.2** Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data.
- **3.3** Ensure sound organizational governance.

## Managing Performance

The NCUA's strategic plan is the foundation of the agency's performance management process. The strategic plan defines our mission, long-term goals, planned strategies, and the approaches the NCUA will use to monitor its progress addressing the challenges and opportunities related to our mission.

The annual performance plan functions as the agency's operational plan. It outlines our annual or short-term objectives, strategies, and corresponding performance goals that contribute to the accomplishment of our established strategic goals.

The NCUA's three strategic goals are supported by ten strategic objectives. These objectives contribute to the broader impact described for each strategic goal and indicate how the strategic goal will be achieved. Accomplishment of these objectives is assessed by 19 performance goals, which are measurable outcomes of what the NCUA plans to achieve within the performance year. The performance goals include one or more specific indicators that demonstrate quantitative performance targets or results to be achieved within a specific timeframe.

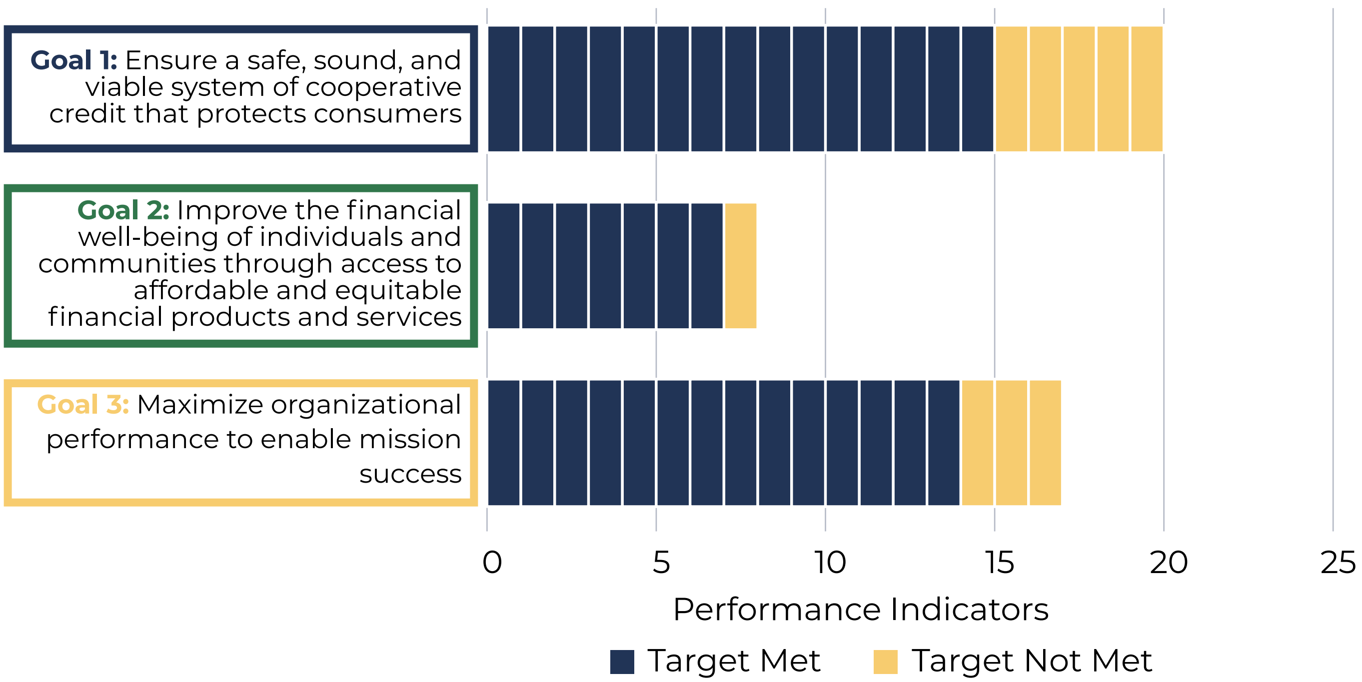
The agency routinely measures and reports its progress in meeting its performance goals. During 2023, senior executives submitted quarterly data on the progress made toward achieving the performance measures and targets for which they were accountable. The data was reviewed and analyzed throughout the year to monitor the agency's progress toward accomplishing its planned outcomes and these results are the basis for the performance information presented in this report.

## Performance at a Glance

The NCUA identified 45 measures to help evaluate and assess 2023 progress towards the goals stated in the 2022–2026 *Strategic Plan*. The agency made steady progress against the goals it set during the year, meeting or exceeding the target for 36 performance measures.

The NCUA's overall performance in 2023 is summarized in the following chart. The performance measures are grouped below by strategic goal. The Performance Results section of this report includes a complete discussion of the agency's progress toward meeting these goals and objectives and discusses causes of variance or changes in trends for each performance indicator.

## 2023 Performance by Strategic Goal




Source: NCUA Performance Data

| | |
|---|---|
| Target Met | The NCUA is implementing its plans to achieve the strategic objective. Strategies and activities have been executed on or ahead of schedule, and the target outcome was achieved. Minor delays in the planned execution schedule may exist due to exigent circumstances; however, the overall target outcome was achieved within the plan year. |
| Target Not Met | Current strategies have not had the intended impact, and an increased focus is needed by the agency to improve performance on the strategic objective. Some strategies and activities may have been executed, but more progress is needed to advance the strategic objective. |

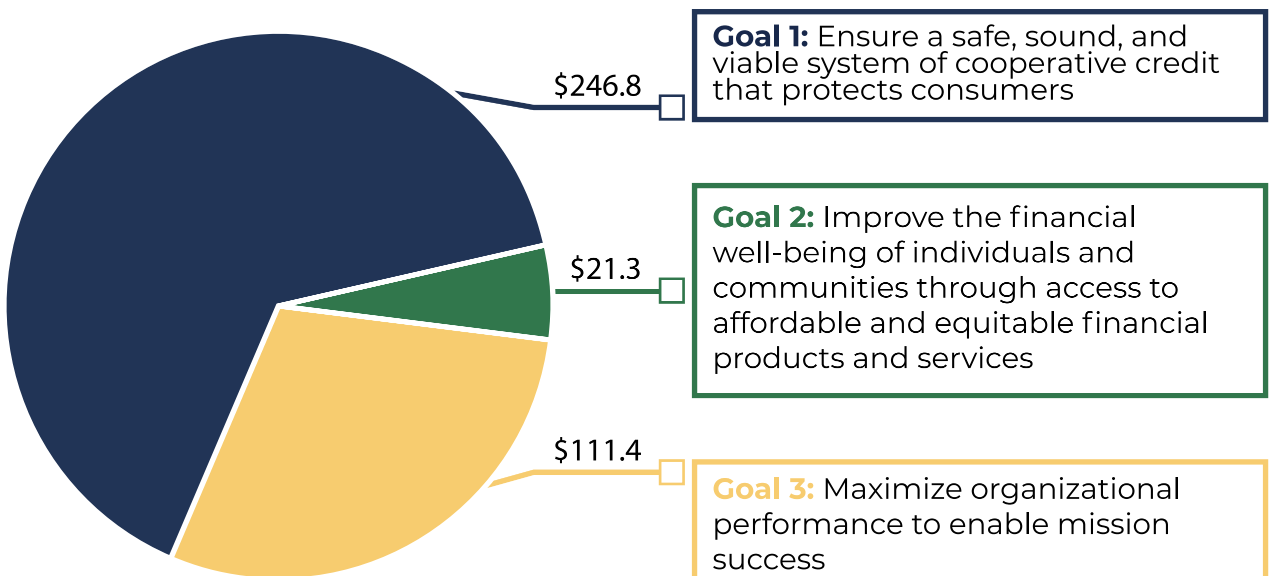
### Resource Allocation by Strategic Goal

As part of the agency's continued efforts to strengthen our planning and budgetary processes, the development of the agency's annual performance plan and budget occurs simultaneously. This link between resources and performance helps the NCUA focus on accomplishing its priorities within the context of assessing the costs and benefits of doing so. The performance goals outlined in the strategic plan provide a framework for the development of both the budget request and the annual performance indicators and targets.

The NCUA's costs for 2023 totaled $379.5 million. The agency allocated the majority of this cost, $246.8 million, for Strategic Goal 1-related programs, which includes the costs associated with administering the agency's supervision, examination, and insurance functions. The NCUA allocated 29.4 percent, or $111.4 million for Strategic Goal 3-related programs. Strategic Goal 3 is largely comprised of costs associated with the agency's talent management and information technology programs. Remaining costs were $21.3 million for Strategic Goal 2-related programs, which includes the costs associated with administering the agency's credit union development and chartering functions. The NCUA proportionally allocated general and administrative costs across all three strategic goals. [10]

The majority of the NCUA's workforce in 2023 was allocated to Strategic Goal 1, followed by Strategic Goal 3. At the end of 2023, the NCUA had 1,207 employees on board.

## The NCUA's 2023 Strategic Goals with Resource Allocation (in millions)

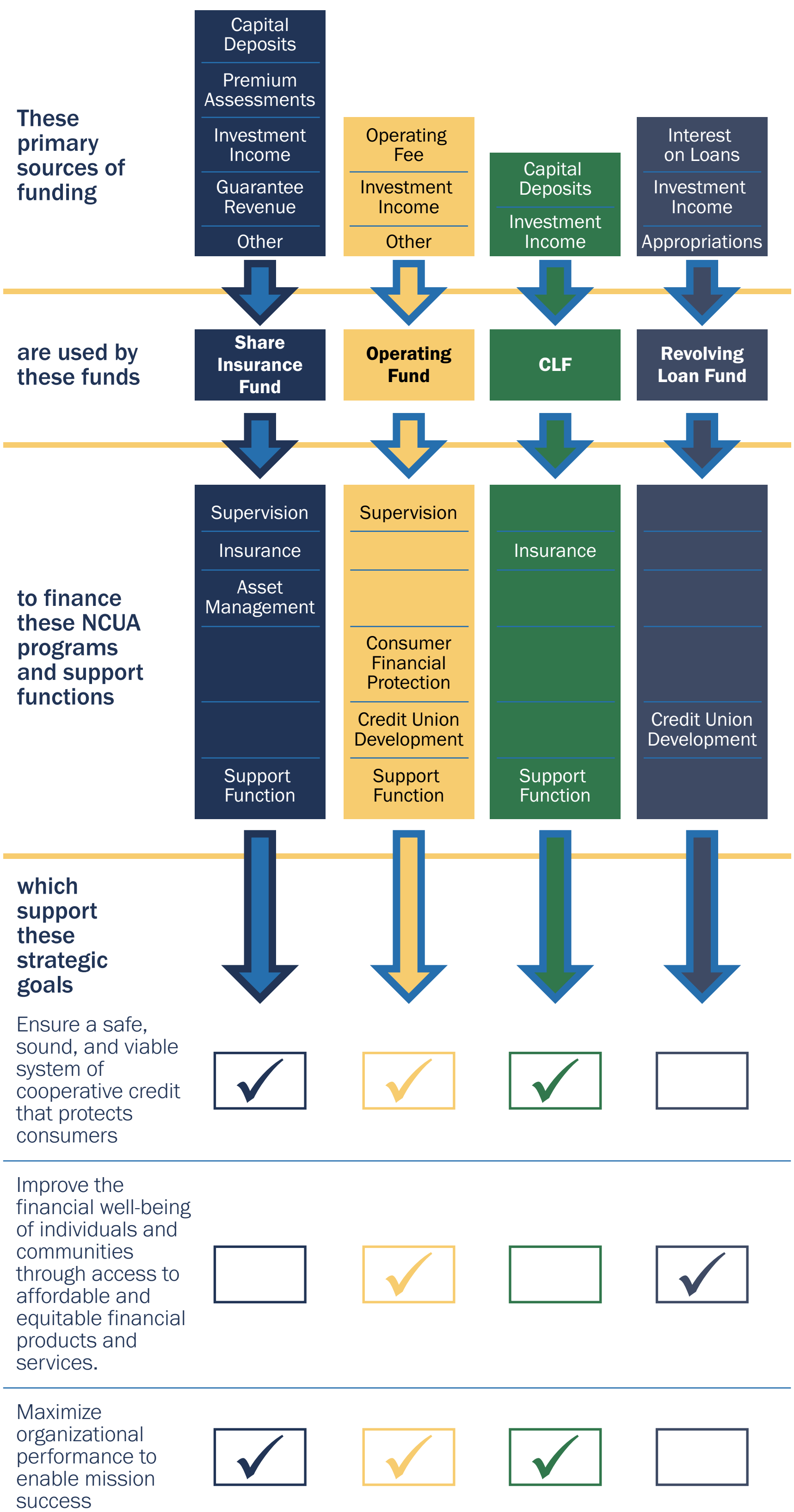



Source: NCUA Audited Financial Statements

10 The NCUA allocates costs by aligning annual expenditures for each program office function to the corresponding strategic goal.

# Financial Highlights

## NCUA Resources and How They are Used




The NCUA Board manages four funds: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (Revolving Loan Fund). Each fund is integral to the performance of the NCUA's mission to provide a safe and sound credit union system.

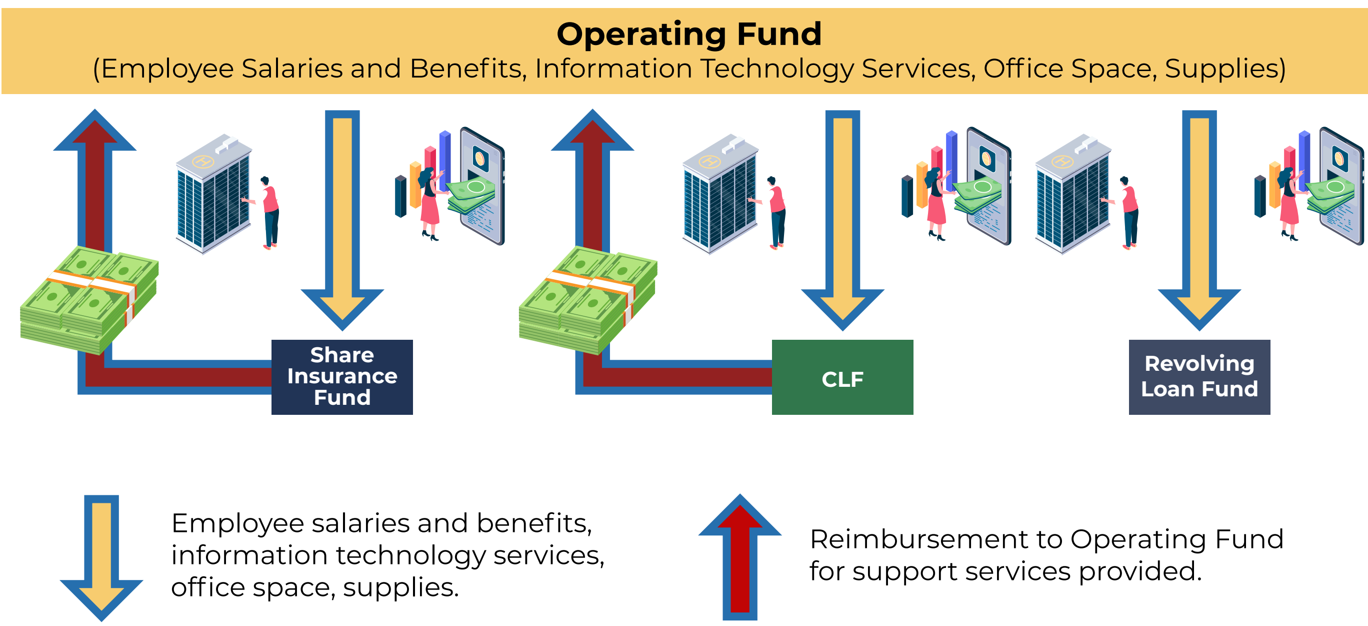
As a federal financial institutions' regulator, the NCUA is committed to transparency, accountability, and effective stewardship. As a demonstration of this commitment, the NCUA once again received unmodified or "clean" audit opinions by an independent auditor on its financial statements for each of these funds for the years ended December 31, 2023 and 2022.[11]

The following highlights provide an overview of the NCUA's 2023 financial statements. The complete financial statements, including the independent auditors' reports, are located in the Financial Information section of this report.

11 The Federal Credit Union Act provides the overarching legal requirements regarding the NCUA's annual audited financial statements. Separate financial reporting provides transparency for each fund's particular stakeholders and complies with the intent of the Federal Credit Union Act. The NCUA files its four separately audited financial statements as Annual Management Reports per the Government Corporation requirements under OMB Circular A-136.

The Operating Fund supports the other three funds by providing office space, information technology services, supplies, and paying employee salaries and benefits. The Share Insurance Fund and CLF reimburse the Operating Fund for certain administrative support. To ensure the Revolving Loan Fund can achieve its mission to promote economic development in low-income communities and to maximize the impact of the funds limited resources, the Revolving Loan Fund does not reimburse the Operating Fund for its administrative support.

The Share Insurance Fund reimburses the Operating Fund for insurance-related expenses based on an annual Board approved allocation factor derived from a study of actual usage. The Operating Fund pays CLF employee salaries and related benefits as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total employees.




## National Credit Union Share Insurance Fund

Created by Congress in 1970, the Share Insurance Fund is backed by the full faith and credit of the United States and insures the deposits of more than 139.3 million members at federally insured credit unions up to $250,000. As of December 31, 2023, the Share Insurance Fund insured 4,615 credit unions, with insured member shares reaching $1.7 trillion.[12] These federally insured credit unions held nearly $2.26 trillion in total assets at the end of 2023.

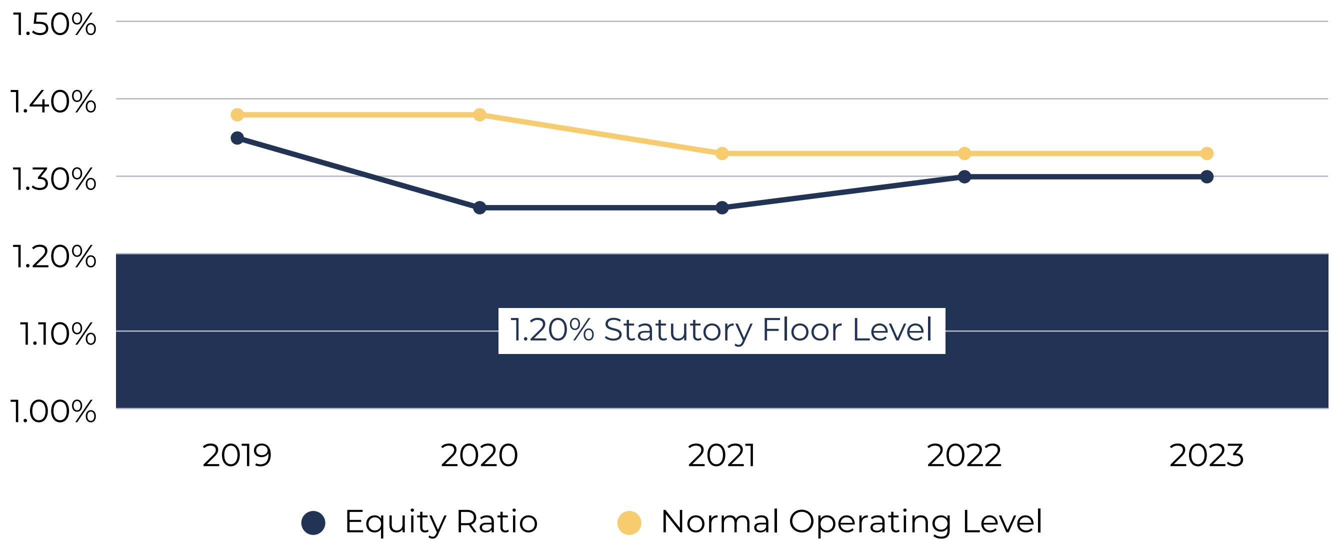
12 As of December 31, 2023, the Share Insurance Fund insured 4,604 consumer credit unions, or natural-person credit unions, and 11 corporate credit unions. Natural-person credit unions provide financial services primarily to individual people, as opposed to corporate credit unions which provide financial services to natural person credit unions.

The financial performance of the Share Insurance Fund can be measured by comparing the equity ratio to the normal operating level. The normal operating level is the desired equity level for the Share Insurance Fund. The NCUA Board sets the normal operating level between 1.20 percent and 1.50 percent. The NCUA Board set the normal operating level at 1.33 percent for 2023 and 2022.[13]

The equity ratio is the overall capitalization of the Share Insurance Fund to protect against unexpected losses from the failure of credit unions. When the equity ratio falls below or is projected within six months to fall below 1.20 percent, the NCUA Board must assess a premium or develop a restoration plan. When the equity ratio exceeds the normal operating level and available assets ratio at year-end, the Share Insurance Fund may pay a proportional equity distribution in the form of a dividend.

The equity ratio was 1.30 percent, as of December 31, 2023, and 2022; this was below the established normal operating level of 1.33 percent. The NCUA Board did not declare or pay a distribution to insured credit unions in 2023 or 2022.

## Equity Ratio to Normal Operating Level (2019–2023)




Source: NCUA Call Report Data and Audited Financial Statements
The equity ratio was 1.39% and above the normal operating level of 1.38% as of December 31, 2018. As a result, the NCUA Board approved and paid a Share Insurance distribution of $160.1 million to eligible credit unions the following year in 2019.

The Share Insurance Fund's net position is comprised of capitalization deposits, which represent the total balance of all federally insured credit unions' 1.0 percent capitalization deposits and cumulative results of operations. The Share Insurance Fund ended 2023 with a net position of $21.2 billion, an increase of 5.1 percent, or $1.0 billion, from 2022, which was

13 The equity ratio is calculated as the ratio of the contributed 1 percent deposit, plus the cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

primarily due to investments: interest rate increases in 2023 contributed to a reduction in unrealized losses, as well as higher interest revenue from investments, both of which led to an increase in results of operations in 2023.

In accordance with the Federal Credit Union Act, the NCUA invested its capitalization deposits collected from all member credit unions in U.S. Treasury securities and earned interest revenue of $431.7 million in 2023, an increase of $144.9 million from 2022. The increase in interest income over the prior year was primarily due to the higher yield on investments. The average interest rate earned for the years ending in December 31, 2023 and 2022, was 1.98 percent and 1.37 percent, respectively, and reflects a decrease in the weighted average maturity of U.S. Treasury securities from 3.3 years to 2.3 years. Investments in U.S. Treasury securities account for approximately 99.0 percent of total Share Insurance Fund assets.

| Share Insurance Fund Financial Position | | | |
|---|---|---|---|
| Dollars in thousands | 2023 | 2022 | Percentage Change |
| **Assets:** | | | |
| Investments, Net | $ 21,208,175 | $ 20,138,514 | 5.3% |
| Receivables from Asset Management Estates (AMEs), Net | 70,318 | 76,463 | -8.0% |
| Other | 136,112 | 148,665 | -8.4% |
| **Total Assets** | **$ 21,414,605** | **$ 20,363,642** | **5.2%** |
| **Total Liabilities** | **$ 213,057** | **$ 188,208** | **13.2%** |
| **Net Position** | **$ 21,201,548** | **$ 20,175,434** | **5.1%** |

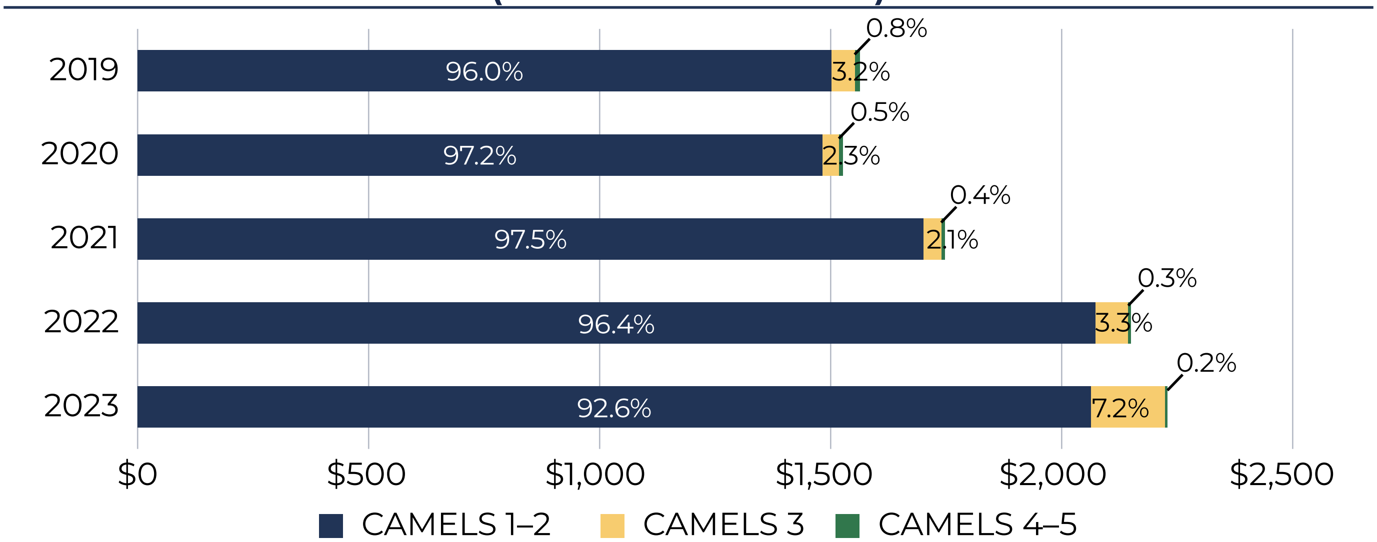
The Share Insurance Fund's net cost of operations is primarily comprised of operating expenses and the provision for insurance losses, slightly offset by exchange revenue. The provision for insurance losses represents anticipated losses from the failure of insured credit unions. Operating expenses are primarily administrative services provided by the NCUA Operating Fund. Net cost of operations for 2023 was $222.0 million, an increase of $53.9 million from 2022, primarily as a result of an increase in operating expenses, due to higher employee salaries and benefits, as well as more travel expenses in 2023. An increase in the provision for insurance losses also contributed to the change.

The provision for insurance losses consists of the reserve expense and bad debt expense for the natural-person credit union and corporate credit union asset management estates (AMEs). The reserve expense decreased by $8.8 million, which reflects the overall risk of projected losses for actual and potential credit union failures. The bad debt reduction for the AMEs decreased by $36.1 million, primarily due to changes in the value of legacy assets.

| Share Insurance Fund Financial Position Results of Operations | | | | | |
|---|---|---|---|---|---|
| Dollars in thousands | | 2023 | | 2022 | Percentage Change |
| **Gross Costs:** | | | | | |
| Operating Expenses | $ | 234,421 | $ | 208,194 | 12.6% |
| Provision for Insurance Losses | | (12,202) | | (39,518) | 69.1% |
| Other Losses | | 9 | | 150 | -94.0% |
| **Total Gross Costs** | **$** | **222,228** | **$** | **168,826** | **31.6%** |
| **Exchange Revenue** | **$** | **(235)** | **$** | **(685)** | **-65.7%** |
| **Total Net Cost of Operations** | **$** | **221,993** | **$** | **168,141** | **32.0%** |

The aggregate net worth ratio increased during the year ending at 10.95 percent versus 10.78 percent on December 31, 2022.[14] The NCUA's field staff use the CAMELS rating system to evaluate a credit union's performance and risk profile. CAMELS ratings range from 1 to 5, with 1 being the strongest rating and 5 being the weakest. Assets in CAMELS composite 3, 4, and 5 rated credit unions increased to $165.7 billion at the end of 2023 from $77.0 billion at the end of 2022, due to a higher number of credit unions with assets greater than $100 million in CAMELS rating 3 in 2023.[15]

## Distribution of Assets by CAMELS Ratings at Year-end 2019–2023 (in billions of dollars)




Source: NCUA Call Report

14 The net worth ratio is calculated according to NCUA regulations part 702. The prior year net worth ratio of 10.75 percent was recalculated to 10.78 percent based on regulatory updates and disclosed for comparative purposes.

15 Additional information for the CAMELS rating system can be found on page 22, "What is the CAMELS Rating System?".

## NCUA Operating Fund

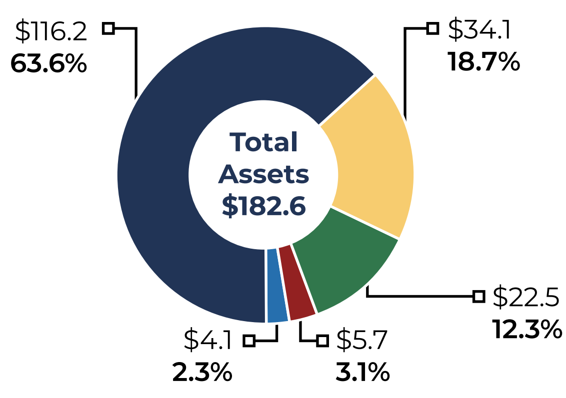
Created by the Federal Credit Union Act, the NCUA Operating Fund provides administration and service to the federal credit union system. At year-end, the total number of federal credit unions was 2,880 with $1.1 trillion in total assets.[16] Funding for the NCUA's operations comes through operating fees paid by federal credit unions and through reimbursements from the Share Insurance Fund. Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The Office of the Chief Financial Officer administers the methodology approved by the NCUA Board for calculating operating fees and setting the fee schedule each budget cycle.

The Operating Fund ended 2023 with a fund balance of $114.9 million, a decrease of $18.3 million from 2022. The decrease was primarily due higher employee wages and benefits, as well as greater travel costs in 2023.

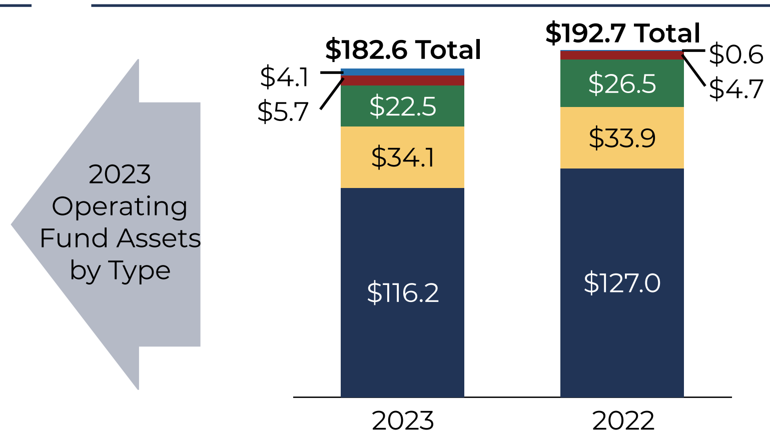
**Operating Fund Financial Position**

| Dollars in thousands | 2023 | 2022 | Percentage Change |
|---|---|---|---|
| Total Assets | $ 182,613 | $ 192,700 | -5.2% |
| Total Liabilities | 67,725 | 59,561 | 13.7% |
| **Fund Balance** | **$ 114,888** | **$ 133,139** | **-13.7%** |

### Operating Fund Assets by Type 2023 (in millions of dollars)




### Operating Fund Assets Comparison 2023 and 2022 (in millions of dollars)



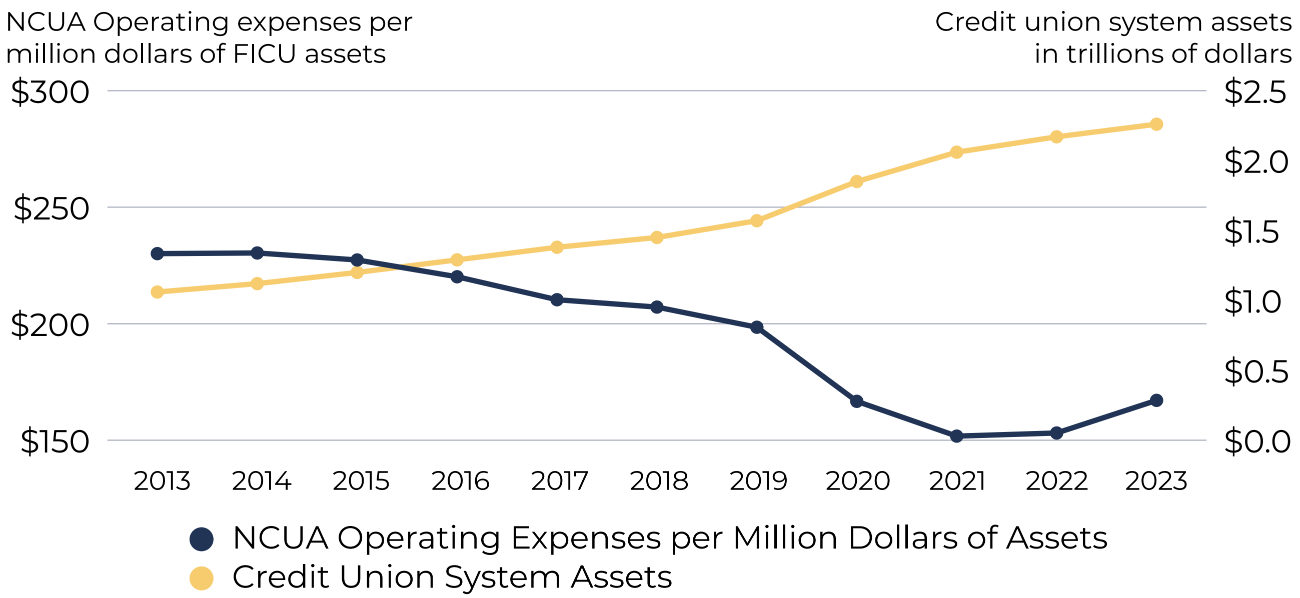

Cash and Cash Equivalents · Fixed Assets, Net · Intangible Assets, Net · Prepaid Expenses · Other

Source: NCUA Audited Financial Statements

16 This is the number of credit unions that are under federal regulation, as opposed to state regulation, and is different from the number of credit unions that the Share Insurance Fund insures.

Employment-related costs are the single largest driver of the NCUA's expenses. The NCUA continues to assess and balance its mission workload needs with the financial costs the agency imposes on the credit union system. Although the number of credit unions continues to decline nationwide, the NCUA must also consider the increasing complexity and growing asset base of the entire credit union system. Consolidation in the industry has led to growth in the number of large credit unions, specifically those with more than $10 billion in assets. This results in additional complexity in the balance sheets of such credit unions, and a corresponding increase in the supervisory review required to ensure the safety and soundness of such large institutions.

## NCUA Operating Expenses Per Million Dollars of Federally Insured Credit Union Assets




Source: NCUA Audited Financial Statements and NCUA Call Report Data
NCUA operating expenses per million dollars of federally insured credit union (FICU) assets is calculated as the sum of current year NCUA Operating Fund expenses, Share Insurance Fund operating expenses, and CLF operating expenses divided by the current year's end-of year FICU assets (for example, 2023 Operating Fund Expenses ($140.3M) + 2023 Share Insurance Fund Operating Expenses ($234.4M) + 2023 CLF Operating Expenses ($2.9M) / FICU Assets as of 2023Q4 ($2.26T) = $167.1 of NCUA operating expenses per $1M in FICU assets).

As shown in the chart above, the relative size of the NCUA Operating Expenses (blue line) continues to decline when compared to balance sheets at federally insured credit unions (gold line). This trend illustrates the greater operating efficiencies the NCUA has attained in the last several years relative to the size of the credit union system.

### Budgetary Resources

The NCUA's budget formulation process ensures all office requirements are justified and consistent with the agency's overall strategic plan. All office budget submissions within the agency undergo reviews by the responsible regional and central office directors, the Chief Financial Officer, and the Executive Director. Additionally, mid-year budget reviews occur annually to identify whether program resource requirements have changed due to emergent priorities or other factors.

In the 2023 mid-session budget analysis presented to the Board, the NCUA estimated that its spending would be $5.1 million below the approved operating budget level.[17] This reduction was due to lower than projected pay and benefit costs, as well as lower spending on travel, contracted services, and administrative expenses in 2023.

In 2023, the NCUA spent $360.0 million of its operating budget, of which $229.7 million was reimbursed from the Share Insurance Fund for insurance-related activities. This spending was $11.5 million, or 3.1 percent, less than the Board-approved level for the year.[18] Travel spending was $4.2 million, or 19.8 percent, less than the budgeted level. Spending below the budgeted levels reflects the NCUA's efforts to administer its programs in a cost-efficient manner.

The NCUA also maintains a discrete capital budget. In 2023, the Board approved $12.3 million for a variety of projects related to information technology and NCUA-owned facilities.[19] Of this amount, the agency spent $7.6 million, or 61.7 percent in 2023. Many of the agency's capital projects require multiple years of planning and implementation before completion. The NCUA expects that any unspent capital funding available at the end of 2023 will be used in future years to complete planned projects.

## Central Liquidity Facility

The CLF is a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the NCUA and is managed by the NCUA Board. The CLF's purpose is to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF accomplishes its purpose by lending funds to members, subject to certain statutory limitations, when a liquidity need arises. The two primary sources of funds for the CLF are stock subscriptions from credit unions and borrowings from the Federal Financing Bank (FFB).[20]

17 Spending includes incurred financial obligations, such as the value of a contractual agreement to purchase goods or services from an outside vendor, and outlays, such as amounts paid for employee salaries and benefits.
18 The 2023 Operating Budget included carryover funding and all approved reprogrammings.
19 The 2023 Capital Budget included carryover capital project funding.
20 The CLF's borrowing arrangement is exclusively with the FFB. The NCUA maintains a note purchase agreement with FFB with a current maximum principal amount of $15.0 billion.

A credit union becomes a member by purchasing shares of the CLF's capital stock. Membership in the CLF is open to all credit unions, both federally and privately insured, that purchase a prescribed amount of capital stock. Prior to 2020, CLF membership was made up of regular members, which are natural person credit unions. During 2020 and 2021, the CARES Act provided temporary authority to enhance CLF membership and lending. The Consolidated Appropriations Act extended key temporary enhancements of the CARES Act through December 31, 2022. As of December 31, 2023, the CLF had 407 members that contributed $822.3 million of capital stock. As of December 31, 2022, the CLF had 350 members that contributed $698.0 million of capital stock.

**Central Liquidity Facility Financial Position**

| Dollars in thousands | 2023 | | 2022 | | Percentage Change |
|---|---|---|---|---|---|
| Total Assets | $ | 901,561 | $ | 755,577 | 19.3% |
| Total Liabilities | | 38,135 | | 17,672 | 115.8% |
| **Total Members' Equity** | **$** | **863,426** | **$** | **737,905** | **17.0%** |

As of December 31, 2023, total members' equity was $863.4 million. This increase of $125.5 million from 2022 was primarily due to an increase in new members and annual adjustment collections. Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

**Central Liquidity Facility Results of Operations**

| Dollars in thousands | 2023 | | 2022 | | Percentage Change |
|---|---|---|---|---|---|
| Total Revenue | $ | 39,315 | $ | 21,924 | 79.3% |
| Total Expenses | | 2,910 | | 1,270 | 129.1% |
| **Net Income** | **$** | **36,405** | **$** | **20,654** | **76.3%** |

Net income for the year ended December 31, 2023, was $36.4 million, an increase of $15.8 million from 2022. This change was attributed to higher interest rates in 2023, which drove an increase in investment income. Investments totaled $845.9 million at year-end, and investment income totaled $39.3 million, which funded operations and paid $35.2 million in dividends to members.

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. The dividend rates paid on capital stock for regular members change quarterly. For 2023, the dividend rate was $2.065 per share for the first quarter, $2.295 per share for the second quarter, and $2.31 per share for the third and fourth quarters.

For 2022, the dividend rate was $0.10 per share for the first quarter, $0.41 per share for the second quarter, $1.12 per share for the third quarter, and $1.86 per share for the fourth quarter.

## Community Development Revolving Loan Fund

The Revolving Loan Fund is the only NCUA fund that receives an annual appropriation from Congress and was established to promote economic development in low-income communities. Through its loan and technical assistance grant program, the Revolving Loan Fund stimulates economic activities in the communities served by low-income-designated federal and state-chartered credit unions. These financial awards are intended to support credit unions in their efforts to provide basic financial services to residences in their communities, enhance their capacity to better serve their members, and respond to emergencies.

Fund balance for the Revolving Loan Fund was $16.2 million and $15.8 million as of December 31, 2023, and 2022, respectively.

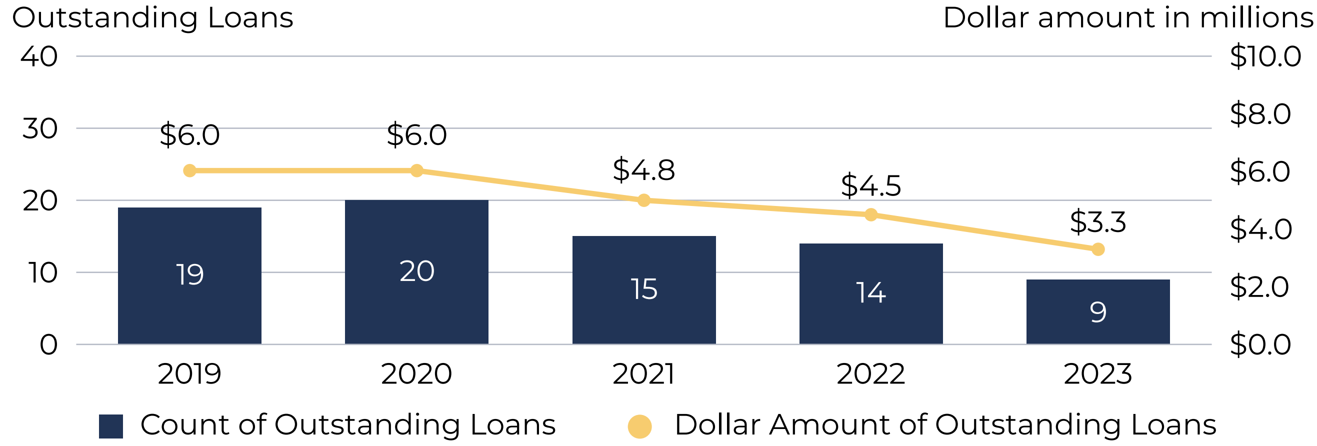
**Community Development Revolving Loan Fund Financial Position**

| Dollars in thousands | 2023 | 2022 | Percentage Change |
|---|---|---|---|
| Total Assets | $ 20,536 | $ 18,235 | 12.6% |
| Total Liabilities | 4,293 | 2,484 | 72.8% |
| **Total Fund Balance** | **$ 16,243** | **$ 15,751** | **3.1%** |

The NCUA's policy is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions. These loans have a maximum term of five years and are subject to the interest rate provided by the Revolving Loan Fund Loan Interest Rate Policy, which is reviewed annually. As of December 31, 2023, the Revolving Loan Fund loan portfolio had $3.3 million in outstanding loans, nine loans outstanding to nine credit unions.[21]

21 In 2020, the Revolving Loan Fund developed the COVID-19 Emergency Fund Initiative to provide grants and interest-free loans to assist low-income credit unions in response to COVID-19 related emergencies and hardships. The initiative offered credit unions a three-year interest-free loan of up to $250,000 due at maturity. As of December 31, 2023, all COVID-19 loans had matured and were paid in full.

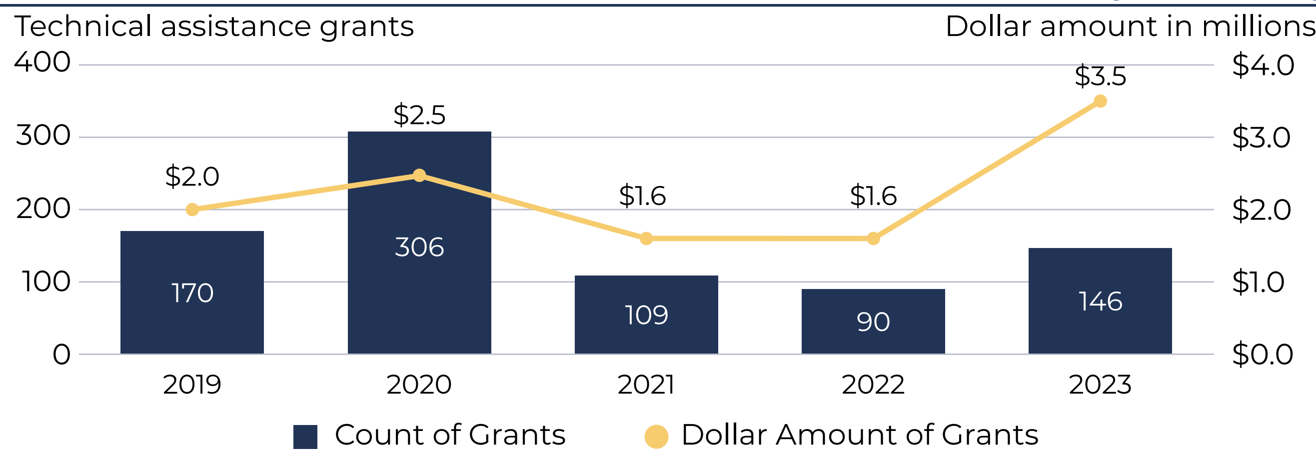
## Count and Dollar Amount of Outstanding Loans (2019–2023)




Source: NCUA Audited Financial Statements

In 2023, Congress enacted multi-year appropriations of $3.5 million for the technical assistance program, an increase of $2.0 million from the $1.5 million enacted in 2022. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used. The fund awarded 146 technical assistance grants totaling $3.5 million from the multi-year appropriations received.

## Count and Dollar Amount of Technical Assistance Grants (2019–2023)




Source: NCUA Audited Financial Statements

## Management Assurances and Compliance with Laws

National Credit Union Administration
Office of the Chairman

February 13, 2024

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

Dear Mr. President:

The National Credit Union Administration (NCUA) leadership is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections two and four of the *Federal Managers' Financial Integrity Act*. The NCUA conducted its assessment of risk and internal control in accordance with Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the NCUA can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of December 31, 2023.

Respectfully,

Todd M. Harper
Chairman

1775 Duke Street – Alexandria, VA 22314-3428 – 703-518-6300

## Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) establishes management's responsibility to annually assess controls in accordance with prescribed guidelines and provide a Statement of Assurance to the President and Congress on the effectiveness of controls. The FMFIA further requires agencies to establish controls that reasonably ensure obligations and costs; comply with applicable laws; safeguard assets against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability of assets. The Office of Management and Budget (OMB) provides guidance for implementing the act through OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and OMB Circular A-123, Appendix A, *Management of Reporting of Data and Integrity Risk*.

The NCUA continued to demonstrate its commitment to maintain a strong internal control environment. Enterprise risk management and internal controls are embedded in the agency's management of activities and operations that achieve strategic goals and objectives. In 2023, NCUA management conducted reviews including annual internal control assessments to verify that controls effectively mitigated programmatic risks to ensure effective and efficient operations, reliable reporting, compliance with laws, and safeguarding of assets. While no material weaknesses in the agency's internal controls were identified in the assessments, the NCUA remains committed to enhancing and improving its systems of internal controls and operational efficiencies. As a result of these assessments and annual internal reviews, the NCUA Chairman can provide reasonable assurance that the NCUA has no material weaknesses.

## Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act requires certain agencies and executive branch departments to report on their substantial compliance with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level.[22] The purpose of the Federal Financial Management Improvement Act is to advance federal financial management by verifying that financial management systems provide accurate, reliable financial statements, maintain effective internal controls, and comply with legal and statutory requirements.

## Management's Assessment of Internal Control

Internal control is an essential component of effective management, providing reasonable assurance regarding the achievement of objectives, in three categories: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The

22 Section 806 of the Federal Financial Management Improvement Act defines an agency as a department or agency of the United States Government as defined in section 901(b) of title 31 of the United States Code. The NCUA is not within the scope of this definition.

NCUA's internal control program is designed to achieve compliance with the objectives and requirements of the FMFIA and other applicable federal laws and regulations.

NCUA managers routinely monitor and assess internal controls and report on the results of the assessment annually. Office directors perform internal control assessments that support the central and regional offices and the Asset Management and Assistance Center's assurance statements of compliance. Although some offices noted deficiencies, these did not rise to the level of a material weakness, either individually or collectively. The NCUA's offices are addressing these issues through corrective action plans, as appropriate.

In addition to the results of the assurance statements noted above, the NCUA considered the following other sources of information when assessing the agency's internal control environment:

- An entity-level control survey;
- Results of internal control testing under OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk*;
- Qualitative and quantitative risk assessments in accordance with OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*;
- Results of independent evaluations performed by the U.S. Government Accountability Office and the NCUA's Office of Inspector General;
- Corrective action taken to enhance controls or mitigate process risk;
- Reports pursuant to the Federal Information Security Management Act and OMB Circular A-130, *Managing Information as a Strategic Resource*; and
- Other internal management reviews or assessments performed.

The Chairman's assurance statement is supported by the processes and reviews described above, which were carried out in 2023. The assurance statements from all NCUA office directors, the evaluation of other sources of information described above, and the results of the internal controls over reporting assessment serve as support for senior management to advise the Chairman as to whether the NCUA has deficiencies in internal control significant enough to be reported as a material weakness. The NCUA examined deficiencies, both individually and in the aggregate, to determine if material weaknesses existed in the financial reporting processes. No deficiencies, or combination of deficiencies, rose to the level of a material weakness.

The Chairman's 2023 FMFIA assurance statement provides reasonable assurance that the necessary objectives — efficient and effective operations, reliability of reporting and compliance with applicable laws and regulations — were achieved. Included in this report is a Summary of Financial Statement Audits and Management Assurances in the Other Information section, as required by OMB Circular A-136, *Financial Reporting Requirements*.

## Federal Information Security Modernization Act

As required by the Federal Information Security Management Act (FISMA), the NCUA developed, documented, and implemented an agency-wide information security program for the information and systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.[23] The act also requires federal agencies to conduct annual assessments, develop and implement remediation efforts for identified weaknesses and vulnerabilities, and report compliance to OMB.

The NCUA Chief Information Officer, Inspector General and Senior Agency Official for Privacy conducted a joint annual assessment using the CyberScope automated system as required by OMB Memorandum 23-03, *Fiscal Year 2023 Guidance on Federal Information Security and Privacy Management Requirements*. The NCUA submitted the annual FISMA report for fiscal year 2023 to OMB on July 31, 2023.

As prescribed by the act, the Office of Inspector General performs an annual independent evaluation of the NCUA information security and privacy management programs and controls for compliance with the FISMA. The Office of Inspector General issued the fiscal year 2023 audit report on September 14, 2023.[24] The outcome of the NCUA's 2023 FISMA assessment and resulting Cybersecurity Performance Summary ratings are represented in Table 1. Table 2 explains the five maturity levels used for this assessment.

**Table 1: 2023 FISMA Cybersecurity Performance Summary**

| | |
|---|---|
| Identify | Managed and Measurable (4) |
| Protect | Consistently Implemented (3) |
| Detect | Managed and Measurable (4) |
| Respond | Managed and Measurable (4) |
| Recover | Managed and Measurable (4) |
| Overall | Managed and Measurable (4) |

23 The Federal Information Security Modernization Act of 2014 (Public Law 113-283—December 18, 2014) amended the Federal Information Security Management Act of 2002.
24 All Inspector General reports are available on the NCUA's website.

| Table 2: Inspector General Evaluation Maturity Levels | |
|---|---|
| Maturity Level | Maturity Level Description |
| Level 1: Ad-hoc | Policies, procedures, and strategy are not formalized; activities are performed in an ad-hoc, reactive manner. |
| Level 2: Defined | Policies, procedures, and strategy are formalized and documented but not consistently implemented. |
| Level 3: Consistently Implemented | Policies, procedures, and strategy are consistently implemented, but quantitative and qualitative effectiveness measures are lacking. |
| Level 4: Managed and Measurable | Quantitative and qualitative measures on the effectiveness of policies, procedures, and strategy are collected across the organization and used to assess them and make necessary changes. |
| Level 5: Optimized | Policies, procedures, and strategy are fully institutionalized, repeatable, self-generating, consistently implemented, and regularly updated based on a changing threat and technology landscape and business/ mission needs. |

## Financial Management System Strategy

The NCUA partners with the Enterprise Services Center within the U.S. Department of Transportation to provide the NCUA with financial operations support services. Through this shared-service agreement, the agency uses the Oracle-based Delphi Financial Management system, which meets the requirements of the Federal Financial Management Improvement Act.

As part of our continuous quality improvement, the NCUA continues to enhance financial management systems and strengthen process controls aimed to ensure operational efficiencies, transparency, production of reliable and useful data to decision makers and stakeholders, and compliance with applicable laws and regulations.

## Digital Accountability and Transparency Act

The Digital Accountability and Transparency Act (DATA Act) was enacted in 2014 to increase the availability and accuracy of federal spending information and standardize governmentwide reporting standards for such data. The DATA Act expands on reforms over federal awards reporting that began with the Federal Funding Accountability and Transparency Act of 2006 by requiring agencies to disclose expenditure information, including contracts, loans, and grants by submitting information for inclusion at USASpending.gov. The act does not apply to funding received outside of congressionally approved appropriations.

The NCUA, an independent agency, receives an annual appropriation from Congress to administer the Community Development Revolving Loan Fund. Congress created the Revolving Loan Fund to stimulate economic development in low-income communities through the issuance of technical assistance grants and low-interest loans to qualifying credit unions (Public Law 96-123, November 20, 1979). As the funding for the Revolving Loan Fund stems from an appropriation, information regarding the Revolving Loan Fund is subject to the DATA Act. For the remaining funds the NCUA administers, the agency is authorized to collect annual operating funding through fees paid by federal credit unions and other sources outside of congressional appropriations. The operating fees collected do not fall under the requirements of the act. The NCUA successfully submitted quality financial and award data for publication on USASpending.gov that was complete, timely, and accurate.

### Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 sets forth standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions and referrals to the proper agency for litigation. The NCUA monitors, administers and collects on debt less than 120 days delinquent. All eligible, nonexempt debts greater than 120 days old are transferred to the U.S. Department of the Treasury for cross-servicing. Additionally, in accordance with the provisions of the Debt Collection Improvement Act, the NCUA's recurring payments are processed via electronic funds transfer.

### Federal Civil Penalties Inflation Adjustment Act Improvements Act

The NCUA has authority to assess civil penalties for violations specified in the Federal Credit Union Act and other laws the NCUA enforces. The Federal Civil Penalties Inflation Adjustment Act of 1990, amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust penalty amounts periodically for inflation. Specific details about the civil penalties, the authority for the penalty, adjustment dates, and current penalty amount can be found in the Other Information section of this report.

### Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act of 2012 requires agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. As part of our effective internal control structure, the NCUA implemented sound controls to mitigate the risk of fraud, waste, and abuse. These controls are documented in our charge card procedures.

Further, the Government Charge Card Abuse Prevention Act requires the NCUA Inspector General to periodically conduct a risk assessment on the agency's charge card programs. The NCUA Inspector General concluded, in its May 2021 assessment, to continue to conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary.

# Performance Results

## About the Performance Results Section

Throughout 2023, the NCUA implemented strategies and initiatives designed to achieve its mission of protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance. The Performance Results section provides an overview of the NCUA's performance structure and details performance results and challenges during the calendar year.

### Performance Structure

The Performance Structure section provides an overview of the NCUA's performance structure and illustrates the relationship between performance components.

### Performance Planning and Process

The Performance Planning and Process section provides a brief overview of the NCUA performance process.

### Program Evaluation and Review

The Program Evaluation and Review section describes how the NCUA reviews its performance framework for future development of strategic goals, measures, and targets.

### Cross-Agency Collaboration

The Cross-Agency Collaboration section describes the NCUA's involvement in cross-agency initiatives to contribute to the success of the NCUA's mission.

### Performance Results by Strategic Goal

The Performance Results by Strategic Goal section provides the results for each performance measure for 2023 and, when available, five years of historical trend data; factors describing why particular performance measures were not met; and the NCUA's plan to improve performance, where appropriate.

### Validation and Verification of Performance Data

The Validation and Verification of Performance Data section discusses the ways in which performance data is verified and the completeness and reliability of the data contained within this part of the Annual Report.

# Performance Structure

The Performance Results section is organized by strategic goal to describe the NCUA's efforts to meet the objectives defined in the 2022–2026 Strategic Plan. This strategic plan outlines three strategic goals that are supported by ten strategic objectives, 19 performance goals, and 45 performance indicators set for 2023.

**Strategic goals** are general, outcome-oriented, long-term goals for the major functions and operations of the agency. Strategic goals represent how the agency's actions fulfill its mission.

**Strategic objectives** break down the broader strategic goals to a level that reflects specific outcomes or impacts the agency is working to achieve. They represent key aspects of each strategic goal, while also demonstrating how the strategic goal will be achieved.

**Performance goals** are the actions the agency will undertake and measure to gauge progress achieving each strategic objective. Each performance goal is supported by one or more performance indicator or measure.

**Performance indicators** or measures present a quantitative level of performance, or a target to be accomplished, within a specific timeframe.

**Strategies** are plans and activities the agency will implement to make progress toward its strategic objectives. This includes steps to strengthen or revise operational processes, human capital, skills development, technology, information management, and other resources critical to mission delivery.

The diagram illustrates the relationship between these performance components:

## Performance Planning and Process

The *2023 Annual Performance Plan* sets out performance measures and targets in support of the goals and objectives of the strategic plan. Developing the performance plan is a collaborative process that includes the NCUA's central and regional offices. Senior executive leaders develop performance measures, as well as the means and strategies that describe how we will assess progress towards our objectives. The NCUA Board reviews and approves the *Annual Performance Plan*.

The NCUA holds program offices accountable for setting meaningful and realistic targets that also challenge the agency to leverage its resources efficiently and effectively. Each designated goal owner is responsible for the progress in meeting his or her assigned goals, reporting the results, and making operational adjustments as needed. When targets are not met, goal owners are required to explain what led to the shortfall and how they will improve performance in the future. Each goal owner provided his or her analysis and support for the performance results found in this report.

The NCUA uses a data-driven review process, which includes substantiating results reported whenever those results reveal significant discrepancies or variances from the target. For each goal, the Office of the Chief Financial Officer coordinates reviews to address data availability and reliability, clarify questions, and, if applicable, discuss corrective actions and strategies for any performance measures that are not on target. This office also delivers performance summary reports to the Executive Director throughout the year.

## Program Evaluation and Review

The NCUA periodically reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful performance outcomes to demonstrate program efficiency, effectiveness, and results. The agency uses the results of these data-driven reviews and its annual performance report as data points for future development of strategies, goals, measures, and targets.

### Targets and Historical Data

The NCUA provides five years of historical trend data for each performance measure when available. Several performance goal indicators in this report are new for 2023 and therefore, historical data is not available. Prior-year results for these new indicators are marked as "—" in the performance results indicator and target tables. Baseline data collected in 2023 will be used to formulate performance goal targets for future years.

As part of the agency's collaborative performance planning process, the Office of the Chief Financial Officer works with the agency's Chief Economist and subject matter experts across the agency to consider external factors and risks to the credit union system when developing meaningful, challenging, and realistic targets. In the case of select performance measures, the NCUA's regulations, formal instructions, or policy statements guide our target selection.

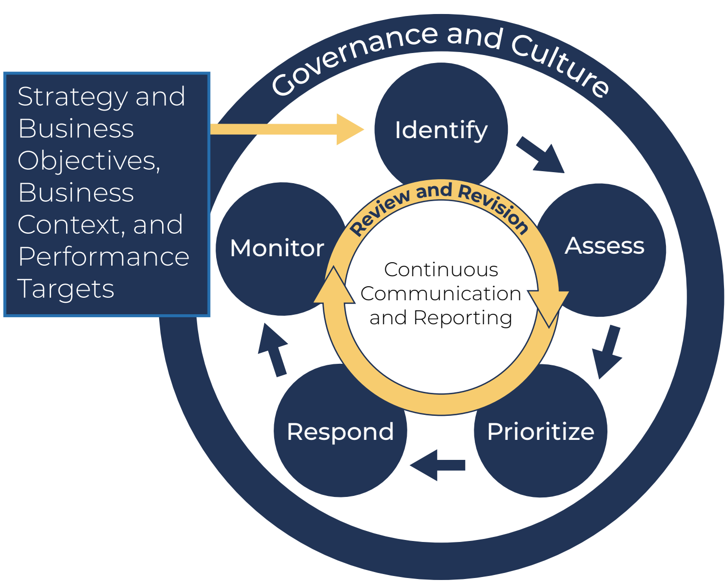
### Measure Quality

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

### Enterprise Risk Management

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. Through the NCUA's Enterprise Risk Management program, the agency is proactively managing risks to achieving its mission, as well as maximizing opportunities across the agency. ERM examines the full spectrum of risks related to achieving the NCUA's strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making.

To sustain success at the NCUA, an effective risk management approach is required. The ERM approach at NCUA is anchored by a framework, shown in the diagram below, and oversight from the agency's Enterprise Risk Management Council (ERMC). The ERMC and the ERM framework at the NCUA provide for the identification, assessment, monitoring, and reporting of enterprise risks. Working collaboratively with risk coordinators, other agency governing councils, and subject-matter experts, the ERMC aims to optimize risk management and mitigation on a consistent and continuous basis to increase the NCUA's success at achieving its strategic goals. Effective internal controls, combined with robust measurement and communication, are central to effective decision-making and risk optimization within the NCUA.




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

The agency's risk appetite statement, approved by the NCUA Board in 2022, guides the NCUA's actions to achieve its strategic objectives in support of protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance. The NCUA will continue to advance its ERM program, including by conducting ongoing risk monitoring, point in time risk reviews, and adopting tools for more streamlined monitoring, and reporting.

## Cross Agency Collaboration

The NCUA is involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies through several councils such as the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, and the Financial and Banking Information Infrastructure Committee. These councils and committees and their many associated task forces and working groups contribute to the success of the NCUA's mission.

## Performance Results by Strategic Goal

The agency made progress across all three strategic goals in 2023, meeting or exceeding 36 performance indicators. Each strategic goal and the supporting strategic objectives and performance goals are presented in the subsequent sections, including detailed results for each indicator used to measure agency performance.

| | | |
|---|---|---|
| **Target Met** | NCUA is implementing its plans to achieve the strategic objective. Strategies and activities have been executed on or ahead of schedule, and the target outcome was achieved. Minor delays in the planned execution schedule may exist due to exigent circumstances; however, the overall target outcome was achieved within the plan year. | ✓ |
| **Target Not Met** | Current strategies have not had the intended impact, and an increased focus is needed by the agency to improve performance on the strategic objective. Some strategies and activities may have been executed, but more progress is needed to advance the strategic objective. | ✗ |

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

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

The Federal Credit Union Act authorizes the NCUA Board to oversee America's credit union system and administer and manage the Share Insurance Fund. The NCUA also has statutory responsibility for supervising compliance with and enforcing laws and regulations that protect all credit union member-owners. The NCUA's primary function is to identify and assess credit union system risks, threats, and vulnerabilities, determine the magnitude of such risks, and mitigate unacceptable levels of risk through its examination, supervision, and enforcement programs. Strategic Goal 1 objectives focus on protecting America's system of cooperative credit and minimizing unacceptable levels of current and future risk while encouraging stability within the credit union system.

Strategic Goal 1 is supported by five strategic objectives, nine performance goals and 20 performance indicators. NCUA met its targets for 15 Strategic Goal 1 indicators in 2023. An explanation is provided for the indicators that did not meet their targets during the year.

## Strategic Objective 1.1 – Maintain a Strong Share Insurance Fund

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

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

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.1.1 Prudently manage the Share Insurance Fund. | | | | | | | | |
| Maintain 2 percent or less of credit union system assets in CAMELS composite 4 and 5 rated credit unions. | 0.80% | 0.79% | 0.50% | 0.42% | 0.26% | Less than or Equal to 2% | 0.29% | ✓ |
| Strive to minimize costs to the Share Insurance Fund for credit union failures by keeping straight liquidations to 15 percent or less of institution failures. | 9% | 0% | 0% | 14% | 33% | Less than or Equal to 15% | 11% | ✓ |
| Maintain the Share Insurance Fund equity ratio above the minimum statutory level and at or below the Normal Operating Level. | 1.39% | 1.35% | 1.26% | 1.26% | 1.30% | Above statutory minimum and at or below NOL | 1.30% | ✓ |
| Maintain an investment strategy that provides for sufficient funds to meet operating costs and liquidity needs of the Share Insurance Fund without having to sell investments at a loss or use the agency's borrowing authority. | Achieved | Achieved | Achieved | Achieved | Achieved | Achieve | Achieved | ✓ |

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.1.2 Assess risks and key trends in the credit union industry and the economy that could impact the Share Insurance Fund. | | | | | | | | |
| Perform quarterly supervisory reviews for 98 percent of high-risk credit unions. | – | – | Implemented Procedures | Commenced Reviews | 99% | Greater than or Equal to 98% | 99% | ✓ |
| Review and assess all capital plans for Tier III credit unions within timelines outlined in regulation. | Achieved | Achieved | Achieved | Achieved | Achieved | Achieve | Achieved | ✓ |
| Assess credit union driven stress testing on all Tier II and Tier III credit unions, as defined by NCUA Regulations Part 702. | – | Achieved | Achieved | Achieved | Achieved | Achieve | Achieved | ✓ |

## Strategic Objective 1.2 – Provide Effective and Efficient Supervision

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

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.2.1 Execute the requirements of the agency's examination and supervision program and regulations. | | | | | | | | |
| Start at least 85 percent of follow-up examinations for federal credit unions with assets greater than $50 million and a CAMELS composite 3 rating within 180 days of the prior examination completion to ensure all material safety and soundness concerns are being addressed. | – | – | 81% | 85% | 66% | Greater than or Equal to 85% | 68% | ✘ |
| Start at least 90 percent of follow-up examinations for federal credit unions with assets greater than $50 million and a CAMELS composite 4 or 5 rating within 120 days of the prior examination completion to ensure all material safety and soundness concerns are being addressed. | – | – | 91% | 83% | 67% | Greater than or Equal to 90% | 80% | ✘ |

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.2.1 Execute the requirements of the agency's examination and supervision program and regulations. (continued) | | | | | | | | |
| Start at least 90 percent of federally insured credit union examinations within 12 months of prior exam completion for those on an annual examination schedule and within 20 months of prior exam completion for federal credit unions on an extended examination schedule. | – | – | – | – | 85% | Greater than or Equal to 90% | 92% | ✓ |
| Review one-third of NCUA regulations. Identify and prioritize for review regulations that may be in conflict with each other, such as those related to participation loans. | Achieved | Achieved | Achieved | Achieved | Achieved | Achieve | Achieved | ✓ |
| 1.2.2 Improve examination quality by incorporating relevant feedback from internal and external stakeholders. | | | | | | | | |
| Develop new, revise existing, or identify external training courses to meet the needs of all field staff. | 13 | 14 | 28 | 23 | 35 | Greater than or Equal to 18 | 32 | ✓ |
| Implement a revised post examination survey process. | – | – | – | Survey Implemented | – | Achieve | Delayed | ✗ |

Discussion:

The NCUA started 68 percent of follow-up examinations for federal credit unions with assets greater than $50 million and a CAMELS composite 3 rating within 180 days of the prior examination completion, missing its 85 percent target. The NCUA also started 80 percent of follow-up examinations for federal credit unions with assets greater than $50 million and a CAMELS composite 4 or 5 rating within 120 days of the prior examination completion, missing its 90 percent target. Further analysis of these results found that most follow-up examinations were completed within permitted extension timeframes and with the appropriate level of supervisory approval. Extensions were necessary in 2023 due to continued resource constraints, including staffing vacancies, and other safety and soundness priorities that competed with examination scheduling requirements. The agency's focus on hiring and training generalist examiners in 2023 should contribute to improved results in 2024. In 2024, examination scheduling requirements will remain unchanged and the agency will focus on ensuring federal credit unions with assets greater than $500 million – the agency's definition of a complex credit union – and a CAMELS composite 3 rating receive follow-up examinations within permitted timeframes.

The NCUA's implementation of a revised post-examination survey in 2023 was delayed. The NCUA will work to implement a new third-party-managed survey in 2024. In the interim, the agency is revising its post-examination survey questions based on the pilot survey feedback.

## Strategic Objective 1.3 – Ensure Compliance with and Enforcement of Federal Consumer Financial Protection Laws and Regulations at Credit Unions.

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

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.3.1 Conduct targeted consumer compliance reviews and fair lending examinations. | | | | | | | | |
| Complete at least 50 fair lending examinations. | 26 | 25 | 19 | 29 | 35 | Greater than or Equal to 50 | 46 | ✗ |
| Perform quality control reviews of 200 examination reports to determine whether the consumer financial protection scope items were reviewed and sufficiently addressed during safety and soundness examinations | – | – | Quarterly Reviews Commenced | 200 | 323 | Greater than or Equal to 200 | 381 | ✓ |

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.3.2 Improve compliance with consumer protection laws and regulations through effective guidance to the credit union system. | | | | | | | | |
| Issue guidance or conduct outreach semi-annually addressing any common themes identified in credit union operations during consumer financial protection quality control reviews. | – | – | – | Achieved | Achieved | Greater than or Equal to 2 | 4 | ✓ |

Discussion:

The NCUA completed 46 fair lending examinations in 2023, missing the published target by four. For the first six months of 2023, four of the agency's nine fair lending examiner positions were vacant, which created a significant challenge to achieving this goal. Despite such resource limitations, the agency anticipated completing 45 fair lending examinations by year-end, which it surpassed by one. In 2024, the NCUA is committed to continuing to identify and address violations of consumer financial protection laws and regulations in credit unions, and filling its new regional consumer compliance specialist positions will provide for additional focus on this area.

## Strategic Objective 1.4 – Ensure NCUA-Insured Credit Unions Can Appropriately Manage Emerging Opportunities and Risks, Including Cybersecurity and Climate-Related Financial Risk

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

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.4.1 Promote and evaluate effective cybersecurity practices in credit unions | | | | | | | | |
| Implement updated information security examination procedures and analyze results to assess baseline level of preparedness. | – | – | – | – | Procedures Developed | Achieve | Achieved | ✓ |
| 1.4.2 Identify and work with affected credit unions and state regulators to understand and mitigate asset concentration and other risks. | | | | | | | | |
| Conduct 95 percent of exams or supervision contacts for credit unions with high concentrations in specific loan types according to established timelines. | – | – | Implemented Procedures | Commenced Reviews | 99% | Greater than or Equal to 95% | 100% | ✓ |
| Publish a Request for Information seeking input from credit union stakeholders about climate-related financial risks. | – | – | – | – | Target Not Met | Achieve | Achieved | ✓ |

## Strategic Objective 1.5 – Ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies, including digital assets

The credit union industry is using emerging and innovative financial technologies, including digital ledger technology to offer financial services to their members. While these new and innovative technology tools and platforms offer many opportunities, they also present risks that must be properly managed and mitigated. As the credit union system navigates the changes that result from the adoption of financial technology and other innovations, the NCUA is committed to providing information and analysis to help credit unions address barriers, identify opportunities, and manage risk. The agency will monitor emerging technologies and marketplace developments that may prompt regulatory or policy changes.

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 1.5.1 Evaluate and address barriers to credit union adoption of emerging financial technology. | | | | | | | | |
| Issue a final rulemaking relating to financial technology and loan participations, issue a proposed rulemaking relating to financial technology, and develop policies, guidance, and training relating to financial technology and access issues the credit union system is experiencing. | – | – | – | – | – | Achieve by 12/31/2023 | Partially Achieved | ✗ |

Discussion:

The NCUA issued a final rulemaking relating to financial technology and loan participations in September 2023. The financial technology and access team provided information relating to financial technology and access issues to NCUA offices and employees, and to the credit union industry through webinars and presentations at various conferences. The NCUA did not issue a proposed rulemaking related to financial technology in 2023.

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

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

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

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

The NCUA uses two strategic objectives, four performance goals and eight indicators to support this strategic goal. The NCUA performed well within Strategic Goal 2, meeting our target for seven performance indicators in 2023. An explanation is provided for the indicator that did not meet its target during the year.

## Strategic Objective 2.1 – Enhance Consumer Access to Affordable, Fair, and Federally Insured Financial Products and Services.

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

| Performance Indicator | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 2.1.1 Expand community and individual access to fair and affordable credit union products and services through modernized NCUA regulations, policies, and programs. | | | | | | | | |
| Approve at least 25 Underserved Areas expansions in accordance with regulation and agency policy. | – | – | – | – | – | Greater than or Equal to 25 | 47 | ✓ |
| Obtain stakeholder feedback to understand credit union challenges in providing access to fair and affordable financial products to unbanked and underbanked households. | – | – | – | – | Achieved | Achieve | Achieved | ✓ |
| Propose at least one regulatory change to update the field of membership or chartering rules. | – | – | 1 | 1 | 1 | Achieve | Achieved | ✓ |
| 2.1.2 Empower consumers with financial education information. | | | | | | | | |
| Increase the reach of the NCUA's consumer financial education and literacy information. | | | | | | Greater than or Equal to 5% Increase | + 61% | ✓ |

## Strategic Objective 2.2 – Support and Foster Small, Minority, Low-Income, and New Credit Unions.

The NCUA continues to develop initiatives to foster new and small credit unions, credit unions serving those of modest means, and credit unions designated as minority depository institutions (MDIs). Such efforts will help provide safe, fair, and affordable financial services to traditionally underserved communities. The NCUA will continue to evaluate ways to further streamline its chartering process for new credit unions while preserving its safety and soundness and consumer protection priorities. The NCUA's MDI preservation program provides needed support to federally insured credit unions that serve communities and individuals who may lack access to mainstream financial products and services.

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 2.2.1 Administer viable credit union charter, field of membership and low-income requests. | | | | | | | | |
| Maintain the level of members in MDI-designated credit unions at or above level reported as of December 31, 2022. | 3.9 million | 3.9 million | 4.3 million | 4.6 million | 5.2 million | Greater than or Equal to 5.2 million | 6.5 million | ✓ |
| Conduct small credit union and MDI assistance program support contacts for 100 percent of participating credit unions. | – | – | – | – | Program Implemented | 100% | 100% | ✓ |
| Charter at least four new credit unions by December 31, 2023. | 1 | 2 | 1 | 4 | 4 | Greater than or Equal to 4 | 3 | ✗ |
| 2.2.2 Maximize the agency's grant and loan programs. | | | | | | | | |
| Increase the number of first-time CDRLF grant applicants by at least 25 percent | – | – | – | – | – | Greater than or Equal to 25% Increase | + 76% | ✓ |

Discussion:

The NCUA chartered three credit unions in 2023 – For Members Only, Generations United, and Young Community — one less than the target of four. The NCUA continues to work with organizing groups to approve viable credit union charters.

## Strategic Goal 3: Maximize Organizational Performance to Enable Mission Success

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

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

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

The NCUA made progress in 2023 on the three strategic objectives, six performance goals and 17 indicators supporting this strategic goal. The agency met its target for 14 performance indicators. An explanation is provided for each indicator that did not meet its target.

## Strategic Objective 3.1 – Attract, Develop, and Retain an Engaged, High-Performing, Diverse Workforce Within an Inclusive, Professional Environment.

The NCUA aims to foster a professional work environment that attracts and retains innovative, high-performing, highly engaged, and diverse employees. The NCUA prioritizes diversity and inclusion as a strategic business imperative.

Workforce engagement is critical to the successful performance of the NCUA because an engaged workforce is more efficient, productive, and accountable to the success and results produced by the agency. To attract, engage and retain a highly skilled, diverse workforce and cultivate an inclusive environment, the NCUA will implement the following strategies and initiatives:

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 3.1.1 Deliver timely and relevant training and leadership development programs for all staff. | | | | | | | | |
| Obtain at least a 4 (out of 5) average satisfaction rating in training class evaluations | – | – | – | – | – | At least a 4 (out of 5) | 4.7 | ✓ |
| Achieve at least a 4 (out of 5) percent employee satisfaction level with NCUA leadership development programs. | – | – | – | – | – | At least a 4 (out of 5) | 4.7 | ✓ |
| 3.1.2 Foster an inclusive workplace that values diverse perspectives and maximizes employees' contributions and fosters belonging. | | | | | | | | |
| Achieve a score of 76 percent of above on the NCUA's Federal Employee Viewpoint Survey Diversity, Equity, Inclusion, Accessibility Index results. | – | – | – | – | 77% | At Least 76% | 77% | ✓ |
| Improve NCUA's Federal Employee Viewpoint Survey Employee Engagement Index by two percentage points | 67% | 69% | 76% | 77% | 76% | Increase by 2 percentage points | 77% | ✗ |

Discussion:

The NCUA's FEVS Employee Engagement Index score rose by 1.1 percentage points in 2023. Though this did not meet the ambitious 2023 target, it was a substantial improvement and evidence of an increasingly engaged workforce. In 2024, the agency will continue to create an environment conducive to employee job satisfaction, commitment, and engagement.

## Strategic Objective 3.2 – Deliver an Efficient Organizational Design Supported By Improved Business Processes and Innovation

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

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 3.2.1 Implement secure, reliable, accessible, and innovative technology and data solutions. | | | | | | | | |
| Advance the use of the NCUA's self-service enterprise business intelligence tool by offering at least four training sessions targeting content creators. | – | – | – | – | – | Greater than or Equal to 4 | 4 | ✓ |
| In accordance with the United States Computer Emergency Readiness Team (US-CERT) Federal Incident Notification Guidelines, report 100% of applicable security incidents to US-CERT within one hour of being identified by the agency's computer security incident response team. | – | – | – | – | – | 100% | 100% | ✓ |
| Maintain NCUA.gov's 508 compliance at 97 percent or greater. | – | – | – | 95% | 98% | Greater than or Equal to 97% | 98% | ✓ |

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 3.2.2 Gain efficiencies through quality processes, systems, and project management. | | | | | | | | |
| Achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent. | Baseline Established | 71% | 58% | 72% | 82% | At least 70% | 80% | ✓ |
| Convert three products into the data visualization system. | – | – | – | – | – | Greater than or Equal to 3 | 3 | ✓ |
| Onboard at least 70 examiners to resource the agency's examination and supervision program. | – | – | 59 | 58 | 60 | Greater than or Equal to 70 | 108 | ✓ |
| Maintain a low-risk designation for the NCUA's annual National Archives and Records Administration Records Management Self-Assessment in 2023. | – | – | Low-Risk | Low-Risk | Low-Risk | Low-Risk | Low-Risk | ✓ |

## Strategic Objective 3.3 – Ensure Sound Organizational Governance

Sound organizational governance at the NCUA protects its people and ensures the stability of its four permanent funds. It promotes responsible management of its resources and ensures the agency complies with relevant laws, policies, and standards. The NCUA implements strategies and initiatives that promote efficient business processes, sound internal controls, and effective risk management practices.

| Performance Indicators | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Target | 2023 Result | Status |
|---|---|---|---|---|---|---|---|---|
| 3.3.1 Foster an effective risk management and internal control environment. | | | | | | | | |
| Complete at least 90 percent of OIG recommendations due in 2023 within the established timeframes. | 76% | 83% | 72% | 79% | 79% | Greater than or Equal to 90% | 71% | ✗ |
| Achieve a score of 75 percent or above on the NCUA's Federal Employee Viewpoint Survey Question "My organization has prepared me for potential physical security threats." | 76% | 85% | – | – | 72% | Greater than or Equal to 75% | 78% | ✓ |
| Maintain an overall maturity rating of at least Level 3, Consistently Implemented, for the NCUA's annual Federal Information Security Management Act (FISMA) information security program assessment. | – | Level 2 | Level 2 | Level 4 | Level 4 | Greater than or Equal to Level 3 | Level 4 | ✓ |
| Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment. | Baseline Established | 3.93 | 3.77 | 3.87 | 3.93 | Weighted Average 4 (out of 5) | 3.93 | ✗ |
| 3.3.2 Promote sound financial management and stewardship principles. | | | | | | | | |
| Receive an unmodified opinion on the NCUA financial statement audit of all four funds | Achieved | Achieved | Achieved | Achieved | Achieved | Achieve | Achieved | ✓ |
| Award at least 70 percent of total eligible contract dollars as competitive actions | 79% | 91% | 88% | 59% | 83% | 70% | 75% | ✓ |

Discussion:

The agency completed 71 percent of corrective actions on OIG audit recommendations in 2023, missing the 90 percent target. The agency strives to implement the recommendations resulting from OIG audits within the established timeframes. In 2024, the agency will continue to engage responsible parties and provide support for achieving open recommendations within the stated timeframes.

In 2023, the NCUA leadership assessed the adequacy of the agency's internal controls environment. An index of questions from the agency's annual entity level controls survey is used to measure this indicator. In 2024, the agency will begin evaluating alternative ways of assessing adequacy of internal controls.

## Validation and Verification of Performance Data

The agency's 2023 performance results are based on reliable and valid data that are complete as of the end of the calendar year. The Office of the Chief Financial Officer reviews all performance data to assess the effectiveness of programs and the completeness and accuracy of the data. The office also evaluates how risks and opportunities affect the achievement of our strategic goals and objectives. Data management and data reliability are important when determining performance outcomes. Currently, the Offices of Examination and Insurance and National Examinations and Supervision, the Chief Economist, and our regional offices review the data. These offices, with support provided by the Office of the Chief Information Officer, monitor, and maintain automated systems and databases that collect, track, and store performance data. In addition to the general controls the NCUA has in place, which ensure only authorized staff can access key systems, each application or system incorporates internal validation edits to ensure the accuracy of data contained therein. These application edits include checks for reasonableness, consistency, and accuracy. Cross-checks between other internal automated systems also provide assurances of data accuracy and consistency. Data provided by the NCUA during the financial statement audit provide another level of assurance. The NCUA Board deems the data as current, reliable, and accurate to support the agency's performance results.

# Financial Information

## About the Financial Information Section

In 2023, the NCUA prepared its financial statements to demonstrate accountability and stewardship of the resources entrusted to it to support our mission. Preparation of these statements is critical to the NCUA's goal of providing accurate and reliable information for decision making by our stakeholders.

The Federal Credit Union Act provides the overarching legal requirements regarding the NCUA's annual audited financial statements. Separate financial reporting provides transparency for each fund's particular stakeholders and complies with the intent of the Federal Credit Union Act. The NCUA files its four separately audited financial statements as Annual Management Reports per the Government Corporation requirements under OMB Circular A-136.

The National Credit Union Share Insurance Fund prepares its financial statements in accordance with accounting standards issued by the Federal Accounting Standards Advisory Board while the NCUA Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund prepare their financial statements in accordance with accounting standards issued by the Financial Accounting Standards Board. Each fund is integral to the performance of the NCUA's mission to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

### National Credit Union Share Insurance Fund (Share Insurance Fund)

Congress created the Share Insurance Fund in 1970 to insure members' shares (deposits) in credit unions. The Share Insurance Fund protects members' accounts in insured credit unions in the event of a credit union failure. The Share Insurance Fund insures the balance of each members' accounts, dollar-for-dollar, up to the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities.

### NCUA Operating Fund

The NCUA Operating Fund was established as a revolving fund in the United States Treasury to provide administration and service to the federal credit union system. A majority of the Fund's revenue is comprised of operating fees paid by federal credit unions. The NCUA Operating Fund supports the other three funds managed by the NCUA Board by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the Share Insurance Fund and Central Liquidity Facility while support of the Community

Development Revolving Loan Fund is not reimbursed.

### Central Liquidity Facility (CLF)

The CLF is designated as a mixed-ownership government corporation and is managed by the NCUA Board. The CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.

### Community Development Revolving Loan Fund (Revolving Loan Fund)

The Revolving Loan Fund was established to stimulate economic development in low-income communities. Through its loan and technical assistance grant program, the Revolving Loan Fund stimulates economic activities in the communities served by low-income designated federally chartered and state-chartered credit unions.

These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members and respond to emergencies. The Revolving Loan Fund is the only NCUA fund that receives an annual appropriation from Congress.

**Eugene H. Schied**
Chief Financial Officer

## Message from the Chief Financial Officer

As a federal financial regulator, the NCUA must at all times maintain exemplary financial and performance reporting. This report provides an assessment of the NCUA's detailed financial status and explains how the resources entrusted to us were used to enable us to reach the agency's vision to strengthen communities and protect consumers by ensuring equitable financial inclusion through a robust, safe, sound, and evolving credit union system. I am pleased to present the 2023 financial statements for the NCUA's four funds:

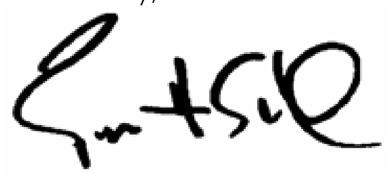
- The National Credit Union Share Insurance Fund;
- The Operating Fund;
- The Central Liquidity Facility; and
- The Community Development Revolving Loan Fund.

Our independent auditor released unmodified opinions on the four funds and identified no significant issues. The AGA also awarded the NCUA its sixth Certificate of Excellence in Accountability Reporting for our 2022 *Annual Report* and a Best-in-Class Award for our *Integrated Financial and Performance Reporting*. These sustained achievements demonstrate the NCUA's core values of integrity, accountability, and transparency and underscore our commitment to stewardship to federally insured credit unions and their members who fund the NCUA, as well as the American people.

In 2023, we continued to promote and leverage digital transformation to improve our financial reporting and operations, budget formulation and execution, and enterprise risk management monitoring using business intelligence and automation tools. A key aspect of these innovation efforts is the upskilling of our teams to align with evolving technologies. We created a culture of continuous learning where team members can acquire new skills and equip themselves with fresh and exciting capabilities. Aligning our tools and systems with our people and competencies has boosted performance and employee engagement. We remain committed to innovative thinking and applying lessons learned to sustain progress in financial management and reporting, strengthen internal controls, modernize business processes, and improve data quality.

Looking forward to 2024 and beyond, our energy is focused on enhancing analysis to inform our decision-making, providing exceptional financial support to our customers and partners, and delivering transparent, reliable financial information to NCUA's stakeholders. It is an honor to be part of this enthusiastic team of NCUA professionals who plan, execute, and account for our agency's resources with an unwavering commitment to excellence.

Sincerely,



Eugene H. Schied
Chief Financial Officer
February 13, 2024

# Message from the Office of the Inspector General

National Credit Union Administration

**Office of Inspector General**

February 13, 2024

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Tanya F. Otsuka, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Otsuka:

I am pleased to transmit KPMG LLP's (KPMG) report on its financial statement audit of the National Credit Union Administration's (NCUA) financial statements, which includes the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund, as of and for the years ended December 31, 2023 and 2022. The NCUA prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136 Revised, *Financial Reporting Requirements*, and subjected them to audit.

Under a contract monitored by the NCUA OIG, KPMG, an independent certified public accounting firm, performed an audit of NCUA's financial statements as of December 31, 2023. The contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, OMB audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

KPMG's audit report for 2023 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In its audit of the NCUA, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no deficiencies in internal control identified as material weaknesses[1] or significant deficiencies,[2] and
- No instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

[1] A material weakness is defined as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
[2] A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable, Tanya F. Otsuka, Board Member
February 13, 2024
Page 2

To ensure the quality of the audit work performed, we reviewed KPMG's approach and planning of the audit, evaluated the qualifications and independence of the auditors, monitored the progress of the audit at key points, and reviewed and accepted KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the NCUA's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's reports dated February 13, 2024, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

We would like to extend our thanks to NCUA management and staff involved in issuing the financial statements within the established milestones. In addition, we appreciate the professionalism, courtesies, and cooperation extended to KPMG throughout the audit and to the OIG during our oversight of the audit process.

Respectfully,

James W. Hagen
Inspector General

cc: Executive Director Larry Fazio
Deputy Executive Director (Audit Follow-up Official) Rendell Jones
General Counsel Frank Kressman
OEAC Director Elizabeth Eurgubian
Chief Financial Officer Eugene Schied
Chief Information Officer Rob Foster
CURE Director Martha Ninichuk
AMAC President Cory Phariss
E&I Director Kelly Lay
President Central Liquidity Facility Anthony Cappetta


# Financial Information

## National Credit Union Share Insurance Fund

**Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report**

## Overview

### *I. Mission and Organizational Structure*

### NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities. As of December 31, 2023, the NCUSIF insures $1.7 trillion in member shares in 4,615 credit unions, which includes 11 corporate credit unions.

### Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operation. The Director of the Office of Examination and Insurance (E&I) is responsible for the NCUA's supervision programs, which ensure the safety and soundness of federally insured credit unions. The E&I Director is also responsible for managing the NCUSIF. Regional offices and the Office of National Examinations and Supervision are responsible for the examination and supervision of federally insured credit unions. Other NCUA offices provide operational and administrative services to the NCUSIF.

The Asset Management and Assistance Center (AMAC) is responsible for conducting credit union liquidations. Upon liquidation, a credit union is closed and becomes an Asset Management Estate (AME), for which AMAC collects the obligations due to the liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities. AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit unions (Corporate AMEs).

### *II. Performance Goals, Objectives, and Results*

Performance measures are designed to enable management and stakeholders to assess programs and financial performance. In measuring the performance of the NCUSIF for 2023 and 2022, the following additional measures should be considered:

1 The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2023. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. All four funds report under separate financial statements.

| 2023 and 2022 Performance Measures | | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Equity Ratio | 1.30% | 1.30% |
| Insured Shares | $1.7 trillion | $1.7 trillion |
| Number of Credit Union Involuntary Liquidations and Assisted Mergers | 3 | 6 |
| Assets in CAMELS[2] 3, 4 and 5 rated Credit Unions | $165.7 billion | $77.0 billion |

*Equity Ratio and Normal Operating Level*

The financial performance of the NCUSIF can be measured by comparing the equity ratio to the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the one-percent (1.00%) contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of insured shares in all federally insured credit unions.

The NOL is the NCUA Board's target equity level for the NCUSIF. Pursuant to the FCU Act, the NCUA Board sets the NOL between 1.20% and 1.50%. The NOL set by the Board for 2023 and 2022 was 1.33%. The NCUSIF equity ratio was 1.30% as of December 31, 2023 and 2022. The NCUSIF available assets ratio was 1.22% and 1.19% as of December 31, 2023 and 2022, respectively. The NCUSIF equity ratio and available assets ratio are both based on total insured shares of $1.7 trillion as of December 31, 2023 and 2022.

The NCUA Board may declare a distribution when the year-end equity ratio exceeds the NOL and the available assets ratio exceeds 1.00% at year-end. The NCUA Board did not declare or pay a distribution to insured credit unions in 2023 and 2022.

*Insurance Related Activities*

The NCUA identifies credit unions at risk of failure through the supervisory and examination process. Estimated losses are based on economic trends and each credit union's financial condition and operations. The NCUA also evaluates overall credit union trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies.

For 2023, there were three credit union failures compared to six failures in 2022. The cost of these failures, or the estimated cost of resolution at the time of liquidation, in 2023 was $1.4 million compared to $9.8 million in 2022.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2023, there was one credit union operating under the NCUA's conservatorship. Estimated losses related to conserved credit unions are determined as part of the fund's reserve methodology and are contained within the Insurance and Guarantee Program Liabilities in the Balance Sheets.

The credit union industry remained stable during 2023. The aggregate net worth ratio increased during the year ending at 10.95% versus 10.78%[3] at December 31, 2022. Assets in CAMELS 3, 4 and 5 rated credit unions increased to $165.7 billion at the end of 2023 versus $77.0 billion at the end of 2022.

2 The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity Risk, and Sensitivity to Market Risk (CAMELS). The NCUA employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes.

3 The net worth ratio is calculated according to NCUA regulations part 702. The prior year net worth ratio of 10.75% was recalculated to 10.78% based on regulatory updates and disclosed for comparative purposes.

### *III. Financial Statement Analysis*

The NCUSIF ended 2023 with an increase in Total Assets and Net Position, primarily as a result of an increase in Investments, Net. Net Cost of Operations increased to $222.0 million, primarily as a result of an increase in Operating Expenses and Provision for Insurance Losses. These changes are explained in further detail below.

| Summarized Financial Information | | | | |
|---|---|---|---|---|
| (Dollars in Thousands) | **2023** | **2022** | **Increase / (Decrease)** | |
| | | | **$** | **%** |
| **Net Position** | | | | |
| **Assets:** | | | | |
| Fund Balance with Treasury | 26,163 | 25,905 | 258 | 1.0% |
| Investments, Net – U.S. Treasury Securities | 21,208,175 | 20,138,514 | 1,069,661 | 5.3% |
| Accrued Interest Receivable - Investments | 94,531 | 107,945 | (13,414) | -12.4% |
| Receivables from Asset Management Estates (AMEs), Net | 70,318 | 76,463 | (6,145) | -8.0% |
| Other | 15,418 | 14,815 | 603 | 4.1% |
| **Total Assets** | **$21,414,605** | **$20,363,642** | **$1,050,963** | **5.2%** |
| **Total Liabilities** | **$213,057** | **$188,208** | **$24,849** | **13.2%** |
| **Net Position (Assets minus Liabilities)** | **$21,201,548** | **$20,175,434** | **$1,026,114** | **5.1%** |
| **Net Cost** | | | | |
| **Gross Costs:** | | | | |
| Operating Expenses | 234,421 | 208,194 | 26,227 | 12.6% |
| Provision for Insurance Losses | (12,202) | (39,518) | 27,316 | 69.1% |
| Other Losses | 9 | 150 | (141) | -94.0% |
| **Total Gross Costs** | **$222,228** | **$168,826** | **$53,402** | **31.6%** |
| **Exchange Revenue** | **$235** | **$685** | **($450)** | **-65.7%** |
| **Total Net Cost of Operations** | **$221,993** | **$168,141** | **$53,852** | **32.0%** |
| **Cumulative Results of Operations** | | | | |
| **Beginning Balances** | **$3,258,998** | **$4,780,200** | **($1,521,202)** | **-31.8%** |
| **Non-Exchange Revenue:** | | | | |
| Interest Revenue - Investments | 431,707 | 286,795 | 144,912 | 50.5% |
| Net Unrealized Gain / (Loss) - Investments | 497,975 | (1,639,856) | 2,137,831 | 130.4% |
| **Total Non-Exchange Revenue** | **$929,682** | **($1,353,061)** | **$2,282,743** | **168.7%** |
| **Net Cost of Operations** | **$221,993** | **$168,141** | **$53,852** | **32.0%** |
| **Cumulative Results of Operations** | **$3,966,687** | **$3,258,998** | **$707,689** | **21.7%** |
| **Contributed Capital** | **$17,234,861** | **$16,916,436** | **$318,425** | **1.9%** |
| **Net Position** | **$21,201,548** | **$20,175,434** | **$1,026,114** | **5.1%** |

*Fiduciary Activity Highlights*
In accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 31, *Accounting for Fiduciary Activities*, the financial results of the NPCU AMEs and Corporate AMEs are not presented in the results of the NCUSIF as described above, but are presented as fiduciary activities of the NCUSIF and included in the notes to the NCUSIF financial statements.

**Limitations of the Financial Statements**

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

**Liquidity Risk and Capital Resources**

For liquidity, the NCUSIF maintains cash in its Fund Balance with Treasury (FBWT) account as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight securities as held-to-maturity investments, which are available to meet urgent liquidity needs of the NCUSIF.

**2023 and 2022 Fund Balance with Treasury and Investments**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fund Balance with Treasury | $ 26.2 million | $ 25.9 million |
| U.S. Treasury Securities | | |
| Held to Maturity (Overnights) | 5,184.6 million | 1,666.2 million |
| Available-for-Sale | 16,023.6 million | 18,472.3 million |

During 2023, the NCUSIF's Investments increased slightly, primarily due to a decrease in the Net Unrealized Loss of Available-for-Sale U.S. Treasury Securities.

The NCUSIF has multiple funding sources which include:

- capitalization deposits contributed by insured credit unions, as provided by the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act);
- guarantee fees;
- cumulative results of operations retained by the NCUSIF;
- premium assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

The NCUSIF is a revolving fund in the U.S. Treasury and has access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

***IV. Systems, Controls, and Legal Compliance***

The NCUSIF was created by Title II of the FCU Act, 12 U.S.C. §1781 *et seq*., as amended. In January 2011, the *National Credit Union Authority Clarification Act*, Public Law 111-382, amended the definitions of "equity ratio" and "net worth" in the FCU Act. The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 *et seq*.).

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Managers' Financial Integrity Act*, Public Law 97–255 (FMFIA), requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA management monitors and assesses its relevant internal controls and reports on its assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with FMFIA as well as all applicable laws such as the *Prompt Payment Act*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104–134.

The *Improper Payments Information Act of 2002*, Public Law 107–300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204 (IPERA), the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), and the *Payment Integrity Information Act of 2019*, Public Law 116-117, requires federal agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. We have determined that the NCUSIF's programs are not susceptible to a high risk of significant improper payments.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended (FISMA), the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

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## Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

### Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of net costs, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements.* Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NCUSIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Other Matter – Interactive Data*

Management has elected to reference to information on websites or other forms of interactive data outside the financial statements and related notes to the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Overview be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2023, we considered the NCUSIF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982.*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements as of and for the year ended December 31, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

**Purpose of the Reporting Required by *Government Auditing Standards***

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2024

# NATIONAL CREDIT UNION SHARE INSURANCE FUND

## BALANCE SHEETS
**As of December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **INTRAGOVERNMENTAL ASSETS** | | |
| Fund Balance with Treasury (Note 2) | $ 26,163 | $ 25,905 |
| Investments, Net - U.S. Treasury Securities (Note 3) | 21,208,175 | 20,138,514 |
| Accrued Interest Receivable - Investments (Note 3) | 94,531 | 107,945 |
| Accounts Receivable - Due from the NCUA Operating Fund | - | 1,338 |
| Advances and Prepayments (Note 6) | 14,409 | 12,259 |
| Total Intragovernmental Assets | 21,343,278 | 20,285,961 |
| **WITH THE PUBLIC ASSETS** | | |
| Advances and Prepayments | 1,009 | 1,218 |
| Receivables from Asset Management Estates (AMEs), Net (Note 4) | 70,318 | 76,463 |
| Total with the Public Assets | 71,327 | 77,681 |
| **TOTAL ASSETS** | $ 21,414,605 | $ 20,363,642 |
| **LIABILITIES** | | |
| **INTRAGOVERNMENTAL LIABILITIES** | | |
| Accounts Payable - Due to the NCUA Operating Fund (Note 6) | $ 1,648 | $ 19 |
| Total Intragovernmental Liabilities | 1,648 | 19 |
| **WITH THE PUBLIC LIABILITIES** | | |
| Accounts Payable | 2,352 | 2,385 |
| Insurance and Guarantee Program Liabilities (Note 5) | 209,007 | 185,228 |
| Other Liabilities | 50 | 576 |
| Total with the Public Liabilities | 211,409 | 188,189 |
| **TOTAL LIABILITIES** | 213,057 | 188,208 |
| Commitments and Contingencies (Note 5) | | |
| **NET POSITION** | | |
| Cumulative Results of Operations | 3,966,687 | 3,258,998 |
| Contributed Capital (Note 9) | 17,234,861 | 16,916,436 |
| Total Net Position | 21,201,548 | 20,175,434 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 21,414,605 | $ 20,363,642 |

The accompanying notes are an integral part of these financial statements.

# NATIONAL CREDIT UNION SHARE INSURANCE FUND

## STATEMENTS OF NET COST
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **GROSS COSTS** | | |
| Operating Expenses | $ 234,421 | $ 208,194 |
| Provision for Insurance Losses | | |
| Reserve Expense (Reduction) (Note 5) | 24,766 | 33,568 |
| AME Receivable Bad Debt Expense (Reduction) (Note 4) | (36,968) | (73,086) |
| Total Provision for Insurance Losses | (12,202) | (39,518) |
| Other Losses | 9 | 150 |
| Total Gross Costs | 222,228 | 168,826 |
| **LESS EXCHANGE REVENUES** | | |
| Other Revenue | (235) | (685) |
| Total Exchange Revenues | (235) | (685) |
| **TOTAL NET COST / (INCOME) OF OPERATIONS** | $ 221,993 | $ 168,141 |

The accompanying notes are an integral part of these financial statements.

## NATIONAL CREDIT UNION SHARE INSURANCE FUND

### STATEMENTS OF CHANGES IN NET POSITION
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **CUMULATIVE RESULTS OF OPERATIONS** | | |
| Beginning Balances | $ 3,258,998 | $ 4,780,200 |
| Non-Exchange Revenue | | |
| Interest Revenue - Investments | 431,707 | 286,795 |
| Net Unrealized Gain / (Loss) - Investments (Note 3) | 497,975 | (1,639,856) |
| Net Income / (Cost) of Operations | (221,993) | (168,141) |
| Change in Cumulative Results of Operations | 707,689 | (1,521,202) |
| **CUMULATIVE RESULTS OF OPERATIONS** | 3,966,687 | 3,258,998 |
| **CONTRIBUTED CAPITAL (Note 9)** | | |
| Beginning Balances | 16,916,436 | 15,783,657 |
| Change in Contributed Capital | 318,425 | 1,132,779 |
| **CONTRIBUTED CAPITAL** | 17,234,861 | 16,916,436 |
| **NET POSITION** | $ 21,201,548 | $ 20,175,434 |

The accompanying notes are an integral part of these financial statements.

# NATIONAL CREDIT UNION SHARE INSURANCE FUND

## STATEMENTS OF BUDGETARY RESOURCES
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **BUDGETARY RESOURCES (Notes 7, 8 and 11)** | | |
| Unobligated balance from prior year budget authority, net (mandatory) | $ 21,240,699 | $ 19,677,064 |
| Spending authority from offsetting collections (mandatory) | 1,650,391 | 3,067,459 |
| **TOTAL BUDGETARY RESOURCES** | $ 22,891,090 | $ 22,744,523 |
| | | |
| **STATUS OF BUDGETARY RESOURCES** | | |
| New obligations and upward adjustments (total) | $ 937,918 | $ 1,503,824 |
| Unobligated balance, end of year: | | |
| Exempt from apportionment | 21,953,172 | 21,240,699 |
| Unobligated balance, end of year (total) | 21,953,172 | 21,240,699 |
| **TOTAL BUDGETARY RESOURCES** | $ 22,891,090 | $ 22,744,523 |
| | | |
| **OUTLAYS, NET** | | |
| Outlays, net (total) (mandatory) | $ (728,434) | $ (1,558,896) |
| **AGENCY OUTLAYS, NET (MANDATORY)** | $ (728,434) | $ (1,558,896) |

The accompanying notes are an integral part of these financial statements.

**NATIONAL CREDIT UNION SHARE INSURANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2023 and 2022**

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq*. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in federally insured state-chartered credit unions.

The NCUA exercises direct supervisory authority over FCUs and coordinates supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to the NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

Assistance from the NCUSIF, pursuant to the FCU Act, may be in the form of a waiver of statutory reserve requirements, liquidity assistance in the form of a guaranteed line of credit, cash assistance in the form of a subordinated note, or other such form. In some cases, a merger partner for the credit union may be sought. Mergers between financially troubled credit unions and stronger credit unions may also require NCUSIF assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the NCUSIF, and/or guarantees of the values of certain assets (e.g., primarily loans). When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the NCUSIF or the appropriate state supervisory authority may liquidate the credit union. In the event of a credit union liquidation, the NCUSIF pays members' shares up to the maximum insured amount and monetizes the credit union's assets.

### Fiduciary Responsibilities

The NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union (CCU) AMEs (Corporate AMEs).

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed CCUs, and establishing a new regulatory framework for CCUs.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition of cash and other assets held by an AME, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*. The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC. The assets reported on the NCUSIF Balance Sheet are non-fiduciary.

Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the Legacy Assets have suffered. Any benefits from these recovery efforts will be recognized by an AME when receipt is certain. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the liquidating agents and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors, including the NCUSIF, could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

**Sources of Funding**

Deposits insured by the NCUSIF are backed by the full faith and credit of the United States. The NCUSIF has multiple sources of funding. Each insured credit union is required to deposit and maintain 1.00% of its insured shares in the NCUSIF. The NCUA Board may also assess premiums to all insured credit unions, as provided by the FCU Act.

In addition, the NCUSIF may receive investment interest income, guarantee fees, and recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The NCUSIF also has authority to borrow from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

**Accounting Principles**

The NCUSIF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised May 19, 2023.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the NCUA considers and where appropriate, applies Financial Accounting Standards Board (FASB) guidance for those instances where no applicable FASAB guidance is available. Any such significant instances are identified herein.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Transactions are recorded on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Information is needed about the differences between accrual and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays in Note 11. In accordance with SFFAS No. 53, *Budget and Accrual Reconciliation*, the Reconciliation of Net Cost of Operations to Net Outlays helps explain and clarify how accrual basis of accounting Net Cost of Operations (cash and non-cash transactions) relates to budgetary basis of accounting Net Outlays (cash transactions) and the reconciling items between the two.

The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 et seq.).

**Use of Estimates**

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and expenses reported during that period.

Significant items subject to those estimates and assumptions include: (i) allowance amounts for losses on the receivables from AMEs for claims paid on their behalf; (ii) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (iii) the amount and timing of recoveries, if any, related to any claims paid and the settlement of guarantee liabilities; (iv) allowance amounts established for loan losses related to cash assistance provided to insured credit unions; and (v) determination of the accounts payable accrual.

**Fund Balance with Treasury**

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in accounts held by the U.S. Treasury from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

**Investments, Net**

The FCU Act, Section 203(c), 12 U.S.C. § 1783(c), as amended, provides guidance regarding U.S. Treasury security investments. The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. All marketable securities are carried as available-for-sale (AFS) in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. All non-marketable U.S. Treasury overnight securities are purchased and reported at par value, which are classified as held-to-maturity. All of the NCUA's U.S. Treasury securities held by the NCUSIF are issued by the U.S. government. These securities are generally not expected to have an allowance for credit losses as there is a zero-loss expectation because they are explicitly guaranteed by the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses.

Interest earned and unrealized holding gains and losses on U.S. Treasury securities are excluded from net costs and reported as components of non-exchange revenue. Realized gains and losses from the sale of AFS securities are determined on a specific identification basis.

For AFS debt securities in an unrealized loss position, the NCUA first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the NCUA evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized costs basis.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on AFS debt securities totaled $93.0 million at December 31, 2023 and is excluded from the estimate of credit losses.

Premiums and discounts are amortized over the life of the related AFS security as an adjustment to yield using the effective interest method.

### Accrued Interest Receivable

The NCUSIF recognizes accrued interest receivable for amounts of interest contractually earned but not yet received.

### Accounts Receivable

Accounts receivable represents the NCUSIF's claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Accounts receivable with the public represent accounts receivable between the NCUSIF and non-federal entities and are categorized as follows:

*Capitalization Deposits from Insured Credit Unions*
Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. Receivables and associated non-exchange revenue are recognized upon invoicing.

*Premium Assessments from Insured Credit Unions*
The NCUA Board has the statutory authority under Section 202 of the FCU Act to assess a premium charge to insured credit unions. The NCUA Board may assess each insured credit union a premium charge in an amount stated as a percentage of insured shares only if the equity ratio is less than 1.30% and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board must establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the eight-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

The NCUA Board did not assess premiums for 2023 and 2022.

*Allowance for Doubtful Accounts*
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for accounts receivable. A permanent reduction of an account may occur if it is probable that the NCUSIF will not collect all amounts contractually due.

### Property, Plant and Equipment, Net

Property, Plant and Equipment, Net consists of internal-use software and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Costs incurred for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software*.

Property, plant and equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of equipment and software. Internal use software has a useful life of three years per the NCUA capitalization policy.

Property, Plant, and Equipment, Net consists of fully depreciated internal-use software with a cost of $2.0 million as of December 31, 2023 and 2022.

**Receivables from Asset Management Estates, Net**

The NCUA records a receivable from AMEs when claims are paid by the NCUSIF in order to satisfy obligations to insured shareholders and other guaranteed parties, as well as to pay administrative expenses on behalf of AMEs. Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. As the assets are monetized, recoveries from the assets are paid to the NCUSIF to reduce the receivable from AMEs.

The gross AME receivable is reduced by an allowance for loss. This allowance represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). The NCUA records the allowance amount for loss on receivables from AMEs based on expected asset recovery rates. The asset recovery rates are based on several sources including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from similar recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

**Insurance and Guarantee Program Liabilities**

NCUA's activities related to insured credit unions are considered by SFFAS No. 51, *Insurance Programs*, as an exchange transaction insurance program, and NCUSIF discloses and reports the insurance program accordingly. Pursuant to SFFAS No. 51, the NCUA is required to recognize revenue on insurance premiums as earned. The NCUA must also recognize, measure and record liabilities for unearned premiums, unpaid insurance claims and losses on remaining coverage as applicable. In addition, the NCUA must disclose information about the purpose, full costs (to include premium collections and borrowing authority), investing activities and arrangement duration of insurance programs as well as premium pricing policies, the nature and magnitude of estimates, the total amount of insurance coverage provided through the end of the reporting period and any events that could have a material effect on the recorded liability. Information concerning the NCUSIF's premium pricing policies and premiums collections can be found under the Accounts Receivable header herein. The NCUSIF's investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities) and its investing activities are described in Notes 2 and 3. The nature and terms of the NCUSIF's borrowing authority is addressed in Note 7. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 9. The remaining information required to be disclosed is discussed further in Note 5.

Consistent with the presentation in prior reporting periods, SFFAS No. 51 also requires a roll-forward of the Insurance and Guarantee Program Liabilities balance from the prior year to the current period. The NCUA has adopted the revised titles for each component of the roll-forward as applicable, except for the term “Claim expenses”, which will remain “Reserve expense”. Though the titles represent the exact same activity, the NCUA has elected to retain the prior presentation of “Reserve expense” in an effort to: 1) maintain clarity for the users of the financial statements; and 2) ensure comparability between the Statements of Net Cost and Note 5.

The NCUSIF records a liability for probable losses relating to insured credit unions. The year-end liability for insurance losses is comprised of general and specific reserves. The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates while the specific reserve is based on analyses performed on credit unions where failure is probable and additional information is available to make a reasonable estimate of losses.

**Other Liabilities**

Other Liabilities includes payroll and other accrued liabilities.

**Net Position and Contributed Capital**

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandates that the amount of each insured credit union’s deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union’s insured shares: (i) annually, in the case of an insured credit union with total assets of less than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. The NCUSIF reports the capitalization deposits from insured credit unions as contributed capital. This amount is included in the NCUSIF’s Balance Sheets and Statements of Changes in Net Position.

The CUMAA mandates that distributions to insured credit unions be determined from specific ratios, which are based in part upon year-end data. Distributions associated with insured shares at year-end are declared and paid in the subsequent year. The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

## Revenue Recognition

*Exchange Revenue*
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue, which primarily consists of credit union application and exam fees; guarantee fee income; and premium assessments, is used to recover the losses of the credit union system.

*Premium Assessments from Insured Credit Unions*
The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares.

*Non-Exchange Revenue*
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. The NCUSIF recognizes non-exchange revenue as described below.

Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. This amount is recognized as non-exchange revenue when invoiced. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the NCUSIF recognizes interest revenue on investments in U.S. Treasury securities as non-exchange revenue because the main source of funds for investments comes from capital deposits. The related unrealized holding gains and losses on investments in U.S. Treasury securities are excluded from net costs and reported as a component of non-exchange revenue in the Statements of Changes in Net Position.

## Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

## Disclosure Entities

SFFAS No. 47, *Reporting Entity*, requires that our financial statements reflect the balances and activities of the fund and any other reporting entities under NCUSIF control. Entities that are owned and/or controlled by the NCUA as a result of a regulatory action are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent. Pursuant to SFFAS No. 47, the NCUA identifies receiverships and conservatorships as disclosure entities.

*Receiverships*
An AME is a receivership-type entity that is established to oversee assets and other property acquired from a failed credit union. AMAC conducts liquidations and oversees the management and recovery of assets for failed credit unions. The NCUA has two types of AMEs: 1) NPCUs from the resolution of failed natural-person credit unions, and 2) Corporate AMEs from the resolution of failed corporate credit unions. These activities are considered fiduciary activities in accordance with SFFAS No. 31 and are disclosed under Note 10.

*Conservatorships*
The NCUA may place a credit union into conservatorship in order to resolve operational problems that could affect that credit union's safety and soundness. Conservatorship means the NCUA has taken control of the credit union. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the NCUSIF. For federally chartered credit unions, the NCUA takes this action on its own; in the case of a state-chartered credit union, the state supervisory authority initiates the conservatorship and, in many cases, appoints the NCUA as agent for the conservator. Conservatorships can have three outcomes: 1) the credit union can resolve its operational problems and be returned to member ownership; 2) the credit union can merge with another credit union; or 3) the NCUA can liquidate the credit union. As of December 31, 2023, there was one credit union operating under NCUA's conservatorship. The NCUA lists credit union(s) currently under conservatorship on its website.

**Recently Adopted Accounting Standards**

On January 1, 2023, the NCUA adopted the requirements of Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including AFS debt securities. ASC 326 requires credit losses to be presented as an allowance rather than a write-down on AFS debt securities management does not intend to sell or believes it is more likely than not they will be required to sell. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The NCUA adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. As a result, the amortized cost basis remains the same before and after the effective date of adoption of ASC 326. The NCUA recorded no change in the cumulative results of operations as of January 1, 2023 for the cumulative effect of adopting ASC 326. In connection with the adoption of the standard, the NCUA made necessary changes to relevant policies and processes. Refer to Note 3 for disclosures associated with the adoption.

## 2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2023 and 2022 consisted of the following (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Status of Fund Balance with Treasury: | | |
| Unobligated Balance - Available | $ 21,953,172 | $ 21,240,699 |
| Obligated Balance Not Yet Disbursed | 44,111 | 42,902 |
| Non-Budgetary Investment Accounts | (21,876,589) | (21,148,413) |
| Non-Budgetary FBWT Accounts | (94,531) | (109,283) |
| Total | $ 26,163 | $ 25,905 |

As a revolving fund, the FBWT account is used for continuing business-like activities. The NCUSIF collects capitalization deposits, guarantee fees, AME recoveries and premiums, which may be invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and guarantee payments, and are also used for merger assistance, liquidations, and other administrative expenses. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-Budgetary FBWT Accounts may consist of budgetary receivables, borrowing authority, and non-expenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities. Should the overnight account exceed NCUSIF policy limits, the NCUSIF will invest the additional funds in market-based U.S. Treasury securities according to the Fund's investment policy guidelines.

As of December 31, 2023 and 2022, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF's general ledger.

## 3. INVESTMENTS

The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.
As of December 31, 2023 and 2022, the carrying amount, gross unrealized holding gains/losses, and fair value of U.S. Treasury securities were as follows (in thousands):

| | Cost | Amortized (Premium) Discount | Interest Receivable | Investments, Net (Par) | Net Unrealized Gain/(Loss) | Carrying/Fair Value |
|---|---|---|---|---|---|---|
| As of December 31, 2023: | | | | | | |
| U.S. Treasury Securities | | | | | | |
| Available-for-Sale | $ 17,636,958 | $ (446,057) | $ 92,970 | $ 16,850,321 | $ (1,167,299) | $ 16,023,602 |
| Held to Maturity | 5,184,573 | - | 1,561 | 5,184,573 | - | 5,184,573 |
| Total | $ 22,821,531 | $ (446,057) | $ 94,531 | $ 22,034,894 | $ (1,167,299) | $ 21,208,175 |
| As of December 31, 2022: | | | | | | |
| U.S. Treasury Securities | | | | | | |
| Available-for-Sale | $ 20,499,539 | $ (361,971) | $ 107,762 | $ 19,650,029 | $ (1,665,274) | $ 18,472,294 |
| Held to Maturity | 1,666,220 | - | 183 | 1,666,220 | - | 1,666,220 |
| Total | $ 22,165,759 | $ (361,971) | $ 107,945 | $ 21,316,249 | $ (1,665,274) | $ 20,138,514 |

Maturities of U.S. Treasury securities as of December 31, 2023 and 2022 were as follows (in thousands):

| | 2023 Fair Value | 2022 Fair Value |
|---|---|---|
| Held to Maturity (Overnights) | $ 5,184,573 | $ 1,666,220 |
| Available-for-Sale: | | |
| Due in one year or less | 2,761,472 | 2,766,197 |
| Due after one year through five years | 10,680,426 | 10,534,222 |
| Due after five years through ten years | 2,581,704 | 5,171,875 |
| Total | $ 21,208,175 | $ 20,138,514 |

For the years ended December 31, 2023 and 2022, there were no realized gains or losses from sales of U.S. Treasury securities.

The following table includes gross unrealized losses on investment securities, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2023 and 2022 (in thousands):

| | Losses Less than 12 months | | Losses 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value |
| As of December 31, 2023: | | | | | | |
| Available-for-Sale: | | | | | | |
| U.S. Treasury Securities | $ - | $ - | $ (1,167,299) | $ 16,023,602 | $ (1,167,299) | $ 16,023,602 |
| As of December 31, 2022: | | | | | | |
| Available-for-Sale: | | | | | | |
| U.S. Treasury Securities | $ (626,149) | $ 10,021,016 | $ (1,039,125) | $ 8,451,278 | $ (1,665,274) | $ 18,472,294 |

The unrealized losses on the NCUA's available-for-sale investments in U.S. Treasury securities were caused by interest rate increases. The contractual terms of those investments issued by the U.S. Treasury do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. The NCUA does not intend to sell the investments and it is not more likely than not that the NCUA will be required to sell the investments before recovery of their amortized cost bases.

## 4. RECEIVABLES FROM ASSET MANAGEMENT ESTATES (AMES), NET

AMEs include assets and liabilities from failed NPCU AMEs and Corporate AMEs. The components of the Receivables from AMEs, Net as of December 31, 2023 and 2022 were as follows (in thousands):

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | NPCU AMEs | Corporate AMEs | Total | NPCU AMEs | Corporate AMEs | Total |
| Gross Receivables from AMEs | $ 1,392,058 | $ 2,415,391 | $ 3,807,449 | $ 1,398,849 | $ 2,452,095 | $ 3,850,944 |
| Allowance for Loss, beginning balance | 1,394,185 | 2,380,296 | 3,774,481 | 1,399,557 | 2,438,352 | 3,837,909 |
| AME Receivable Bad Debt Expense (Reduction) | (2,315) | (34,653) | (36,968) | (15,030) | (58,056) | (73,086) |
| Increase / (Decrease) in Allowance | (382) | - | (382) | 9,658 | - | 9,658 |
| Allowance for Loss, ending balance | 1,391,488 | 2,345,643 | 3,737,131 | 1,394,185 | 2,380,296 | 3,774,481 |
| Receivables from AMEs, Net | $ 570 | $ 69,748 | $ 70,318 | $ 4,664 | $ 71,799 | $ 76,463 |

AME Receivable Bad Debt Expense (Reduction) for the NPCU AMEs represents the overall change in expected asset recovery rates and related repayments. The Increase/(Decrease) in Allowance primarily represents the net loss (gain) on payments made during liquidation.

AME Receivable Bad Debt Expense (Reduction) for the Corporate AMEs takes into account the NCUA's expected recovery value of the Corporate AMEs' assets, as further discussed in Note 10.

## 5. INSURANCE AND GUARANTEE PROGRAM LIABILITIES

### Insured Credit Unions

The NCUSIF insures member deposits held in federal and federally insured state-chartered credit unions up to $250,000 per account in the event of a credit union failure. As the regulator of credit unions, the NCUA evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. The NCUA also employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, **L**iquidity Risk, and **S**ensitivity to Market Risk (CAMELS). These criteria ensure that credit union examiners assess all significant financial, operational, and management factors when evaluating a credit union's performance and risk profile. The NCUA uses this information to identify insured credit unions experiencing financial difficulty and estimate future losses on both a general and specific basis. The NCUSIF records an insurance program liability – comprised of general and specific reserves – to cover losses resulting from insured credit union failures.

The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates. The probability of failure is driven by CAMELS ratings and credit union level financial data; it also incorporates macroeconomic data such as the consumer price index and geographic housing prices. The loss rates take into account historical losses, CAMELS ratings, credit union level financial ratios and other economic measures. These variables are evaluated periodically to determine the reasonableness of the model output, which provides a range of forecasted losses between the 75 percent and 90 percent confidence level intervals.

Specific reserves are established for credit unions whose failure is probable and sufficient information is available to make a reasonable estimate of losses. The specific reserves are presented net of estimated recoveries from the disposition of assets held by failed credit unions.

The aggregate amount of reserves recognized for insured credit unions and AMEs was $209.0 million and $185.2 million as of December 31, 2023 and 2022, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | $ 185,228 | $ 161,958 |
| Reserve expense (reduction) | 24,766 | 33,568 |
| Payments to settle claims | (7,062) | (14,738) |
| Recoveries and other adjustments | 6,075 | 4,440 |
| Ending balance | $ 209,007 | $ 185,228 |

The Insurance and Guarantee Program Liabilities at December 31, 2023 and 2022 were comprised of the following:

- Specific reserves were $6.9 million and $7.7 million, respectively.
- General reserves were $202.1 million and $177.5 million, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2023 or as of December 31, 2023. There were no guarantees outstanding during 2022 or as of December 31, 2022.

The NCUSIF may also grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if an insured credit union had a current or immediate liquidity concern and the third-party lender refused to extend credit without a guarantee. The NCUSIF would be obligated if the insured credit union failed to perform. Total line-of-credit guarantees for credit unions as of December 31, 2023 and 2022 were approximately $0.0 and $1.0 million, respectively. There were no borrowings by insured credit unions from the third-party lenders under these line-of-credit guarantees as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, the NCUSIF reserved $0.0 and $37.5 thousand, respectively, for these guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of merger assistance or purchase and assumption agreements with acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2023 and 2022.

In addition to these recognized contingent liabilities, adverse performance in the financial services industry could result in additional losses to the NCUSIF. The ultimate losses for insured credit unions will largely depend upon future economic and market conditions and could differ significantly from these estimates.

## 6. TRANSACTIONS WITH THE NCUA OPERATING FUND

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor derived from a study of actual usage. In 2023 and 2022, the allocation to the NCUSIF was 62.4% and 62.7% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled $229.7 million and $205.0 million for the years ended December 31, 2023 and 2022, respectively, is reflected as an expense in the Statements of Net Cost. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

| **Administrative Services Reimbursed to the NCUA Operating Fund** | **2023** | **2022** |
|---|---|---|
| Employee Salaries | $ 117,107 | $ 105,083 |
| Employee Benefits | 50,469 | 45,159 |
| Employee Travel | 10,472 | 3,592 |
| Rent, Communications, and Utilities | 3,567 | 2,830 |
| Contracted Services | 38,848 | 39,720 |
| Depreciation and Amortization | 6,085 | 5,985 |
| Administrative Costs | 3,136 | 2,581 |
| Total Services Provided by the NCUA Operating Fund | $ 229,684 | $ 204,950 |

As of December 31, 2023 and 2022, amounts due to the NCUA Operating Fund for allocated expenses were $1.6 million and $19.0 thousand, respectively.

As of December 31, 2023 and 2022, advances and prepayments with the NCUA Operating Fund for overhead were $14.4 million and $12.3 million, respectively.

## 7. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF has $6.0 billion in borrowing authority from the U.S. Treasury. Available borrowing authority, as of December 31, 2023 and 2022, was $6.0 billion.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority, which was $20.2 billion and $17.2 billion as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $15.0 billion and $25.0 billion, respectively. Advances made under the current promissory note can be made no later than March 31, 2024. The CLF borrowed $1.0 million in 2023 and $0.0 in 2022.

The NCUSIF did not exercise its borrowing authority in 2023 or 2022.

## 8. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2023 and 2022. Activity impacting budget totals of the overall federal government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2023 and 2022, the NCUSIF's resources in budgetary accounts were $22.9 billion and $22.7 billion, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

The NCUSIF had $40.0 million and $40.0 million in unpaid undelivered orders, and $15.4 million and $13.5 million in paid undelivered orders, as of December 31, 2023 and 2022, respectively. Refer to Note 6 for more information on transactions with the NCUA Operating Fund. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2023 and 2022 are as follows (in thousands):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Undelivered Orders** | **Paid** | **Unpaid** | **Paid** | **Unpaid** |
| Federal | $ 14,409 | $ 38,648 | $ 12,259 | $ 38,034 |
| Non-federal | 1,009 | 1,413 | 1,218 | 1,922 |
| Total Undelivered Orders | $ 15,418 | $ 40,061 | $ 13,477 | $ 39,956 |

Budgetary resources listed on the NCUSIF's financial statements and the budgetary resources found in the budget of the federal government differ because the NCUSIF's annual financial statements are prepared as of December 31, on a calendar year, rather than as of September 30, the federal government's fiscal year end.

## 9. CONTRIBUTED CAPITAL

Contributed capital was $17.2 billion and $16.9 billion as of December 31, 2023 and 2022, respectively. Contributed capital owed to the NCUSIF from insured credit unions was $0.0 as of December 31, 2023 and 2022. Contributed capital refunds due to insured credit unions from the NCUSIF was $0.0 as of December 31, 2023 and 2022.

Pursuant to the FCU Act, the NOL set by the Board for 2023 and 2022 was 1.33%. The NCUSIF equity ratio was 1.30% as of December 31, 2023 and 2022. The NCUSIF available assets ratio was 1.22% and 1.19% as of December 31, 2023 and 2022, respectively. The NCUSIF equity ratio and available assets ratio are both based on total insured shares of $1.7 trillion as of December 31, 2023 and 2022.

The NCUA Board did not assess premiums and the NCUSIF did not pay distributions to insured credit unions in 2023 and 2022.

The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF and contingent liabilities, for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

## 10. FIDUCIARY ACTIVITIES

### (a) Natural Person Credit Unions AMEs

The Schedule of Fiduciary Activity as of December 31, 2023 and 2022, is as follows (in thousands):

| Schedule of Fiduciary Activity | 2023 | 2022 |
|---|---|---|
| **Fiduciary Net Liabilities, beginning of year** | $ (1,402,949) | $ (1,408,324) |
| Net Realized Losses upon Liquidation | (39) | (9,586) |
| **Revenues** | | |
| Interest on Loans | 232 | 214 |
| Other Fiduciary Revenues | 26 | 615 |
| **Expenses** | | |
| Professional & Outside Services Expenses | (2,077) | (1,117) |
| Compensation and Benefits | (412) | (460) |
| Other Expenses | (78) | (1,698) |
| **Net Change in Recovery Value of Assets and Liabilities** | | |
| Net Gain / (Loss) on Loans | (1,203) | (2,197) |
| Other, Net Gain / (Loss) | 5,839 | 19,604 |
| **(Increase) / Decrease in Fiduciary Net Liabilities** | 2,288 | 5,375 |
| **Fiduciary Net Liabilities, end of year** | **$ (1,400,661)** | **$ (1,402,949)** |

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates and the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities.

The Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2023 and 2022, is as follows (in thousands):

| **Schedule of Fiduciary Net Assets/Liabilities** | **2023** | **2022** |
|---|---|---|
| **Fiduciary Assets** | | |
| Loans | $ 4,438 | $ 8,813 |
| Other Fiduciary Assets | 633 | 1,446 |
| **Total Fiduciary Assets** | 5,071 | 10,259 |
| **Fiduciary Liabilities** | | |
| Insured Shares | 1,514 | 2,690 |
| Accrued Liquidation Expenses | 9,137 | 8,640 |
| Unsecured Claims | 1,554 | 1,426 |
| Uninsured Shares | 1,469 | 1,603 |
| Due to the NCUSIF (Note 4) | 1,392,058 | 1,398,849 |
| **Total Fiduciary Liabilities** | 1,405,732 | 1,413,208 |
| **Total Fiduciary Net Assets / (Liabilities)** | **$ (1,400,661)** | **$ (1,402,949)** |

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2023 and 2022, gross receivables related to criminal restitution orders were $209.3 million and $218.8 million, of which we determined $26.0 thousand and $101.2 thousand were collectible, respectively.

### (b) Corporate AMEs

The Schedule of Fiduciary Activity as of December 31, 2023 and 2022, is as follows (in thousands):

| | **AMEs** | |
|---|---|---|
| **Schedule of Fiduciary Activity** | **2023** | **2022** |
| **Fiduciary Net Liabilities, beginning of year** | $ 2,083,682 | $ 1,223,514 |
| **Revenues** | | |
| Income From Investment Securities | (9,019) | (10,224) |
| Settlements and Legal Claims | (11,812) | (48,323) |
| Other Fiduciary Revenues | (5,125) | (3,350) |
| **Expenses** | | |
| Professional and Outside Service Expenses | 5,290 | 12,359 |
| Other Expenses | 69,169 | 292,370 |
| **Net Change in Recovery Value of Assets and Liabilities** | 118,540 | 617,336 |
| **Increase / (Decrease) in Fiduciary Net Liabilities** | 167,043 | 860,168 |
| **Fiduciary Net Liabilities, end of year** | **$ 2,250,725** | **$ 2,083,682** |

For the year ended December 31, 2023, the Corporate AMEs' Fiduciary Net Liabilities increased by $167.0 million mainly due to interim capital distributions to capital account holders, partially offset by gains on sales of legacy assets and legal settlements. The increase represents a loss to the AME claimants.

For the year ended December 31, 2022, the Corporate AMEs' Fiduciary Net Liabilities increased by $860.2 million mainly due to interim capital distributions to capital account holders, partially offset by gains on sales of legacy assets and legal settlements. The increase represents a loss to the AME claimants.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs.

The Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2023 and 2022, is as follows (in thousands):

| | AMEs | |
|---|---|---|
| **Schedule of Fiduciary Net Assets/Liabilities** | **2023** | **2022** |
| **Fiduciary Assets** | | |
| Cash and Cash Equivalents | $ 56,847 | $ 209,243 |
| Legacy Assets | 145,060 | 196,215 |
| **Total Fiduciary Assets** | 201,907 | 405,458 |
| **Fiduciary Liabilities** | | |
| Accrued Expenses | 37,198 | 37,002 |
| Unsecured Claims and Payables | 43 | 43 |
| Due to the NCUSIF (Note 4) | 2,415,391 | 2,452,095 |
| **Total Fiduciary Liabilities** | 2,452,632 | 2,489,140 |
| **Total Fiduciary Net Assets / (Liabilities)** | **$ (2,250,725)** | **$ (2,083,682)** |

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the Corporate AMEs' assets.

## 11. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The Reconciliation of Net Cost of Operations to Net Outlays for 2023 and 2022 is shown below (in thousands):

| | 2023 | | |
|---|---|---|---|
| **Reconciliation of Net Cost of Operations to Net Outlays** | **Intra-governmental** | **With the public** | **Total** |
| **Net Cost of / (Income from) Operations** | $229,684 | $(7,691) | $221,993 |
| **Components of Net Operating Cost Not Part of the Budgetary Outlays** | | | |
| Provision for Insurance Losses | | | |
| Reserve Expense (Reduction) | - | (24,766) | (24,766) |
| AME Receivable Bad Debt Expense (Reduction) | - | 36,968 | 36,968 |
| **Increase / (decrease) in assets:** | | | |
| Accounts Receivable | 1,338 | - | 1,338 |
| Other Assets | 2,150 | (209) | 1,941 |
| **(Increase) / decrease in liabilities:** | | | |
| Accounts Payable | (1,629) | 33 | (1,596) |
| Other Liabilities | - | 526 | 526 |
| **Total Components of Net Operating Cost Not Part of the Budgetary Outlays** | (817) | 12,552 | 11,735 |
| **Components of the Budgetary Outlays That Are Not Part of Net Operating Cost** | | | |
| Change in Receivables from AMEs | - | (43,495) | (43,495) |
| Interest Revenue - Investments | (445,120) | - | (445,120) |
| Change in Contributed Capital | - | (318,425) | (318,425) |
| Other Adjustments that do not affect Net Cost of Operations | (156,490) | 1,368 | (155,122) |
| **Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost** | (601,610) | (360,552) | (962,162) |
| **Net Outlays** | $(372,743) | $(355,691) | $(728,434) |

| Reconciliation of Net Cost of Operations to Net Outlays | 2022 Intra-governmental | 2022 With the public | 2022 Total |
|---|---|---|---|
| **Net Cost of / (Income from) Operations** | $ 204,950 | $ (36,809) | $ 168,141 |
| | | | |
| **Components of Net Operating Cost Not Part of the Budgetary Outlays** | | | |
| Provision for Insurance Losses | | | |
| Reserve Expense (Reduction) | - | (33,568) | (33,568) |
| AME Receivable Bad Debt Expense (Reduction) | - | 73,086 | 73,086 |
| Depreciation Expense | - | - | - |
| **Increase / (decrease) in assets:** | | | |
| Accounts Receivable | 1,338 | - | 1,338 |
| Other Assets | 4,499 | (61) | 4,438 |
| **(Increase) / decrease in liabilities:** | | | |
| Accounts Payable | 4,899 | 1,015 | 5,914 |
| Other Liabilities | - | 639 | 639 |
| **Total Components of Net Operating Cost Not Part of the Budgetary Outlays** | 10,736 | 41,111 | 51,847 |
| | | | |
| **Components of the Budgetary Outlays That Are Not Part of Net Operating Cost** | | | |
| Change in Receivables from AMEs | - | (209,919) | (209,919) |
| Interest Revenue - Investments | (281,240) | - | (281,240) |
| Change in Contributed Capital | - | (1,132,779) | (1,132,779) |
| Other Adjustments that do not affect Net Cost of Operations | (155,587) | 641 | (154,946) |
| **Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost** | (436,827) | (1,342,057) | (1,778,884) |
| **Net Outlays** | $ (221,141) | $ (1,337,755) | $ (1,558,896) |

## 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2024, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2023.


# Financial Information

## National Credit Union Administration Operating Fund

**Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report**

KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

# Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the National Credit Union Administration Operating Fund (the Fund), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statement of revenues, expenses, and changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund as of December 31, 2023 and 2022, and its revenues, expenses, and changes in fund balance, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2023, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982.*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended December 31, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

**Purpose of the Reporting Required by *Government Auditing Standards***

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2024

**NATIONAL CREDIT UNION ADMINISTRATION**
**OPERATING FUND**

**BALANCE SHEETS**
**As of December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Note 3) | $ 116,187 | $ 127,011 |
| Due from National Credit Union Share Insurance Fund (Note 7) | 1,648 | 19 |
| Other accounts receivable, Net | 605 | 353 |
| Prepaid expenses and other assets (Note 4) | 5,695 | 4,670 |
| Operating lease right-of-use assets | 1,932 | 308 |
| Fixed assets - Net of accumulated depreciation of $43,908 and $40,451 as of December 31, 2023 and 2022, respectively (Note 5) | 34,091 | 33,872 |
| Intangible assets - Net of accumulated amortization of $35,547 and $30,395 as of December 31, 2023 and 2022, respectively (Note 6) | 22,455 | 26,467 |
| **TOTAL ASSETS** | $ 182,613 | $ 192,700 |
| | | |
| **LIABILITIES AND FUND BALANCE** | | |
| | | |
| **LIABILITIES** | | |
| Accounts payable and accrued other liabilities | $ 21,642 | $ 20,601 |
| Operating lease liabilities (Note 8) | 2,032 | 325 |
| Finance lease liabilities (Note 8) | 146 | 160 |
| Accrued wages and benefits | 15,586 | 11,646 |
| Accrued FECA and unemployment benefits | 168 | 184 |
| Accrued actuarial FECA benefits | 3,664 | 3,283 |
| Accrued annual leave | 24,211 | 23,112 |
| Accrued employee travel | 276 | 250 |
| **TOTAL LIABILITIES** | $ 67,725 | $ 59,561 |
| | | |
| **COMMITMENTS AND CONTINGENCIES (Notes 8, 11, 12 and 13)** | | |
| | | |
| **FUND BALANCE** | 114,888 | 133,139 |
| | | |
| **TOTAL LIABILITIES AND FUND BALANCE** | $ 182,613 | $ 192,700 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**OPERATING FUND**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **REVENUES** | | |
| Operating fees | $ 114,728 | $ 109,582 |
| Interest | 6,882 | 2,375 |
| Other | 415 | 442 |
| Total Revenues | 122,025 | 112,399 |
| **EXPENSES, NET (Notes 7 and 8)** | | |
| Employee wages and benefits | 102,772 | 89,993 |
| Travel | 6,333 | 2,149 |
| Rent, communications, and utilities | 2,154 | 1,692 |
| Contracted services | 23,418 | 23,842 |
| Depreciation and amortization | 3,687 | 3,658 |
| Administrative | 1,912 | 1,495 |
| Total Expenses, Net | 140,276 | 122,829 |
| **EXCESS OF REVENUES OVER / (UNDER) EXPENSES** | (18,251) | (10,430) |
| **FUND BALANCE—Beginning of year** | 133,139 | 143,569 |
| **FUND BALANCE—End of year** | $ 114,888 | $ 133,139 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**OPERATING FUND**

**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Excess of revenues over / (under) expenses | $ (18,251) | $ (10,430) |
| Adjustments to reconcile excess of revenues over / (under) expenses to net cash provided by operating activities before allocation to the NCUSIF: | | |
| Depreciation and amortization | 9,771 | 9,643 |
| Noncash operating lease expense | 397 | 407 |
| (Gain) Loss on fixed and intangible asset retirements | 17 | - |
| (Increase) decrease in assets: | | |
| Due from National Credit Union Share Insurance Fund | (1,629) | 4,899 |
| Employee advances | - | 5 |
| Other accounts receivable, net | (252) | (54) |
| Prepaid expenses and other assets | (1,025) | (779) |
| (Decrease) increase in liabilities: | | |
| Accounts payable | 912 | 3,065 |
| Operating lease liabilities | (314) | (420) |
| Accrued wages and benefits | 3,940 | (698) |
| Accrued FECA and unemployment benefits | (16) | 9 |
| Accrued actuarial FECA benefits | 381 | (716) |
| Accrued annual leave | 1,099 | 963 |
| Accrued employee travel | 26 | 157 |
| Net Cash Provided by / (Used in) Operating Activities | (4,944) | 6,051 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of fixed and intangible assets | (5,835) | (8,621) |
| Net Cash Used in Investing Activities | (5,835) | (8,621) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Principal payments under finance lease liabilities | (45) | (34) |
| Net Cash Used in Financing Activities | (45) | (34) |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | (10,824) | (2,604) |
| **CASH AND CASH EQUIVALENTS—Beginning of year** | 127,011 | 129,615 |
| **CASH AND CASH EQUIVALENTS—End of year** | $ 116,187 | $ 127,011 |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES** | | |
| Purchase of fixed and intangible assets in accounts payable | $ (129) | $ (266) |
| Recognition of operating lease right-of-use assets | $ 2,021 | $ 715 |
| Acquisition of equipment under finance lease | $ (31) | $ (168) |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**

**OPERATING FUND**
**NOTES TO THE FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2023 and 2022**

## 1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the "Fund") was created by the Federal Credit Union Act of 1934 (Public Law 73-467, as amended). The Fund is a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board providing administration and service to the federal credit union system.

A significant majority of the Fund's revenue is comprised of operating fees paid by federal credit unions. Each federal credit union is required to pay this fee based on the Operating Fee Schedule approved by the NCUA Board.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation –** The Fund prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of federal entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for federal entities that have issued financial statements based upon FASB standards in the past.

**Basis of Accounting –** The Fund maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. In addition, the Fund records investment transactions when they are executed and recognizes interest on investments when it is earned.

**Use of Estimates –** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent liabilities at the date of the financial statements; and
- the reported amounts of revenues and expenses incurred during the reporting period.

Significant items subject to those estimates and assumptions include: (i) the determination of the FECA actuarial liability; (ii) certain intangible asset values; (iii) determination of the accounts payable accrual; and (iv) if there is any determination of a long-lived asset impairment, the related measurement of the impairment charges.

**Related Party Transactions –** The Fund exists within the NCUA and is one of four funds managed by the NCUA Board during 2023 and 2022. The other funds managed by the Board, deemed related parties, are:

a) The National Credit Union Share Insurance Fund (NCUSIF),
b) The National Credit Union Administration Central Liquidity Facility (CLF), and
c) The National Credit Union Administration Community Development Revolving Loan Fund (CDRLF).

The Fund supports these related parties by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the NCUSIF and the CLF while support of the CDRLF is not reimbursed. Expenses included on the Statement of Revenues, Expenses, and Changes in Fund Balance are shown net of reimbursements from related parties.

Additional related parties are described in Note 7.

**Cash Equivalents –** Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act permits the Fund to invest in United States Treasury securities. All investments in 2023 and 2022 are cash equivalents and are stated at cost, which approximates fair value. All of the NCUA's U.S. Treasury securities held by the Fund are issued by the U.S. government. These securities are generally not expected to have an allowance for credit losses as there is a zero-loss expectation because they are explicitly guaranteed by the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses.

**Prepaid Expenses and Other Assets –** Prepaid expenses and other assets include advanced payments for goods and services to be received in the future and prepaid implementation costs incurred in service contracts. A service contract is a hosting arrangement that does not include a software license. Implementation costs incurred in the service contract during application development are recorded as prepaid expenses and amortized on a straight-line basis over the term of the hosting arrangement.

Additional information for prepaid expenses and other assets can be found in Note 4.

**Fixed and Intangible Assets –** Buildings, furniture, equipment, software, and leasehold improvements are recorded at cost. Software includes the cost of labor incurred by both external and internal software developers and other personnel involved in the development of the software. Finance leases are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset and are included in Fixed assets. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of buildings, furniture, equipment, and software, and the shorter of either the estimated useful life or lease term for leasehold improvements and finance leases. The schedule below shows a summary of the capitalization thresholds and useful lives used by the NCUA.

| Type of Asset | Capitalization Threshold | Useful Life |
|---|---|---|
| Buildings | $100,000 | 40 years |
| Building Improvements | $25,000 | 2-40 years |
| Furniture and Fixtures | $15,000 | 7 years |
| Equipment (IT and Telecommunication) | $15,000 | 3 years |
| Commercial Software | $15,000 | 3 years |
| Internal-Use Software (IUS) | $100,000 or 1,000 hours | 3 years |
| Additions/Improvements to IUS | $50,000 | ≤ 3 years |
| Bulk Purchases | $100,000 | 2-3 years |
| Leasehold Improvements | $15,000 | Life of the lease |
| Hosting Arrangement with Software License | $15,000 | 3 years |

Additional information on fixed and intangible assets can be found in Note 5 and Note 6, respectively.

**Long-lived Assets/Impairments –** Fixed and intangible assets, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset or asset group is not recoverable, an impairment loss is recognized, and the asset is reported at the lower of carrying amount or fair value less the cost to sell. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as needed.
Service contracts are measured for impairment when events or changes in circumstances occur and there are indications that the carrying amount of the related implementation costs may not be recoverable. If the implementation costs are not recoverable, a write-off of prepaid expenses is recorded.

**Receivables –** Receivables include amounts due from the NCUSIF, employee advances, and other accounts receivable, net.

**Accounts Payable and Accrued Other Liabilities –** The Fund incurs administrative expenses and liabilities for programs pertaining to related parties that are controlled by the NCUA Board. Accruals are made as expenses are incurred. Accrued other liabilities include contingent liabilities, as described in Note 11.

**Accrued Benefits –** The Fund incurs expenses for retirement plans, employment taxes, transportation subsidies, and other benefits mandated by law. Corresponding liabilities recorded contain both short-term and long-term liabilities. Additional information for retirement plans is described in Note 9.

**Federal Employees' Compensation Act (FECA) –** FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the NCUA for these paid claims. The NCUA accrues a liability to recognize those payments and the NCUA subsequently reimburses DOL annually. The Fund records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the agency for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

**Operating Fees –** Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The fee is designed to cover the costs of providing administration and service to the federal credit union system. The Fund recognizes this operating fee revenue ratably over the calendar year.

**Revenue Recognition –** Interest revenue and other revenue relating to sales of publications, parking income, and rental income is recognized when earned.

**Leases –** At lease inception, the NCUA determines if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use (ROU) assets represent the NCUA's right to use leased assets over the term of the lease. Lease liabilities represent the NCUA's contractual obligation to make lease payments over the lease term.

As the lessee, the NCUA classifies all leases with original lease terms less than one year as short-term leases. The NCUA classifies all other leases which transfer substantially all the risks and rewards of ownership to the NCUA as finance leases. The NCUA classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The NCUA considers a lease term to include all noncancelable periods and renewal periods when the NCUA is reasonably certain that it will exercise the related renewal option. For short-term leases, the NCUA records lease expenses in rent, communication, and utilities in the statement of revenues, expenses, and changes in fund balance.

For both operating and finance leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured by using the present value of future unpaid minimum lease payments discounted using the discount rate for the lease. The NCUA uses its incremental borrowing rate as the discount rate when the rate implicit in the lease is not determinable.

ROU assets are calculated using the measurement of lease liability, plus lease payments made at or before the commencement date and any initial direct costs incurred and minus any lease incentives. For finance leases, ROU assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, ROU assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

**Fair Value Measurements –** Cash and cash equivalents; due from NCUSIF; employee advances; and other accounts receivable, net, are recorded at book value, which approximates estimated fair value.

**Income Taxes –** The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

**Contingencies –** Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**Recently Adopted Accounting Standards –** On January 1, 2023, the NCUA adopted the requirements of Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including cash equivalents. The accounting change as a result of the implementation of ASC 326 is that an allowance for credit losses is recognized before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous loss methodology. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The NCUA adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. As a result, the amortized cost basis remains the same before and after the effective date of ASC 326. The NCUA recorded no change in the cumulative results of operations as of January 1, 2023 for the cumulative effect of adopting ASC 326.

## 3. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as of December 31, 2023 and 2022 are as follows (in thousands):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Deposits with U.S. Treasury | $ | 19,382 | $ | 18,484 |
| U.S. Treasury Overnight Investments | | 96,805 | | 108,527 |
| Total | $ | 116,187 | $ | 127,011 |

Cash equivalents are highly liquid investments with original maturities of three months or less. As of December 31, 2023, the Fund did not recognize an allowance for credit losses on cash equivalents due to their overall high credit quality and short-term nature.

## 4. PREPAID EXPENSES AND OTHER ASSETS

As of December 31, 2023, Prepaid expenses and other assets of $5.7 million included $4.7 million of advanced payments for goods and services and $1.0 million of prepaid implementation costs incurred in service contracts.

As of December 31, 2022, Prepaid expenses and other assets of $4.7 million included $3.2 million of advanced payments for goods and services and $1.5 million of prepaid implementation costs incurred in service contracts.

Prepaid implementation costs are comprised of the following as of December 31, 2023 and 2022 (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Prepaid implementation costs | $ 2,920 | $ 2,531 |
| Less accumulated amortization | (1,940) | (1,010) |
| Net Total | $ 980 | $ 1,521 |

The majority of these service contracts are part of the NCUA's IT modernization efforts. These prepaid implementation costs are project costs for migration and configuration of the software application to be compatible with the NCUA's technical platform and security requirements. Amortization begins when the software is ready for its intended use. Amortization expenses for the years ended December 31, 2023 and 2022 totaled $929.1 thousand and $408.0 thousand, respectively.

## 5. FIXED ASSETS

Fixed assets are comprised of the following as of December 31, 2023 and 2022 (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Office building and land | $ 64,598 | $ 64,870 |
| Furniture and equipment | 11,005 | 7,806 |
| Leasehold improvements | 107 | 107 |
| Equipment under finance leases | 226 | 229 |
| Total assets in-use | 75,936 | 73,012 |
| Less accumulated depreciation | (43,908) | (40,451) |
| Assets in-use, Net | 32,028 | 32,561 |
| Construction in progress | 2,063 | 1,311 |
| Fixed assets, Net | $ 34,091 | $ 33,872 |

Depreciation expense for the years ended December 31, 2023 and 2022 totaled $4.5 million and $3.8 million, respectively, before allocation to the NCUSIF as described in Note 7. Construction in progress includes costs associated with equipment not currently placed in service. In 2022, improvements to the NCUA headquarters associated with the restructuring plan were completed as described in Note 13.

## 6. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2023 and 2022 (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Internal-use software | $ 57,725 | $ 56,666 |
| Less accumulated amortization | (35,547) | (30,395) |
| Total Internal-use software, Net | 22,178 | 26,271 |
| Internal-use software under development | 277 | 196 |
| Intangible assets, Net | $ 22,455 | $ 26,467 |

Internal-use software represents costs incurred from the customization of software purchased from external vendors for internal use as well as the cost of software that is developed in-house. To ensure compliance with new technical and security requirements, approximately $1.2 million and $1.8 million in new capitalized internal-use software were implemented in 2023 and 2022, respectively. Amortization begins on the date the software is placed in service. Amortization expense for the years ended December 31, 2023 and 2022 totaled $5.2 million and $5.8 million, respectively, before allocation to the NCUSIF as described in Note 7. Internal-use software under development represents software not ready for its intended use.

## 7. RELATED PARTY TRANSACTIONS

### (a) Transactions with the NCUSIF

Certain administrative services are provided by the Fund to the NCUSIF. These services include paying personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. The Fund charges the NCUSIF for these services based upon an annual Board approved allocation factor derived from a study of actual usage. In 2023 and 2022, the allocation to the NCUSIF was 62.4% and 62.7% of all expenses, respectively. The cost of the services allocated to the NCUSIF totaled $229.7 million and $205.0 million for 2023 and 2022, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2023 and 2022, amounts due from the NCUSIF totaled $1.6 million and $19.0 thousand, respectively. As of December 31, 2023 and 2022, the liability for advances and prepayments from the NCUSIF for overhead was $14.4 million and $12.3 million, respectively.

### (b) Transactions with the CLF

Administrative services are provided by the Fund to the CLF. The Fund pays CLF employee salaries and related benefits as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total employees with settlement and payment occurring quarterly. The CLF's remaining reimbursement expenses are paid annually. The costs of the services provided to the CLF were $1.8 million and $1.1 million for the years ended December 31, 2023 and 2022, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2023 and 2022, amounts due from the CLF totaled $496.0 thousand and $262.9 thousand, respectively.

### (c) Support of the CDRLF

The Fund supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. For the years ended December 31, 2023 and 2022, unreimbursed administrative support to the CDRLF is $905.3 thousand and $1.0 million, respectively.

### (d) Federal Financial Institutions Examination Council (FFIEC)

The FFIEC was established on March 10, 1979, as a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the constituent agencies, and to make recommendations to promote uniformity in the supervision of financial institutions. By statute, the Chairman of the NCUA is one of six voting Council Members.

The NCUA is one of the five federal agencies that fund the FFIEC's operations. The FFIEC provides training to staff employed by Member agencies; the Member agencies are charged for these trainings based on use. A portion of the NCUA's contributions to the FFIEC cover costs associated with cross-agency data collection applications, including applications related to the Home Mortgage Disclosure Act. For the years ended December 31, 2023 and 2022, FFIEC assessments totaled $1.4 million. In addition, the NCUA received refunds of $51.9 thousand and $33.0 thousand in 2023 and 2022, respectively, due to lower than anticipated costs related to prior year payments. The NCUA's 2024 budgeted assessments from FFIEC total $2.3 million.

## 8. LEASES

**Description of Leasing Agreements –** The Fund has entered into lease agreements with vendors for the rental of office space and office equipment, which includes copiers and mail equipment.

**Operating Leases –** The Fund leases a portion of the NCUA's regional office space under lease agreements that will continue through 2029. Office rental charges amounted to approximately $326.3 thousand and $426.4 thousand for 2023 and 2022, respectively. Operating leases are included in Operating lease ROU assets and Operating lease liabilities in the financial statements.

**Finance Leases –** The Fund leases copiers and mail equipment under lease agreements that run through 2026. Finance leases are included in Fixed assets and Finance lease liabilities in the financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the years ended December 31, 2023 and 2022 (in thousands):

| | **Year Ended December 31, 2023** | **Year Ended December 31, 2022** |
|---|---|---|
| Finance lease cost: | | |
| Amortization of right-of-use assets | $ 20 | $ 41 |
| Interest on lease liabilities | 27 | 19 |
| Total finance lease cost | 47 | 60 |
| Operating lease cost | 411 | 420 |
| Total lease cost | $ 458 | $ 480 |

The weighted-average discount rate associated with operating leases as of December 31, 2023 and 2022, was 2.13% and 1.21%, respectively; while the weighted-average discount rate associated with finance leases was 1.38% and 1.36%, respectively. The weighted-average remaining lease term associated with operating leases as of December 31, 2023 and 2022, was 5.17 years and 0.75 years, respectively; while the weighted-average remaining lease term associated with finance leases was 2.73 years and 3.62 years, respectively.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying Balance Sheet as of December 31, 2023 (in thousands):

| **Lease Liability Maturities:** | **Finance Leases** | **Operating Leases** | **Total Leases** |
|---|---|---|---|
| 2024 | $ 68 | $ 186 | $ 254 |
| 2025 | 64 | 456 | 520 |
| 2026 | 50 | 468 | 518 |
| 2027 | - | 480 | 480 |
| 2028 | - | 491 | 491 |
| Thereafter | - | 82 | 82 |
| Total Undiscounted Lease Payments | 182 | 2,163 | 2,345 |
| Less: Present Value Adjustment | (36) | (131) | (167) |
| Net Lease Liabilities | $ 146 | $ 2,032 | $ 2,178 |

As of December 31, 2023, the Fund entered into an operating lease that has not yet commenced. This operating lease will commence in 2024, with total payments of $7.5 million over a lease term of 9.3 years.

There were no material finance leases that the NCUA had entered into and that were yet to commence as of December 31, 2023.

## 9. RETIREMENT PLANS

Eligible employees of the Fund are covered by federal government retirement plans—either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both plans include components that are defined benefit plans. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and the Thrift Savings Plan. Contributions to the plans are based on a percentage of an employee's gross pay. Under the Thrift Savings Plan, employees may also elect additional contributions, the total of which were not to exceed $22,500 ($30,000 for age 50 and above) in 2023, an increase of $2,000 ($3,000 for age 50 and above) from 2022. In addition, the Fund matches up to 5.0% of the employee's gross pay.

As of December 31, 2023 and 2022, the Fund's contributions to retirement plans were $41.3 million and $37.1 million, respectively.

These defined benefit plans are administered by the U.S. Office of Personnel Management (OPM), which determines the required employer contribution level. The Fund does not account for the assets pertaining to the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by OPM and are not allocated to individual employers.

The Fund maintains a voluntary 401(k) Plan (NCUA Savings Plan) and contributes, with no employee matching contribution, 3.0% of the employee's compensation and matches an employee's voluntary contribution up to a maximum of 2.0% of the employee's total pay as defined in the Compensation and Benefits Agreement.

As of December 31, 2023 and 2022, the Fund's contributions to the NCUA Savings Plan were $8.5 million and $7.7 million, respectively. The gross operating expenses associated with the NCUA Savings Plan in 2023 and 2022 were $122.2 thousand and $96.8 thousand, respectively.

## 10. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund has no financial instruments that are subject to fair value measurement on a recurring basis.

The following table presents the carrying values and established fair values of the Fund's financial instruments as of December 31, 2023 and 2022 (in thousands):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | $ 116,187 | $ 116,187 | $ 127,011 | $ 127,011 |
| Due from NCUSIF | 1,648 | 1,648 | 19 | 19 |
| Other accounts receivable, Net | 605 | 605 | 353 | 353 |

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and cash equivalents –** The carrying amount for cash and cash equivalents approximates fair value as the short-term nature of these instruments do not lead to significant fluctuations in value. Cash equivalents are U.S. Treasury overnight investments.

**Due from NCUSIF –** The carrying amount for due from NCUSIF approximates fair value as the amount is scheduled to be paid within the first quarter of 2024.

**Other accounts receivable, net –** The carrying amount for other accounts receivable approximates fair value as the original gross amounts together with a valuation allowance reflect the net amount that is deemed collectible. As of December 31, 2023 and 2022, the Fund's other accounts receivable, net includes an allowance in the amount of $4.0 thousand and $2.5 thousand, respectively.

## 11. CONTINGENCIES

The NCUA recognizes contingent liabilities when a past event or transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is estimable. The NCUA is party to various routine administrative proceedings, legal actions, and claims brought against it, which have or may ultimately result in settlements or decisions against the agency.

As of December 31, 2023, the NCUA had six asserted and pending legal claims with a reasonably possible likelihood of loss and estimated range of loss from $45.0 thousand to $290.0 thousand. As of December 31, 2023, the NCUA did not have any probable losses from asserted and pending legal claims.

As of December 31, 2022, the NCUA had seven asserted and pending legal claims with a reasonably possible likelihood of loss and estimated range of loss from $140.0 thousand to $390.0 thousand. In 2022, the NCUA paid $46.5 thousand related to the contingent liability as of December 31, 2021. As of December 31, 2022, the NCUA did not have any probable losses from asserted and pending legal claims.

## 12. COLLECTIVE BARGAINING AGREEMENT

The NCUA has a Collective Bargaining Agreement (CBA) with the National Treasury Employees Union (NTEU) that became effective on December 12, 2022. NTEU is the exclusive representative of approximately 74% of the NCUA employees.

## 13. RESTRUCTURING PLAN

In 2017, the NCUA Board approved a restructuring plan with the goals of greater efficiency, responsiveness, and cost-effectiveness. The restructuring plan was completed in 2022 with the completion of improvements to the NCUA headquarters.

In accordance with ASC 420, *Exit or Disposal Cost Obligations*, the NCUA estimates total restructuring costs to be $13.9 million. This estimate includes employee termination benefits of $855.0 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million. To date, $14.0 million in costs have been incurred for this plan including employee termination benefits of $882.5 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million.

In 2023, the NCUA did not incur any costs associated with other administrative costs and paid $33.8 thousand of the 2022 liability. In 2022, the NCUA incurred $2.5 million in other administrative costs. As of December 31, 2023 and 2022, the NCUA had a $0.0 and $33.8 thousand liability associated with other administrative costs, respectively.

Incurred costs are included in the Statement of Revenues, Expenses, and Changes in Fund Balance on the following line items: Employee wages and benefits; Contracted services; and Administrative. Incurred costs associated with facilities improvements are included in the Balance Sheet as a part of Fixed assets.

## 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2024, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2023.


# Financial Information

## National Credit Union Administration Central Liquidity Facility

**Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report**

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

**Independent Auditors' Report**

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of the National Credit Union Administration Central Liquidity Facility (CLF), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, members' equity, and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility as of December 31, 2023 and 2022, and the results of its operations, members' equity, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2023, we considered the CLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982.*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

KPMG

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CLF's financial statements as of and for the year ended December 31, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

**Purpose of the Reporting Required by *Government Auditing Standards***

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing and is not to provide an opinion on the effectiveness of the CLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2024

**NATIONAL CREDIT UNION ADMINISTRATION**
**CENTRAL LIQUIDITY FACILITY**

**BALANCE SHEETS**
**As of December 31, 2023 and 2022**
**(Dollars in thousands, except share data)**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents (Notes 3 and 5) | $ 48,483 | $ 92,099 |
| Investments Held to Maturity (Net of $2,043 and $147 unamortized discount and unamortized premium as of 2023 and 2022, respectively, fair value of $836,383 and $646,245 as of 2023 and 2022, respectively) (Notes 4 and 5) | 845,857 | 658,747 |
| Loans to Members (Notes 5 and 6) | 1,000 | - |
| Accrued Interest Receivable (Note 5) | 6,221 | 4,731 |
| **TOTAL ASSETS** | $ 901,561 | $ 755,577 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| **LIABILITIES** | | |
| Accounts Payable (Notes 5 and 10) | $ 663 | $ 390 |
| Dividends and Interest Payable (Note 5) | 9,801 | 10,456 |
| Stock Redemption Payable (Note 5) | 169 | - |
| Notes Payable (Note 5 and 9) | 1,000 | - |
| Accrued Interest Payable (Note 5) | 3 | - |
| Member Deposits (Notes 5 and 8) | 26,499 | 6,826 |
| Total Liabilities | 38,135 | 17,672 |
| **MEMBERS' EQUITY** | | |
| Capital Stock – Required ($50 per share par value authorized: 32,891,390 and 27,918,512 shares; issued and outstanding: 16,445,695 and 13,959,256 shares as of 2023 and 2022, respectively) (Note 7) | 822,285 | 697,963 |
| Retained Earnings | 41,141 | 39,942 |
| Total Members' Equity | 863,426 | 737,905 |
| **TOTAL LIABILITIES AND MEMBERS' EQUITY** | $ 901,561 | $ 755,577 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**CENTRAL LIQUIDITY FACILITY**

**STATEMENTS OF OPERATIONS**
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **REVENUE** | | |
| Investment Income | $ 39,312 | $ 21,924 |
| Interest on Loan (Note 5) | 3 | - |
| Total Revenue | 39,315 | 21,924 |
| **EXPENSES (Note 10)** | | |
| Personnel Services | $ 1,059 | $ 659 |
| Personnel Benefits | 522 | 267 |
| Other General and Administrative Expenses | 587 | 255 |
| Total Operating Expenses | 2,168 | 1,181 |
| Interest – Notes Payable (Note 5) | 3 | - |
| Interest – Member Deposits (Note 8) | 739 | 89 |
| Total Expenses | 2,910 | 1,270 |
| **NET INCOME** | $ 36,405 | $ 20,654 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**CENTRAL LIQUIDITY FACILITY**

**STATEMENTS OF MEMBERS' EQUITY**
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands, except share data)**

| | Capital Stock | | | |
|---|---|---|---|---|
| | Shares | Amount | Retained Earnings | Total |
| **BALANCE – December 31, 2021** | 21,926,123 | $ 1,096,306 | $ 39,389 | $ 1,135,695 |
| Issuance of Required Capital Stock | 2,684,432 | 134,222 | | 134,222 |
| Redemption of Required Capital Stock | (10,651,299) | (532,565) | | (532,565) |
| Dividends Declared (Notes 7 and 8) | | | (20,101) | (20,101) |
| Net Income | | | 20,654 | 20,654 |
| **BALANCE – December 31, 2022** | 13,959,256 | $ 697,963 | $ 39,942 | $ 737,905 |
| Issuance of Required Capital Stock | 2,739,971 | 136,999 | | 136,999 |
| Redemption of Required Capital Stock | (253,532) | (12,677) | | (12,677) |
| Dividends Declared (Notes 7 and 8) | | | (35,206) | (35,206) |
| Net Income | | | 36,405 | 36,405 |
| **BALANCE – December 31, 2023** | 16,445,695 | $ 822,285 | $ 41,141 | $ 863,426 |

See accompanying notes to the financial statements.

## NATIONAL CREDIT UNION ADMINISTRATION
## CENTRAL LIQUIDITY FACILITY

### STATEMENTS OF CASH FLOWS
### For the Years Ended December 31, 2023 and 2022
### (Dollars in thousands)

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net Income | $ 36,405 | $ 20,654 |
| Adjustments to Reconcile Net Income | | |
| to Net Cash Provided by Operating Activities: | | |
| Amortization of Investments | (2,694) | (1,373) |
| Interest - Member Deposits | 739 | 89 |
| Changes in Assets and Liabilities: | | |
| (Increase) in Accrued Interest Receivable | (1,490) | (3,950) |
| Increase in Accounts Payable | 273 | 29 |
| Increase in Other Liabilities | 3 | - |
| Net Cash Provided by Operating Activities | 33,236 | 15,449 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of Investments | (615,116) | (680,111) |
| Proceeds from Maturing Investments | 430,700 | 746,613 |
| Net Cash Provided by/(Used in) Investing Activities | (184,416) | 66,502 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Issuance of Required Capital Stock | 124,310 | 132,104 |
| Redemption of Capital Stock | (11,168) | (545,757) |
| Withdrawal of Member Deposits | (5,578) | (622) |
| Net Cash Provided by/(Used in) Financing Activities | 107,564 | (414,275) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (43,616) | (332,324) |
| **CASH AND CASH EQUIVALENTS–Beginning of Year** | 92,099 | 424,423 |
| **CASH AND CASH EQUIVALENTS–End of Year** | $ 48,483 | $ 92,099 |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:** | | |
| Loans from Federal Financing Bank provided to CLF members | $ 1,000 | $ - |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**CENTRAL LIQUIDITY FACILITY**

**NOTES TO THE FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2023 and 2022**

## 1. ORGANIZATION AND PURPOSE

The National Credit Union Administration (NCUA) Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership Government corporation under the Government Corporation Control Act. The CLF exists within the NCUA and is managed by the NCUA Board. The CLF became operational on October 1, 1979.

The CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF accomplishes its purpose by lending funds, subject to certain statutory limitations, when a liquidity need arises.

The CLF is subject to various federal laws and regulations. The CLF's investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions.

In response to the Coronavirus Disease of 2019 (COVID-19 pandemic), several temporary changes to the FCU Act and NCUA's Rules and Regulations §725 (the "CLF rule") were made by Congress and the NCUA Board, respectively, in 2020. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020 and the Consolidated Appropriations Act extended the key provisions facilitating agent membership of corporate credit unions in the CARES Act through December 31, 2022.

See Notes 2, 6 and 7 for further information about loans and capital stock.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation –** The CLF has historically prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards-setting body for the establishment of GAAP with respect to the financial statements of Federal Government entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for those federal entities, such as the CLF, that have issued financial statements based upon FASB standards in the past.

**Basis of Accounting –** The CLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. As such, the CLF recognizes interest income on loans and investments when earned, and recognizes interest expense on borrowings when incurred. In addition, the CLF accrues and records dividends on capital stock monthly and pays dividends quarterly.

**Cash Equivalents –** Cash equivalents are highly liquid investments with original maturities of three months or less.

**Investments –** By statute, the CLF investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions. All investments are classified as held-to-maturity in accordance with FASB Accounting Standards Codification (ASC) 320, *Classification of Debt Securities*, as the CLF has the intent and ability to hold these investments until maturity. Accordingly, the CLF reports investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

For investment securities in an unrealized loss position, the CLF first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For investment securities that do not meet the aforementioned criteria, the CLF evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized costs basis.

All of the CLF's held-to-maturity investments are issued by the U.S. government. These investments are generally not expected to have an allowance for credit losses as there is a zero-loss expectation because they are explicitly guaranteed by the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity investment as an adjustment to yield using the effective interest method. Such amortization and accretion are included in the Investment Income line item in the Statements of Operations.

The CLF records investment transactions when they are made.

**Loans and Allowance for Credit Losses –** Loans, when made to members, are typically on a short-term basis but may exceed one year under certain conditions. Loans are recorded at the amount disbursed and bear interest at the higher of the Federal Financing Bank Advance Rate or the Federal Reserve Bank Discount Window Primary Credit Rate. By regulation, member loans are secured by a perfected first priority interest in a borrower's collateral. The CLF requires a collateral margin, based on eligible collateral types, to further protect each loan.

The CLF estimates credit losses on loans using an approach that considers relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of cash flows. The measurement of the allowance for credit losses is based on the difference between the contractual cash flows due under the loan and the cash flows that the CLF expects to collect. Each advance is required to be over-collateralized prior to the loan approval which safeguards the CLF at the inception of the advance. Hence, the CLF has determined that no adjustments to the Allowance for Credit Losses are required at the initial reporting date of the CLF loan. Collateral maintenance, including required adjustments to pledged collateral, over the life of each loan provides protection while loans remain outstanding.

In 2023, the CLF's lending activity included one loan. There was no lending activity in 2022. As of December 31, 2023 and 2022, there were no allowances and no write-offs.

**Borrowings –** The CLF's borrowings are recorded when they are received, do not hold premiums or discounts, and are carried at cost. Repayments are recorded when they are made.

**Income Taxes –** The NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for the CLF.

**Use of Estimates –** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

**Commitments and Contingencies –** Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**Related Parties –** The CLF exists within the NCUA and is owned by its member credit unions and managed by the NCUA Board, in its capacity as the CLF Board. The NCUA Operating Fund (OF) provides the CLF with information technology, support services, and supplies; in addition, the NCUA OF pays the CLF's employees' salaries and benefits, as well as the CLF's portion of monthly building operating costs. The allocation formula to calculate these expenses is based on the number of full-time employees of the respective entities and the estimated amount of time the CLF employees spend performing the CLF functions.

**Recently Adopted Accounting Standards –** On January 1, 2023, the CLF adopted the requirements of Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including held-to-maturity investments and loans receivable. The accounting change as a result of the implementation of ASC 326 is that an allowance for credit losses is recognized before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous incurred loss methodology. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The CLF adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. As a result, the amortized cost basis remains the same before and after the effective date of ASC 326. The CLF recorded no change in the cumulative results of operations as of January 1, 2023 for the cumulative effect of adopting ASC 326. In connection with the adoption of the standard, the CLF made necessary changes to relevant policies and processes.

## 3. CASH AND CASH EQUIVALENTS

The CLF's cash and cash equivalents as of December 31, 2023 and 2022 are as follows (in thousands):

| | 2023 | 2022 |
|---|---|---|
| U.S. Treasury Overnight Investments | $ 47,983 | $ 91,100 |
| Deposits with U.S. Treasury | 500 | 999 |
| Total | $ 48,483 | $ 92,099 |

U.S. Treasury securities had an initial term of less than three months when purchased. As of December 31, 2023, the CLF did not recognize an allowance for credit losses on cash equivalents due to their overall high credit quality and short-term nature.

## 4. INVESTMENTS

The carrying amount, gross unrealized holding gains, gross unrealized holding losses, and the fair value of held-to-maturity debt securities as of December 31, 2023 and 2022 were as follows (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Carrying Amount as of December 31 | $ 845,857 | $ 658,747 |
| Gross Unrealized Holding Gains | 74 | 55 |
| Gross Unrealized Holding Losses | (9,548) | (12,557) |
| Fair Value | $ 836,383 | $ 646,245 |

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

| (Dollars in thousands) | 2023 Net Carrying Amount | 2023 Fair Value | 2022 Net Carrying Amount | 2022 Fair Value |
|---|---|---|---|---|
| Due in one year or less | $ 499,693 | $ 499,271 | $ 350,791 | $ 350,531 |
| Due after one year through five years | 302,937 | 300,061 | 258,083 | 253,171 |
| Due after five years through ten years | 43,227 | 37,051 | 49,873 | 42,543 |
| Total | $ 845,857 | $ 836,383 | $ 658,747 | $ 646,245 |

The following table includes gross unrealized losses on investment securities, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2023 and 2022.

| | Losses Less than 12 Months | | Losses More than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value |
| **As of December 31, 2023** | | | | | | |
| U.S. Treasury Securities | $ (275) | $ 399,728 | $ (9,273) | $ 298,453 | $ (9,548) | $ 698,181 |
| **As of December 31, 2022** | | | | | | |
| U.S. Treasury Securities | $ (8,650) | $ 405,170 | $ (3,907) | $ 16,019 | $ (12,557) | $ 421,189 |

## 5. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and Cash Equivalents –** The carrying amounts for cash and cash equivalents approximate fair value.

**Investments Held to Maturity –** The CLF's investments held-to-maturity are all comprised of U.S. Treasury Securities, for which market prices can be readily obtained. The related fair value is determined using the quoted market prices at the reporting date.

**Loans to Members –** For loans advanced to member credit unions, the carrying amounts approximate fair value because all loans have a maturity of one year or less.

**Note Payable –** For borrowings from Federal Financing Bank, the carrying amount approximate fair value because all loans have a maturity of one year or less.

**Member Deposits –** Funds maintained with the CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand; therefore, carrying amounts approximate the fair value.

**Other –** Accrued interest receivable, accounts payable, accrued interest payable, stock redemption payable, and dividends payable are recorded at book values, which approximate the respective fair values because of the short maturity of these instruments.

The following table presents the carrying amounts and established fair values of the CLF's financial instruments as of December 31, 2023 and 2022. The carrying values and approximate fair values of the CLF's financial instruments are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| (Dollars in thousands) | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Cash and Cash Equivalents | $ 48,483 | $ 48,483 | $ 92,099 | $ 92,099 |
| Investments Held to Maturity | 845,857 | 836,383 | 658,747 | 646,245 |
| Loans to Members | 1,000 | 1,000 | - | - |
| Accrued Interest Receivable | 6,221 | 6,221 | 4,731 | 4,731 |
| Accounts Payable | 663 | 663 | 390 | 390 |
| Dividends and Interest Payable | 9,801 | 9,801 | 10,456 | 10,456 |
| Stock Redemption Payable | 169 | 169 | - | - |
| Note Payable | 1,000 | 1,000 | - | - |
| Accrued Interest Payable | 3 | 3 | - | - |
| Member Deposits | 26,499 | 26,499 | 6,826 | 6,826 |

## 6. LOANS TO MEMBERS

Loans receivable, net as of December 31, 2023 and 2022 consisted of the following (Dollars in thousands):

| | 2023 | 2022 |
|---|---|---|
| Beginning Balance | $ - | $ - |
| Loan Disbursements | 1,000 | - |
| Loan Repayments | - | - |
| Loans Receivable | 1,000 | - |
| Allowance for Loan Losses | - | - |
| Loans Receivable, Net | $ 1,000 | $ - |

The allowance for credit losses was $0 for the years ended December 31, 2023 and 2022 and the CLF did not have any loans in past-due status as of December 31, 2023 and 2022.

Loans outstanding as of December 31, 2023, are scheduled to be repaid as follows (Dollars in thousands):

| Year | Amount |
|---|---|
| 2024 | $ 1,000 |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| 2028 | - |
| Loans Outstanding | $ 1,000 |
| Allowance for Credit Losses | - |
| Total Loans Receivable, Net | $ 1,000 |

## 7. CAPITAL STOCK

Membership in the CLF is open to all credit unions that purchase a prescribed amount of capital stock. The CLF capital stock is non-voting and shares have a par value of $50. Prior to 2020, CLF membership was made up of regular members which are natural person credit unions. During 2020 and 2021, the CARES Act provided temporary authority to enhance CLF membership and lending. The Consolidated Appropriations Act extended key temporary enhancements of the CARES Act through December 31, 2022. Among other benefits, the statutory provisions facilitated agent membership of corporate credit unions by providing greater flexibility and affordability to agent members to join the CLF and serve smaller groups of their covered institutions. Since the statutory expiration, agent membership in the CLF has ceased and the facility is entirely comprised of regular members. The regular members, which are natural person credit unions, may borrow directly from the CLF.

The capital stock account represents subscriptions remitted to the CLF by regular and agent member credit unions. Members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which is required to be remitted to the CLF. Member credit unions are required to hold the remaining one-half in assets subject to call by the NCUA Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are non-cumulative, and are declared and paid on the required portion of capital stock.

The required capital stock is redeemable upon demand by the members, subject to certain conditions as set out in the Act and NCUA regulations; however, the stock is not deemed "mandatorily redeemable" as defined in FASB ASC 480-10-25-7, *Mandatorily Redeemable Financial Instruments*; therefore, capital stock is classified in permanent equity.

The CLF's capital stock accounts were comprised of the following as of December 31, 2023 and 2022 (amounts in thousands, except share data):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Shares | Amounts | Shares | Amounts |
| Regular members | 16,445,695 | $ 822,285 | 13,959,256 | $ 697,963 |

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. Dividends are accrued monthly based on prior quarter-end balances and paid on the first business day after the quarter-end. The dividend rates paid on capital stock for regular and agent members change quarterly. For 2023, the dividend rate was $2.065 per share for the first quarter, $2.295 per share for the second quarter, and $2.31 per share for the third and fourth quarters. For 2022, the dividend rate was $0.10 per share for the first quarter, $0.41 per share for the second quarter, $1.12 per share for the third quarter, and $1.86 per share for the fourth quarter.

## 8. MEMBER DEPOSITS

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

## 9. BORROWING AUTHORITY

The CLF is authorized by statute to borrow, from any source, an amount not to exceed 12 times its subscribed capital stock and surplus. As of December 31, 2023 and 2022, the CLF's statutory borrowing authority was $20.2 billion and $17.2 billion, respectively.

As described above, the borrowing authority amounts are referenced to subscribed capital stock and surplus of the CLF. The CLF borrowing arrangement is exclusively with the Federal Financing Bank (FFB). The NCUA maintains a note purchase agreement with FFB on behalf of the CLF with a current maximum principal amount of $15.0 billion. Under the terms of its agreement, the CLF borrows from FFB as needed. Under terms prescribed by the note purchase agreement, the CLF executes promissory notes in amounts as necessary, the aggregate amount of which may not exceed its statutory borrowing authority, and renews them annually. Advances made under the current promissory note can be made no later than March 31, 2024. The CLF borrowed $1.0 million in 2023 and $0 in 2022.

## 10. RELATED PARTY TRANSACTIONS

The NCUA OF pays the salaries and related benefits of the CLF's employees, as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total, with settlement and payment occurring quarterly. All other CLF reimbursement expenses are paid annually. The total amount charged by the NCUA was approximately $1.8 million and $1.1 million, respectively, for December 31, 2023 and 2022. Accounts payable includes approximately $496.0 thousand and $262.9 thousand, respectively, for December 31, 2023 and 2022, due to the NCUA OF for services provided.

## 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2024, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2023.


# Financial Information

## National Credit Union Administration
## Community Development Revolving Loan Fund

**Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report**

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

## Independent Auditors’ Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

### Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the National Credit Union Administration Community Development Revolving Loan Fund (the CDRLF), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2023 and 2022, and the results of its operations, changes in fund balance, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CDRLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*Auditors’ Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, that are planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2023, we considered the CDRLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDRLF's internal control. We do not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982.*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

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### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDRLF's financial statements as of and for the year ended December 31, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

### Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing and is not to provide an opinion on the effectiveness of the CDRLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2024

**NATIONAL CREDIT UNION ADMINISTRATION**
**COMMUNITY DEVELOPMENT REVOLVING LOAN FUND**

**BALANCE SHEETS**
**As of December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents (Notes 3 and 7) | $ 17,274 | $ 13,730 |
| Loans Receivable, Net (Notes 4 and 7) | 3,250 | 4,500 |
| Interest Receivable (Note 7) | 12 | 5 |
| **TOTAL ASSETS** | $ 20,536 | $ 18,235 |
| **LIABILITIES AND FUND BALANCE** | | |
| Accrued Technical Assistance Grants (Note 7) | $ 4,293 | $ 2,484 |
| **Fund Balance** | | |
| Fund Capital | 14,354 | 14,429 |
| Accumulated Earnings | 1,889 | 1,322 |
| **Total Fund Balance** | 16,243 | 15,751 |
| **TOTAL LIABILITIES AND FUND BALANCE** | $ 20,536 | $ 18,235 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**COMMUNITY DEVELOPMENT REVOLVING LOAN FUND**

**STATEMENTS OF OPERATIONS**
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **REVENUES** | | |
| Interest on Cash Equivalents | $ 537 | $ 148 |
| Interest on Loans | 32 | 23 |
| Appropriations Used (Note 5) | 3,546 | 1,567 |
| Canceled Technical Assistance Grants (Note 5) | (442) | (379) |
| TOTAL REVENUES | 3,673 | 1,359 |
| **EXPENSES** | | |
| Technical Assistance Grants (Note 5) | 3,569 | 1,596 |
| Canceled Technical Assistance Grants (Note 5) | (463) | (409) |
| TOTAL EXPENSES | 3,106 | 1,187 |
| **NET INCOME / (LOSS)** | $ 567 | $ 172 |

See accompanying notes to the financial statements.

## NATIONAL CREDIT UNION ADMINISTRATION
## COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

### STATEMENTS OF CHANGES IN FUND BALANCE
### For the Years Ended December 31, 2023 and 2022
### (Dollars in thousands)

| | Fund Capital | | | | |
|---|---|---|---|---|---|
| | **For Loans** | **For Technical Assistance** | **Total Fund Capital** | **Accumulated Earnings** | **Total Fund Balance** |
| **December 31, 2021** | $ 13,388 | $ 795 | $ 14,183 | $ 1,150 | $ 15,333 |
| Appropriations Received (Note 5) | - | 1,545 | 1,545 | - | 1,545 |
| Appropriations Used (Note 5) | - | (1,567) | (1,567) | - | (1,567) |
| Canceled Appropriations Returned to Treasury (Note 5) | - | (111) | (111) | - | (111) |
| Canceled Technical Assistance Grants (Note 5) | - | 379 | 379 | - | 379 |
| Net Income / (Loss) | - | - | - | 172 | 172 |
| **December 31, 2022** | $ 13,388 | $ 1,041 | $ 14,429 | $ 1,322 | $ 15,751 |
| Appropriations Received (Note 5) | - | 3,500 | 3,500 | - | 3,500 |
| Appropriations Used (Note 5) | - | (3,546) | (3,546) | - | (3,546) |
| Canceled Appropriations Returned to Treasury (Note 5) | - | (471) | (471) | - | (471) |
| Canceled Technical Assistance Grants (Note 5) | - | 442 | 442 | - | 442 |
| Net Income / (Loss) | - | - | - | 567 | 567 |
| **December 31, 2023** | $ 13,388 | $ 966 | $ 14,354 | $ 1,889 | $ 16,243 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**COMMUNITY DEVELOPMENT REVOLVING LOAN FUND**

**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31, 2023 and 2022**
**(Dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Income / (Loss) | $ 567 | $ 172 |
| Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities | | |
| Appropriations Used | (3,546) | (1,567) |
| Canceled Technical Assistance Grants | 442 | 379 |
| Changes in Assets and Liabilities | | |
| (Increase) / Decrease in Interest Receivable | (7) | 2 |
| Increase / (Decrease) in Accrued Technical Assistance Grants | 1,809 | (65) |
| Net Cash Used in Operating Activities | (735) | (1,079) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Loan Principal Repayments | 3,500 | 750 |
| Loan Disbursements | (2,250) | (500) |
| Net Cash Provided by Investing Activities | 1,250 | 250 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Appropriations Received 2023/2024 | 3,500 | - |
| Canceled Appropriations Returned to Treasury 2017/2018 | (471) | - |
| Appropriations Received 2022/2023 | - | 1,545 |
| Canceled Appropriations Returned to Treasury 2016/2017 | - | (111) |
| Net Cash Provided by Financing Activities | 3,029 | 1,434 |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | 3,544 | 605 |
| **CASH AND CASH EQUIVALENTS — Beginning of year** | 13,730 | 13,125 |
| **CASH AND CASH EQUIVALENTS — End of year** | $ 17,274 | $ 13,730 |

See accompanying notes to the financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION**
**COMMUNITY DEVELOPMENT REVOLVING LOAN FUND**

**NOTES TO THE FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2023 and 2022**

## 1. ORGANIZATION AND PURPOSE

The Community Development Revolving Loan Fund (CDRLF) for credit unions was established by an act of Congress (Public Law 96-123, November 20, 1979) to stimulate economic development in low-income communities. The National Credit Union Administration (NCUA) and the Community Services Administration (CSA) jointly adopted Part 705 of the NCUA Rules and Regulations, governing administration of the CDRLF, on February 28, 1980.

Upon the dissolution of CSA in 1983, administration of the CDRLF was transferred to the Department of Health and Human Services (HHS). From 1983 through 1990, the CDRLF was dormant.

The Community Development Credit Union Transfer Act (Public Law 99-609, November 6, 1986) transferred the CDRLF administration back to the NCUA. The NCUA Board adopted amendments to Part 705 of the NCUA Rules and Regulations on September 16, 1987 and began making loans/deposits to participating credit unions in 1990.

The CDRLF stimulates economic activities in the communities served by low-income designated federally-chartered and state-chartered credit unions through its loan and technical assistance grant program. These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members, and respond to emergencies. The policy of the NCUA is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation –** The CDRLF prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of federal entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for federal entities that have issued financial statements based upon FASB standards in the past.

**Basis of Accounting –** The CDRLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. In addition, the CDRLF records investment transactions when they are executed and recognizes interest on investments when it is earned.

**Use of Estimates –** The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- the disclosure of contingent assets and liabilities, if any, at the date of the financial statements; and
- the reported amounts of revenues and expenses during the reporting period.

**Cash Equivalents –** Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act (Public Law 73-467, as amended) permits the CDRLF to make investments in United States Treasury securities. All investments in 2023 and 2022 are cash equivalents and are stated at cost, which approximates fair value. All of the NCUA's U.S. Treasury securities held by the Fund are issued by the U.S. government. These securities are generally not expected to have an allowance for credit losses as there is a zero-loss expectation because they are explicitly guaranteed by the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses.

**Loans Receivable and Allowance for Credit Losses –** Since inception, Congress has appropriated a total of $13.4 million for the CDRLF revolving loan program. The CDRLF awards loan amounts of up to $500,000 to participating credit unions based on financial condition. These loans have a maximum term of five years and are subject to the interest rate provided by the CDRLF Loan Interest Rate policy, which is reviewed annually. Effective March 29, 2019, the CDRLF set the interest rate to 1.50%, an increase from the previous rate of 0.60% set on May 1, 2014. Interest is to be paid on a semiannual basis beginning six months after the initial distribution of the loan and every six months thereafter until maturity. Principal is to be repaid on the maturity date of the loan.

In 2020, the NCUA, through the CDRLF, developed the COVID-19 Emergency Fund Initiative to provide grants and interest-free loans to assist low-income designated credit unions (LICUs) as they responded to COVID-19 related hardships and worked to alleviate the impact of the crisis in their communities. Through this initiative, eligible credit unions received a three-year interest-free loan of up to $250,000. Principal is to be repaid on the maturity date of the loan. Additional information is described in Note 4.

Loans are initially recognized at their disbursed amount, and subsequently at amortized cost, net of the allowance for credit losses, if any. The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis; loans evaluated on an individual basis are not included in the collective evaluation. When management determines that a credit union's specific risk characteristics criteria conditions exist, such as a low CAMELS[1] rating, the borrower's credit risk and circumstances have changed, management determines whether individual loan loss evaluation is necessary. The NCUA determines the current expected credit losses using the Weighted Average Remaining Maturity (WARM) method.

The WARM method uses current loan balances, historical annualized charge-off rates, and the estimated remaining life for each loan, subject to any qualitative adjustments, to estimate the allowance for credit losses. Based on historical credit loss data, the CDRLF had not incurred a significant credit loss in the past twenty years for any of the loans it has issued to participating credit unions. As the regulator of credit unions, the NCUA is responsible for the supervision and safety of the credit union industry, and as such, the CDRLF has access to proprietary examination data of each credit union, which provides insight into the financial condition of borrowers. NCUA management utilizes the recent CAMELS ratings, loan payment information, and changes in borrower's credit risk and circumstances to periodically evaluate and assess its loan portfolio. Additions to the allowance for expected credit losses are made by charges to the provision for credit losses.

**Technical Assistance Grants –** The CDRLF issues technical assistance grants to low-income credit unions using multiyear appropriated funds and income generated from the revolving fund. Grant income and expense are recognized when the CDRLF makes a formal commitment to the recipient credit union for technical assistance grants.

*Multiyear Funds*
The CDRLF grant program is primarily funded through an annual appropriation from Congress. During the two-year period of availability, multiyear funds can be obligated to participating credit unions. At the end of the period of availability, the appropriation expires and the expired appropriation remains available for five more years and can be used for recording, adjusting, and making disbursements to liquidate obligations. At the end of the five-year period, the appropriation account closes and any remaining obligated and unobligated balances are canceled. Canceled appropriations are returned to the U.S. Treasury and credited back to the original appropriated fund from which they were awarded. Canceled technical assistance grants are deobligations of multiyear funds awarded in current or prior years.

1 The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity Risk, and Sensitivity to Market Risk (CAMELS). The NCUA employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes.

*Revolving Fund*
The CDRLF can also award technical assistance grants from the revolving fund. These grants are recognized as technical assistance grants expense when the funds are obligated to participating credit unions. If a grant awarded from the revolving fund is canceled, the funds are recognized as canceled technical assistance grants.

**Fair Value Measurements –** Cash and cash equivalents; loans receivable, net; interest receivable; and accrued technical assistance grants are recorded at book value, which approximates estimated fair value.

**Related Party Transactions –** The NCUA, through the Operating Fund (OF), provides certain general and administrative support to the CDRLF, including personnel costs such as pay and benefits as well as other costs which include but are not limited to telecommunications, supplies, printing, and postage. The value of these contributed services is not charged to the CDRLF.

**Revenue Recognition –** Appropriation revenue is recognized as the related technical assistance grant expense is recognized. Total appropriation revenues will differ from total technical assistance grant expenses because technical assistance grants are funded by both appropriations and income generated from the revolving fund. Interest on cash equivalents and interest on loans is recognized when earned.

**Income Taxes –** The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

**Contingencies –** Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**Recently Adopted Accounting Standards –** On January 1, 2023, the NCUA adopted the requirements of Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans receivable. The accounting change as a result of the implementation of ASC 326 is that an allowance for credit losses is recognized before a loss event has been incurred, which results in earlier recognition of credit losses compared to the previous loss methodology. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The NCUA adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. As a result, the amortized cost basis remains the same before and after the effective date of ASC 326. The NCUA recorded no change in the cumulative results of operations as of January 1, 2023 for the cumulative effect of adopting ASC 326. In connection with the adoption of the standard, the NCUA made necessary changes to relevant policies and processes. Refer to Note 3 and Note 4 for disclosures associated with the adoption.

## 3. CASH AND CASH EQUIVALENTS

The CDRLF's cash and cash equivalents as of December 31, 2023 and 2022 are as follows (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Deposits with U.S. Treasury | $ 6,244 | $ 4,500 |
| U.S. Treasury Overnight Investments | 11,030 | 9,230 |
| Total | $ 17,274 | $ 13,730 |

As of December 31, 2023, the NCUA did not recognize an allowance for credit losses on our cash equivalents due to their overall high credit quality and short-term nature.

## 4. LOANS RECEIVABLE, NET

Loans receivable, net as of December 31, 2023 and 2022 consisted of the following (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Loans to Participating Credit Unions | $ 3,250 | $ 3,000 |
| COVID-19 Emergency Loans | - | 1,500 |
| Loans Receivable | 3,250 | 4,500 |
| Allowance for Credit Losses | - | - |
| Loans Receivable, Net | $ 3,250 | $ 4,500 |

The allowance for credit losses was $0 for the years ended December 31, 2023 and 2022 and the CDRLF did not have any loans in past-due status as of December 31, 2023 and 2022.

The COVID-19 Emergency Fund Initiative loans are three-year interest-free notes made to credit unions to alleviate the impact of COVID-19. As of December 31, 2023, all COVID-19 loans are matured and carrying amounts have been realized in full. The CDRLF has the intent and ability to hold its loans to maturity and expects to realize the carrying amount in full.

Loans outstanding as of December 31, 2023, are scheduled to be repaid as follows (in thousands):

| Year | Amount |
|---|---|
| 2024 | $ 750 |
| 2025 | - |
| 2026 | - |
| 2027 | 500 |
| 2028 | 2,000 |
| Loans Outstanding | $ 3,250 |
| Allowance for Credit Losses | - |
| Total Loans Receivable, Net | $ 3,250 |

## 5. TECHNICAL ASSISTANCE GRANTS

The CDRLF administers a technical grant assistance program to fulfill its mission to stimulate economic growth in low-income communities. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used.

*Multiyear Funds*
In 2023, the CDRLF received a $3.5 million appropriation from Congress. This multiyear appropriation is available for obligation through September 30, 2024. As of December 31, 2023, the CDRLF obligated $3.5 million and canceled $441.8 thousand of technical assistance grants awarded from multiyear funds.

In 2022, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation was available for obligation through September 30, 2023. As of December 31, 2022, the CDRLF obligated $1.6 million and canceled $379.1 thousand of technical assistance grants awarded from multiyear funds.

Canceled appropriations returned to Treasury were $470.8 thousand from the FY 2017 appropriation and $111.2 thousand from the FY 2016 appropriation in 2023 and 2022, respectively.

*Revolving Fund*
As of December 31, 2023, the CDRLF awarded $22.5 thousand and canceled $21.1 thousand of technical assistance grants awarded from the revolving fund. As of December 31, 2022, the CDRLF awarded $28.8 thousand and canceled $30.3 thousand of technical assistance grants awarded from the revolving fund.

## 6. CONCENTRATION OF CREDIT RISK

The CDRLF has the authority to provide loans to low-income designated credit unions. At the discretion of the NCUA, participating credit unions can record an awarded loan as a nonmember deposit, which qualifies up to $250,000 of the loan proceeds to be insured by the National Credit Union Share Insurance Fund. Loan balances that exceed $250,000 are uninsured and pose a potential credit risk to the CDRLF. The aggregate total of uninsured loans was $1.0 million as of December 31, 2023 and 2022.

## 7. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table presents the carrying values and established fair values of the CDRLF's financial instruments as of December 31, 2023 and 2022 (in thousands):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Estimated Fair Value** | **Carrying Amount** | **Estimated Fair Value** |
| Assets | | | | |
| Cash and Cash Equivalents | $ 17,274 | $ 17,274 | $ 13,730 | $ 13,730 |
| Loans Receivable, Net | 3,250 | 3,426 | 4,500 | 4,554 |
| Interest Receivable | 12 | 12 | 5 | 5 |
| Liabilities | | | | |
| Accrued Technical Assistance Grants | 4,293 | 4,293 | 2,484 | 2,484 |

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Loans Receivable, Net –** Fair value is estimated using an income approach by separately discounting each individual loan's projected future cash flow. The discount rate reflects the pricing and is commensurate with the risk of the loans to the CDRLF. Loans are valued annually on December 31.

**Other –** The carrying amounts for cash and cash equivalents, interest receivable, and accrued technical assistance grants approximate fair value.

## 8. RELATED PARTY TRANSACTIONS

The NCUA, through the OF, supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits as well as other costs, which include but are not limited to telecommunications, supplies, printing, and postage.

For the years ended December 31, 2023 and 2022, the NCUA, through the OF, provided the following unreimbursed administrative support to the CDRLF (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Personnel | $ 777 | $ 929 |
| Other | 128 | 79 |
| Total | $ 905 | $ 1,008 |

## 9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2024, which is the date the financial statements were available to be issued. Management determined there were no significant items to be disclosed as of December 31, 2023.


(L to R) NCUA Board Vice-Chairman Kyle S. Hauptman, NCUA Board Chairman Todd M. Harper, NCUA Board Member Tanya F. Otsuka.

# Other Information

## About the Other Information Section

The Other Information section includes:

### Summary of Financial Statement Audit and Management Assurances

The Summary of Financial Statement Audit and Management Assurances provides information about the material weaknesses reported by the NCUA or through the audit process. The NCUA reported no material weaknesses in 2023.

### Management and Performance Challenges

The Management and Performance Challenges is a statement by the NCUA Inspector General summarizing what the Inspector General considers to be the most serious management and performance challenges facing the agency and assessing the agency's progress in addressing those challenges.

### Payment Integrity

The Payment Integrity section summarizes the NCUA's efforts to maintain payment integrity and to develop effective controls designed to prevent, detect, and recover improper payments. The NCUA did not have any high-risk programs in 2023.

### Civil Monetary Penalty Adjustment for Inflation

The Civil Monetary Penalty Adjustment for Inflation section reports on the NCUA's annual inflation adjustments to civil monetary penalties as required under the Federal Civil Penalties Inflation Adjustment Act Improvement Act of 2015.

# Summary of Financial Statement Audits

Summary of the results of the independent audits of the financial statements of NCUA's four funds by the agency's auditors in connection with the 2023 audit.

| National Credit Union Share Insurance Fund | | | | | |
|---|---|---|---|---|---|
| Audit Opinion | Unmodified | | | | |
| Restatement | No | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 |

| Operating Fund | | | | | |
|---|---|---|---|---|---|
| Audit Opinion | Unmodified | | | | |
| Restatement | No | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 |

| Central Liquidity Facility | | | | | |
|---|---|---|---|---|---|
| Audit Opinion | Unmodified | | | | |
| Restatement | No | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 |

| Community Development Revolving Loan Fund | | | | | |
|---|---|---|---|---|---|
| Audit Opinion | Unmodified | | | | |
| Restatement | No | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 |

# Summary of Management Assurances

Summary of management assurances related to the effectiveness of internal control over financial reporting and its conformance with federal financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers' Financial Integrity Act of 1982.

| Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)<br>(Federal Management Financial Integrity Act Paragraph 2) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Unmodified | | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

| Effectiveness of Internal Control Over Operations (FMFIA § 2)<br>(Federal Management Financial Integrity Act Paragraph 2) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Unmodified | | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

| Conformance with Federal Financial Management System Requirements (FMFIA § 4)<br>(Federal Management Financial Integrity Act Paragraph 4) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Federal Systems conform to financial management system requirements | | | | | |
| Non-Conformances | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Total Non-Conformances | 0 | 0 | 0 | 0 | 0 | 0 |

# Management and Performance Challenges

National Credit Union Administration

**Office of Inspector General**

OIG/JH

SENT BY EMAIL

**TO:** The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Tanya F. Otsuka, Board Member

**FROM:** Inspector General James W. Hagen

**SUBJ:** Top Management and Performance Challenges Facing the National Credit Union Administration for 2024

**DATE:** February 15, 2024

The Inspector General is required by the Reports Consolidation Act of 2000, 31 U.S.C. § 3516, to provide an annual statement on the top management and performance challenges facing the agency and to briefly assess the agency's progress to address them. We identified the top challenges facing the National Credit Union (NCUA) for 2024 based on our past and ongoing work, our knowledge of the NCUA's programs and operations, information from the U.S. Government Accountability Office, and NCUA management and staff. In determining whether to identify an issue as a challenge, we consider its significance in relation to the NCUA's mission, its susceptibility to fraud, waste, or abuse, and the NCUA's progress in addressing the challenge.

We identified five Top Challenges facing the NCUA as follows:

1. Managing Interest Rate Risk
2. Managing Credit and Liquidity Risks
3. Cybersecurity – Protecting Systems and Data
4. Risks Posed by Third-Party Service Providers
5. Industry Consolidation and Challenges Facing Small Credit Unions

We believe our identification of Top Challenges will be beneficial and constructive for policy makers, including the NCUA and Congressional oversight bodies. We further hope that it is informative for the credit union industry regarding the programs and operations at the NCUA and the challenges it faces.

Information on the challenge areas and related Office of Inspector General work products are found in the attachment. If you have any questions, please contact me or Bill Bruns, Deputy Inspector General.

Attachment

cc: Executive Director Larry D. Fazio
Deputy Executive Director Rendell L. Jones
General Counsel Frank S. Kressman
Director, Office of External Affairs and Communications Elizabeth A. Eurgubian

## INTRODUCTION

Below is a brief overview of the NCUA's organizational structure, its mission, and vision, as well as details on each of the top management challenges my office identified for 2024.

**Organizational Structure**

The NCUA is an independent federal agency that insures deposits at all federal and most state-chartered credit unions and regulates federally chartered credit unions. A Presidentially appointed three-member Board oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.

**Agency Mission and Vision**

In its Strategic Plan 2022-2026, the NCUA states it works to achieve the statutory mission of the credit union system of meeting the credit and savings needs of members, especially those of modest means, and can achieve that objective by advancing economic equity and justice within communities of color, rural places, and underserved areas. NCUA states it must also foster greater diversity, equity, and inclusion within the NCUA, the credit union system, and the broader financial services sector.

## AGENCY CHALLENGES

***Managing Interest Rate Risk***

The economic environment is a key determinant of credit union performance. The Federal Reserve adjusts the federal funds rate based on economic indicators, with the goal of achieving its dual mandate of keeping prices stable and maximizing employment. The tightening in U.S. monetary policy over the past 2 years has increased the importance of interest rate risk management at credit unions as higher interest rates continue to expand market risk. Job and wage growth and low unemployment supported consumer spending throughout the year, with spending growth strengthening in the second half of 2023 as inflation moved lower. Even so, performance in key sectors for credit unions was mixed. New car sales strengthened considerably in 2023, whereas elevated mortgage rates and home prices weighed heavily on housing activity, causing home sales to fall to a 12-year low.

High levels of interest rate risk can increase a credit union's liquidity risks, contribute to asset quality deterioration and capital erosion, and put pressure on earnings. Credit unions must be prudent and proactive in managing interest rate risk and the related risks to capital, asset quality, earnings, and liquidity. This is particularly the case for those credit unions whose assets are concentrated in fixed-rate long term mortgages that were originated when interest rates were at record lows.

My office issued audit report #OIG-15-11 that recommended NCUA management develop an "S" component (Sensitivity to Market Risk) to better capture a credit union's sensitivity to market risk and to improve interest rate risk clarity and transparency. Since April 2022, the NCUA has been using the revised CAMELS Rating System that includes the S rating, which has helped the agency keep a sharp focus on these risks to ensure they remain within safe and sound policy limits. For 2024, the NCUA must continue to analyze the S component to determine whether credit unions are proactively managing their interest rate risk and the related risks to capital, asset quality, earnings, and liquidity to ensure their overall level of interest exposure is properly measured and controlled.

Despite the rapid tightening in credit conditions, the credit union system turned in a solid performance in 2023. However, the ability to manage economic risks will remain a crucial determinant of credit union performance. Credit unions' ability to manage and mitigate interest rate risk and the NCUA's continued focus to ensure it is monitored and measured will continue to be extremely important in 2024.

***Managing Credit Risk and Liquidity Risk***

The general outlook for the economy in 2024 is favorable. However, slowing growth and moderately higher unemployment could cause challenges for credit unions, such as reduced loan demand and higher credit risk. The changing interest rate environment will also affect credit union performance. In 2023, rising short-term interest rates put pressure on credit unions to raise deposit rates to avoid deposit attrition. The expected decline in short-term interest rates in 2024 should relieve pressure on credit union funding costs and liquidity. However, many experts believe longer-term, rates are expected to fall, which could also put downward pressure on credit union loan rates.

I am pleased agency regulations contain scaled credit union contingency funding plan expectations, based on a credit union's assets. In July 2023, the NCUA issued Letter to Credit Unions 23-CU-06, *Importance of Contingency Funding Plans*, and added an addendum to the 2010 *Interagency Policy Statement on Funding and Liquidity Risk Management*, both of which will help reinforce the need for credit unions to adjust to changing market conditions. It is imperative the NCUA examines institutions under this framework in 2024. Also, audit report #OIG-15-11 recommended that the NCUA modify the "L" (Liquidity) in the CAMELS rating system to not only evaluate credit unions' policies, procedures, and risk limits, but also credit unions' current and prospective sources of liquidity, the adequacy of its liquidity risk management framework relative to its size, complexity, and risk profile compared to funding needs. NCUA management agreed with the OIG's recommendation and redefined the "L" component in April 2022.

***Cybersecurity and IT Governance – Protecting Systems and Data***

Cybersecurity risks continue to remain a significant, persistent, and ever-changing threat to the financial sector. Credit unions' growing reliance on increasingly complex technology-related operating environments exposes the credit union system to escalating cyberattacks. Cyberattacks can affect the safety and soundness of institutions and lead to their failure, thus causing losses to the NCUA's Share Insurance Fund. The prevalence of malware, ransomware, distributed denial of service attacks, and other forms of cyberattacks are causing challenges at credit unions of all sizes, which will require credit unions to continually evolve and adapt to counter these threats effectively. These trends are likely to continue, and even accelerate, in the years ahead.

For 2024, the NCUA must continue to prioritize this area as a key examination focus and continue to assess whether credit unions have implemented robust information security programs to safeguard both members and the credit unions themselves. The NCUA must remain focused on advancing consistency, transparency, and accountability within its information technology and cybersecurity examination program. To help the agency provide credit unions the capability to conduct a maturity assessment aligned with the Federal Financial Institutions Examination Council Cybersecurity Assessment Tool, the NCUA must continue to use the Automated Cybersecurity Evaluation Tool (ACET) application, which allows institutions, regardless of size, to maintain a high level of vigilance and ability to respond to evolving cybersecurity threats by measuring their cybersecurity preparedness and identifying opportunities for improvement. I am pleased the NCUA encourages credit unions to access the NCUA's Cybersecurity Resources webpage for cybersecurity information and resources. These resources provide valuable insights and guidance to help credit unions strengthen their cybersecurity stance and stay abreast of the latest developments.

Given the growing frequency and severity of cyber incidents within the financial services industry, NCUA has emphasized the importance in receiving timely notice of cyber incidents that disrupt a credit union's operations, lead to unauthorized access to sensitive data, or disrupt members' access to accounts or services. As a result, effective September 2023, the NCUA implemented a new Cyber Incident Notification Reporting Rule mandating federally insured credit unions swiftly—within 72 hours—notify the NCUA after the credit union reasonably believes that a reportable cyber incident has occurred. This rule also recommends credit unions notify the NCUA if a third-party provider experiences a cyber incident affecting the credit union. In the OIG's 2024 Annual Work Plan, my office has two audits planned to address cybersecurity-related issues. One will assess whether the new reporting rule is working as intended and the other will review the agency's efforts to share threat information.

To ensure the NCUA remains vigilant in protecting its systems and data, in 2023, my office contracted with CliftonLarsonAllen, LLP (CLA) to assess how well the agency is preventing and detecting cyber threats. In May 2023, we issued audit report #OIG-23-05, which reviewed the NCUA's network, including its firewalls, to determine the strength of its defense strategy to protect the agency's network. The audit reviewed the agency's software that collects, aggregates, categorizes, and analyzes log data and incidents and events generated throughout the organization's technology infrastructure, as well as the security-related incidents and events reports that could signal potential security issues based on failed logins and malware and other possible malicious activities. CLA determined that although NCUA management needed to strengthen some internal controls, overall, the agency had adequately designed and implemented its firewall and security information and event management security technologies to prevent and detect cybersecurity threats.

In addition, pursuant to the Federal Information Modernization Act of 2014 (FISMA), P.L. 113-283, we contract with CLA to annually evaluate the NCUA's implementation of FISMA information security requirements and the effectiveness of the agency's information security program on a maturity model scale. On September 14, 2023, we issued CLA's FISMA report titled, *National Credit Union Administration Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2023*, #OIG-23-08. CLA determined the NCUA implemented an effective information security program by achieving an overall Level 4 - Managed and Measurable maturity level, complied with FISMA, and substantially complied with agency information security and privacy policies and procedures. As stated in its 2022-2026 Strategic Plan, NCUA management recognizes that cybersecurity threats and other technology-related issues continue to concern the agency as increasingly sophisticated cyberattacks pose a significant threat to credit unions, financial regulators, and the broader financial services sector.

***Risk Posed by Third-Party Vendors and Credit Union Service Organizations***

Even with implementation of the Cyber Incident Notification Reporting Rule, the credit union system remains vulnerable because the NCUA lacks vendor oversight authority. Without this authority, the NCUA cannot accurately assess the actual risk present in the credit union system or determine if the risk-mitigation strategies of credit union service organizations and third-party vendors, which provide much of the industry's information technology infrastructure, are adequate and can effectively protect the system from potential attacks. This regulatory blind spot leaves thousands of credit unions, millions of credit union members, and billions of dollars in assets potentially exposed to unnecessary risks. To address this, the NCUA continues to request authority comparable to its counterparts on the Federal Financial Institutions Examination Council (FFIEC) to examine credit union service organizations and third-party vendors.

Although Congress provided the NCUA vendor oversight authority in 1998 in response to concerns about the Y2K changeover, that authority expired in 2002. Since then, the OIG, the Financial Stability Oversight Council, and the Government Accountability Office have each recommended that this authority be restored.

Currently, the NCUA may only examine credit union service organizations and third-party vendors with their permission, and vendors, at times, decline these requests. Further, vendors can reject the NCUA's recommendations to implement appropriate corrective actions to mitigate identified risks. This lack of authority stands in stark contrast to the authority of NCUA's counterparts on the FFIEC.

Activities that are fundamental to the credit union mission, such as loan origination, lending services, Bank Secrecy Act/anti-money laundering compliance, and financial management, are being outsourced to entities that are outside of the NCUA's regulatory oversight. In addition, credit unions are increasingly using third-party vendors to provide technological services, including information security and mobile and online banking. Member data is stored on vendors' servers.

As I have stated in previous Top Management Challenges statements, in 2020, my office issued audit report #OIG-20-07 on NCUA's lack of vendor authority. In that audit, we determined the NCUA needs authority over CUSOs and vendors to effectively identify and reduce the risks vendor relationships pose to credit unions to protect the Share Insurance Fund. The audit concluded that despite the NCUA's ability to conduct limited credit union service organization reviews, there is currently nothing in the Federal Credit Union Act that provides the NCUA with the authority to supervise credit union service organizations to hold them accountable for unsafe and unsound practices that have direct and lasting impact on the credit unions they serve. In addition, the audit determined the lack of statutory vendor oversight and regulatory enforcement authority hinders the NCUA's ability to conduct effective reviews of vendors. As a result, the NCUA's Share Insurance Fund is exposed to risk from credit union service organizations and vendors that can cause significant financial hardship, or even failure to the credit unions that use them.

While there are many advantages to using service providers, the concentration of credit union services within credit union service organizations and third-party vendors presents safety and soundness and compliance risk for the credit union industry. In his November 2023 testimony before the U.S. House of Representatives Committee on Financial Services, NCUA Board Chairman Harper urged in his written testimony that Congress should amend the Federal Credit Union Act because the risks resulting from the NCUA's lack of authority are real, expanding, and potentially dangerous for the nation's financial infrastructure.

The continued transfer of operations to credit union service organizations and vendors lessens the ability of NCUA to accurately assess all the risks present in the credit union system and determine if current risk mitigation strategies are adequate. Audit report #OIG-20-07 confirmed that the NCUA needs comparable authority as its FFIEC counterparts to ensure a safe and sound credit union system.

***Industry Consolidation and Challenges Facing Small Credit Unions***

Small credit unions face challenges to their long-term viability for a variety of reasons, including lower returns on assets, declining membership, high loan delinquencies, increasing non-interest expenses, and a lack of succession planning for credit union boards and key personnel. If current consolidation trends persist, there will be fewer credit unions in operation and those that remain will be considerably larger and more complex.

To ensure the NCUA continues to help the credit union system grow, my office is currently conducting an audit reviewing the NCUA's chartering activities. The objectives of the engagement will determine whether: 1) the NCUA's efforts to streamline its chartering process have made it more efficient and effective for potential organizers interested in applying for a new federal credit union charter; and 2) the NCUA has adequately communicated its revised chartering process to potential organizers interested in applying for a charter and operating a federally insured credit union.

In the third quarter of 2023, there were 710 federally insured credit unions with assets of at least $500 million, 30 percent more than five years earlier. These 710 credit unions represented only 15 percent of all federally insured credit unions but accounted for 82 percent of credit union members and 83 percent of system-wide assets. In comparison, the remaining 3,935 credit unions accounted for only 18 percent of credit union members and 17 percent of the system's total assets.

Large credit unions tend to offer more complex products, services, and investments. Increasingly complex institutions will pose management challenges for the institutions themselves, as well as the NCUA, because consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

Additionally, all credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile. For example, credit unions may need to explore how to meet the needs of an aging population, a growing Hispanic population, or an increasing consumer population that prefers using digital services. The NCUA must continue to promote financial inclusion to better serve a changing population and economy. For 2024, the NCUA should continue to develop initiatives to create opportunities to promote financial education and financial inclusion and foster an environment where those with low-to-moderate incomes, people with disabilities, and the otherwise underserved have access to affordable financial services.

# Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. For all programs and activities in which the risk of improper payments is significant, agencies are to estimate the annual amount of improper payments made in those programs.

The NCUA's risk assessments have consistently indicated that none of the agency's programs are susceptible to significant improper payments; therefore, per OMB guidelines, the NCUA is required to conduct risk assessments every three years, or sooner if a program has a significant change in legislation, a significant increase in funding or a determination of possible significant improper payments in the following year. The agency's last assessment was conducted in FY 2023. The results of this assessment continued to support the determination that all of the NCUA evaluated programs are low risk.

Detailed information on improper payments for the U.S. government is available online at PaymentAccuracy.gov. Data from the NCUA is not included on this website because the NCUA does not have any programs that the OMB considers susceptible to significant improper payments.

# Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to improve effectiveness and to maintain their deterrent effect.

The following are the civil monetary penalties that NCUA may impose, the authority for imposing the penalty, year enacted, latest year of adjustment and current penalty level. Additional information about these penalties and the latest adjustment is available in the *Federal Register*.

| Penalty | Statutory Authority | Year Enacted | Latest Year of Adjustment | Current Penalty Level |
|---|---|---|---|---|
| Inadvertent failure to submit a report or the inadvertent submission of a false or misleading report | 12 U.S.C. 1782(a)(3) | 1989 | 2024 | $4,899 |
| Non-inadvertent failure to submit a report or the non-inadvertent submission of a false or misleading report | 12 U.S.C. 1782(a)(3) | 1989 | 2024 | $48,992 |
| Failure to submit a report or the submission of a false or misleading report done knowingly or with reckless disregard | 12 U.S.C. 1782(a)(3) | 1989 | 2024 | Lesser of $2,449,575 or 1 percent of total credit union assets |
| Tier 1 civil monetary penalty for inadvertent failure to submit certified statement of insured shares and charges due to NCUSIF, or inadvertent submission of false or misleading statement | 12 U.S.C. 1782(d)(2)(A) | 1991 | 2024 | $4,480 |
| Tier 2 civil monetary penalty for non-inadvertent failure to submit certified statement or submission of false or misleading statement | 12 U.S.C. 1782(d)(2)(B) | 1991 | 2024 | $44,783 |

| Penalty | Statutory Authority | Year Enacted | Latest Year of Adjustment | Current Penalty Level |
|---|---|---|---|---|
| Tier 3 civil monetary penalty for failure to submit a certified statement or the submission of a false or misleading statement done knowingly or with reckless disregard | 12 U.S.C. 1782(d)(2)(C) | 1991 | 2024 | Lesser of $2,239,210 or 1 percent of total credit union assets |
| Non-compliance with insurance logo requirements | 12 U.S.C. 1785(a)(3) | 2006 | 2024 | $153 |
| Non-compliance with NCUA security requirements | 12 U.S.C. 1785(e)(3) | 1970 | 2024 | $356 |
| Tier 1 civil monetary penalty for violations of law, regulation, and other orders or agreements | 12 U.S.C. 1786(k)(2)(A) | 1989 | 2024 | $12,249 |
| Tier 2 civil monetary penalty for violations of law, regulation, and other orders or agreements and for recklessly engaging in unsafe or unsound practices or breaches of fiduciary duty | 12 U.S.C. 1786(k)(2)(B) | 1989 | 2024 | $61,238 |
| Tier 3 civil monetary penalty for knowingly committing the violations under Tier 1 or 2 | 12 U.S.C. 1786(k)(2)(C) | 1989 | 2024 | Lesser of $2,449,575 or 1 percent of total credit union assets |
| Non-compliance with senior examiner post-employment restrictions | 12 U.S.C. 1786(w)(5)(A)(ii) | 2004 | 2024 | $402,920 |
| Non-compliance with appraisal independence standards (first violation) | 15 U.S.C. 1639e(k) | 2010 | 2024 | $14,069 |
| Subsequent violations of the same | 15 U.S.C. 1639e(k) | 2010 | 2024 | $28,135 |
| Non-compliance with flood insurance requirements | 42 U.S.C. 4012a(f)(5) | 2012 | 2024 | $2,661 |


A Panel discussion at the NCUA's 2023 Diversity, Equity, and Inclusion Summit.

# Statistical Data

## About the Statistical Data Section

The National Credit Union Administration compiles and releases quarterly data on the credit union system's financial performance, merger activity, changes in credit union chartering and fields of membership, as well as broader economic trends affecting credit unions. This section contains an overview of the credit union system's financial performance. Users can find information on a single credit union or analyze broader nation-wide trends in the Credit Union Analysis section of NCUA.gov.

# National Credit Union Share Insurance Fund Ten-Year Trends

| Fiscal year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income (In Thousands)** | | | | | | | | | | |
| Premium | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Investment | $ 208,259 | $ 218,526 | $ 227,172 | $ 209,136 | $ 284,716 | $ 306,467 | $ 272,005 | $ 236,781 | $ 286,795 | $ 431,707 |
| Other income | $ 5,633 | $ 5,187 | $ 2,463 | $ 487,103 | $ 18,158 | $ 13,768 | $ 10,648 | $ 3,965 | $ 685 | $ 235 |
| Total Income | $ 213,892 | $ 223,713 | $ 229,635 | $ 696,239 | $ 302,874 | $ 320,235 | $ 282,653 | $ 240,746 | $ 287,480 | $ 431,942 |
| **Expenses (In Thousands)** | | | | | | | | | | |
| Operating | 179,818 | 197,752 | 209,260 | 199,015 | 187,395 | 191,164 | 181,100 | 199,231 | 208,194 | 234,421 |
| Insurance losses | (41,840) | (35,411) | 7,870 | 726,295 | 113,826 | (40,595) | 68,688 | (143,014) | (39,518) | (12,202) |
| Total expenses | 137,978 | 162,341 | 217,130 | 925,310 | 301,221 | 150,569 | 249,788 | 56,217 | 168,826 | 222,228 |
| Net income (in thousands) | $ 75,914 | $ 61,372 | $ 12,505 | $ (229,071) | $ 1,653 | $ 169,666 | $ 32,865 | $ 184,529 | $ 118,654 | $ 209,714 |
| **Data Highlights** | | | | | | | | | | |
| Total Equity (in millions) | 11,625 | 12,095 | 12,742 | 15,853 | 15,905 | 16,596 | 18,432 | 20,589 | 21,841 | 22,369 |
| Equity as a percentage of shares in insured credit unions | 1.29% | 1.26% | 1.24% | 1.46% | 1.39% | 1.35% | 1.26% | 1.26% | 1.30% | 1.30% |
| NCUSIF loss per $1,000 of insured shares | $ (0.05) | $ (0.02) | $ 0.01 | $ 0.67 | $ (0.10) | $ 0.03 | $ 0.05 | $ (0.09) | $ (0.02) | $ (0.01) |
| **Operating Ratios** | | | | | | | | | | |
| Premium Income | - | - | - | - | - | - | - | - | - | - |
| Investment Income | 97.4% | 97.5% | 98.9% | 30.0% | 94.0% | 95.7% | 96.2% | 98.4% | 99.8% | 99.9% |
| Other Income: | 2.6% | 2.5% | 1.1% | 70.0% | 6.0% | 4.3% | 3.8% | 1.6% | 0.2% | 0.1% |
| Operating Expenses | 84.1% | 109.1% | 91.1% | 28.6% | 61.9% | 59.7% | 64.1% | 82.8% | 72.4% | 54.3% |
| Insurance Losses (Gain) | -19.6% | -92.7% | 3.4% | 104.3% | 37.6% | -12.7% | 24.3% | -59.4% | -13.7% | -2.8% |
| Total Expenses (neg expense) | 64.5% | 16.4% | 94.5% | 132.9% | 99.5% | 47.0% | 88.4% | 23.4% | 58.7% | 51.4% |
| Net Income | 35.5% | 83.6% | 5.4% | -32.9% | 0.5% | 53.0% | 11.6% | 76.6% | 41.3% | 48.6% |
| **Involuntary Liquidations Commenced** | | | | | | | | | | |
| Number | 10 | 11 | 11 | 5 | 7 | 1 | - | 4 | 4 | 1 |
| Share payouts (in thousands) | 150,111 | 138,635 | 10,163 | 159,841 | 1,407,357 | 61,761 | - | 8,107 | 11,063 | 2,693 |
| Share payouts as a percentage of total insured shares | 0.017% | 0.014% | 0.001% | 0.015% | 0.123% | 0.005% | 0.000% | 0.001% | 0.001% | 0.000% |
| Shares in liquidated credit unions (in thousands) | 140,581 | 145,829 | 8,240 | 162,783 | 1,454,234 | 17,683 | - | 12,290 | 12,009 | 700 |
| **Mergers** | | | | | | | | | | |
| Assisted | 5 | 5 | 3 | 5 | 1 | 1 | 0 | 3 | 2 | 2 |
| Unassisted | 234 | 218 | 207 | 201 | 174 | 137 | 122 | 142 | 162 | 143 |
| **Section 208 (FCU Act) Assistance to Avoid Liquidation (In Thousands)** | | | | | | | | | | |
| Capital notes and other cash advance outstanding | 54,600 | - | - | - | - | - | - | - | - | - |
| Non-cash guarantee accounts | 4,720.00 | - | - | 1,104,500 | - | 1,252 | 4,152,100 | - | 1,395 | 600 |
| Number of active cases | 5 | 1 | 1 | 3 | - | 2 | 1 | - | 3 | 2 |
| **Number of Troubled, Insured Credit Unions (CAMELS 4 & 5)** | | | | | | | | | | |
| Number | 276 | 220 | 196 | 196 | 194 | 188 | 155 | 129 | 122 | 125 |
| Shares (millions) | 10,234 | 7,662 | 8,586 | 8,665 | 10,441 | 9,629 | 9,913 | 8,041 | 4,961 | 4,941 |
| Problem case shares as a percentage of insured shares | 1.13% | 0.80% | 0.83% | 0.80% | 0.92% | 0.79% | 0.61% | 0.49% | 0.29% | 0.28% |

Values rounded from underlying data.

# Credit Union Performance Five-Year Trends

| | | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Summary Credit Union Data | | | | | | | | | | | | |
| Federally insured credit unions | | | | | | | | | | | | |
| Federally insured credit unions | Number | 5,375 | 5,236 | 5,099 | 4,942 | 4,760 | 4,712 | 4,686 | 4,645 | 4,604 | -3.3 | -156 |
| Federal credit unions | Number | 3,376 | 3,283 | 3,185 | 3,100 | 2,980 | 2,950 | 2,931 | 2,908 | 2,880 | -3.4 | -100 |
| Federally insured, state-chartered credit unions | Number | 1,999 | 1,953 | 1,914 | 1,842 | 1,780 | 1,762 | 1,755 | 1,737 | 1,724 | -3.1 | -56 |
| Credit unions with low-income designation | Number | 2,554 | 2,605 | 2,642 | 2,627 | 2,612 | 2,596 | 2,585 | 2,575 | 2,483 | -4.9 | -129 |
| Number of members | Millions | 116.2 | 120.4 | 124.3 | 129.5 | 135.2 | 136.6 | 137.8 | 138.8 | 139.3 | 3.0 | 4.0 |
| Number of deposits | Millions | 221.4 | 232.0 | 240.9 | 251.1 | 262.8 | 267.6 | 271.2 | 274.5 | 276.5 | 5.2 | 13.7 |
| Number of loans outstanding | Millions | 68.2 | 70.7 | 71.9 | 77.9 | 87.9 | 88.4 | 89.1 | 89.2 | 89.4 | 1.8 | 1.6 |
| Total assets | $ Billions | 1,453.4 | 1,566.7 | 1,844.5 | 2,060.3 | 2,167.7 | 2,211.1 | 2,218.5 | 2,229.3 | 2,255.8 | 4.1 | 88 |
| Total assets, four quarter growth | Percent | 5.4 | 7.8 | 17.7 | 11.7 | 5.2 | 4.4 | 3.8 | 3.7 | 4.1 | | -1.1 |
| Total loans | $ Billions | 1,043.6 | 1,108.0 | 1,162.6 | 1,255.2 | 1,506.6 | 1,530.3 | 1,561.6 | 1,589.7 | 1,602.7 | 6.4 | 96 |
| Total loans, four quarter growth | Percent | 9.0 | 6.2 | 4.9 | 8.0 | 20.0 | 17.6 | 12.6 | 9.1 | 6.4 | | -13.6 |
| Average outstanding loan balance | $ | 15,298 | 15,668 | 16,179 | 16,119 | 17,145 | 17,314 | 17,528 | 17,827 | 17,922 | 4.5 | 778 |
| Total deposits | $ Billions | 1,219.7 | 1,319.8 | 1,587.6 | 1,788.6 | 1,849.9 | 1,889.3 | 1,877.6 | 1,875.7 | 1,881.1 | 1.7 | 31 |
| Total deposits, four quarter growth | Percent | 5.2 | 8.2 | 20.3 | 12.7 | 3.4 | 2.0 | 1.2 | 0.9 | 1.7 | | -1.7 |
| Average deposit balance | $ | 10,500 | 10,966 | 12,773 | 13,808 | 13,678 | 13,828 | 13,630 | 13,512 | 13,506 | -1.3 | -172 |
| Insured shares and deposits | $ Billions | 1,139.8 | 1,224.3 | 1,466.7 | 1,632.0 | 1,683.1 | 1,727.7 | 1,720.8 | 1,716.0 | 1,719.7 | 2.2 | 37 |
| Insured shares and deposits, four quarter growth | Percent | 4.9 | 7.4 | 19.8 | 11.3 | 3.1 | 2.4 | 2.0 | 1.4 | 2.2 | | -1.0 |
| Key Ratios | | | | | | | | | | | | |
| Net worth ratio [1] | Percent | 11.30 | 11.37 | 10.32 | 10.26 | 10.74 | 10.48 | 10.63 | 10.72 | 10.70 | | -0.04 |
| Return on average assets | Percent | 0.92 | 0.93 | 0.70 | 1.07 | 0.88 | 0.81 | 0.79 | 0.76 | 0.69 | | -0.20 |
| Loan to share ratio | Percent | 85.6 | 84.0 | 73.2 | 70.2 | 81.4 | 81.0 | 83.2 | 84.8 | 85.2 | | 3.76 |
| Median credit union average cost of funds | Percent | 0.33 | 0.44 | 0.37 | 0.24 | 0.24 | 0.41 | 0.49 | 0.56 | 0.67 | | 0.43 |
| Median credit union average yield on loans | Percent | 5.16 | 5.25 | 5.10 | 4.84 | 4.69 | 4.95 | 5.06 | 5.18 | 5.29 | | 0.60 |
| Median credit union net interest margin | Percent | 3.26 | 3.38 | 2.94 | 2.53 | 2.72 | 3.08 | 3.14 | 3.21 | 3.23 | | 0.51 |
| Median credit union return on average assets | Percent | 0.56 | 0.60 | 0.39 | 0.50 | 0.51 | 0.62 | 0.67 | 0.67 | 0.60 | | 0.10 |

[1] Quarters 2023q1 and later: Excludes the CECL transition provision (Account NW0004)
N/M – Not Meaningful

| | | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| **Lending (Year-to-Date, Annual Rate)** | | | | | | | | | | | | |
| Loans granted | $ Billions | 506.8 | 546.0 | 672.2 | 788.9 | 761.4 | 535.0 | 561.8 | 562.1 | 545.1 | -28.4 | -216 |
| Real estate loans (includes commercial) | $ Billions | 173.4 | 212.6 | 323.7 | 358.5 | . | . | . | . | . | -- | -- |
| Real estate, fixed rate, first mortgage (includes commercial) | $ Billions | 106.5 | 146.8 | 256.3 | 273.5 | . | . | . | . | . | -- | -- |
| Real estate loans (excludes commercial) | $ Billions | . | . | . | . | 252.2 | 140.7 | 157.8 | 166.2 | 161.9 | -35.8 | -90 |
| Real estate, fixed rate, first mortgage (excludes commercial) | $ Billions | . | . | . | . | 148.9 | 64.6 | 73.9 | 76.7 | 72.0 | -51.6 | -77 |
| Commercial loans (granted or purchased) | $ Billions | 24.9 | 27.2 | 33.4 | 46.5 | 57.6 | 36.3 | 37.0 | 36.0 | 35.7 | -38.0 | -22 |
| Payday alternative loans | $ Millions | 143.2 | 174.1 | 157.3 | 168.0 | 227.1 | 229.3 | 257.1 | 261.9 | 270.8 | 19.2 | 44 |
| **Delinquency** | | | | | | | | | | | | |
| Delinquent loans | $ Billions | 7.4 | 7.8 | 7.0 | 6.1 | 9.3 | 8.0 | 9.8 | 11.4 | 13.3 | 43.4 | 4.02 |
| Total delinquency rate | Percent | 0.71 | 0.70 | 0.60 | 0.49 | 0.61 | 0.53 | 0.63 | 0.72 | 0.83 | | 0.21 |
| Non-commercial real estate delinquency rate | Percent | . | . | . | . | 0.43 | 0.30 | 0.44 | 0.49 | 0.56 | | 0.13 |
| Non-commercial real estate first mortgage delinquency rate | Percent | . | . | . | . | 0.44 | 0.29 | 0.44 | 0.49 | 0.56 | | 0.12 |
| Fixed-rate real estate delinquency rate (includes commercial) | Percent | 0.44 | 0.43 | 0.43 | 0.31 | . | . | . | . | . | | -- |
| Auto delinquency rate | Percent | 0.66 | 0.65 | 0.50 | 0.42 | 0.67 | 0.58 | 0.67 | 0.78 | 0.90 | | 0.23 |
| Credit card delinquency rate | Percent | 1.35 | 1.40 | 1.02 | 0.96 | 1.48 | 1.48 | 1.54 | 1.90 | 2.11 | | 0.63 |
| Non-commercial loan delinquency rate | Percent | . | . | . | . | 0.64 | 0.54 | 0.65 | 0.75 | 0.85 | | 0.21 |
| Commercial loan delinquency rate | Percent | 0.67 | 0.64 | 0.69 | 0.44 | 0.33 | 0.35 | 0.42 | 0.45 | 0.61 | | 0.28 |
| Net charge-offs | $ Billions | 5.8 | 6.1 | 5.1 | 3.2 | 4.7 | 7.9 | 8.1 | 8.6 | 9.5 | 102.9 | 4.83 |
| Net charge offs, percent of average loans | Percent | 0.58 | 0.56 | 0.45 | 0.26 | 0.34 | 0.52 | 0.53 | 0.56 | 0.61 | | 0.27 |
| **Asset Distribution** | | | | | | | | | | | | |
| 25% of credit unions are smaller than | $ Millions | 9.2 | 9.7 | 11.5 | 12.8 | 13.7 | 13.9 | 14.0 | 14.0 | 14.1 | 2.4 | 0.33 |
| 50% of credit unions are smaller than | $ Millions | 33.2 | 35.2 | 43.4 | 49.4 | 53.5 | 54.9 | 54.5 | 55.6 | 55.9 | 4.6 | 2.44 |
| 75% of credit unions are smaller than | $ Millions | 129.2 | 139.1 | 167.1 | 192.5 | 211.3 | 216.3 | 216.6 | 220.3 | 225.6 | 6.8 | 14.29 |
| 90% of credit unions are smaller than | $ Millions | 507.7 | 564.4 | 688.4 | 799.1 | 875.8 | 897.2 | 899.5 | 907.4 | 934.8 | 6.7 | 58.93 |

N/M – Not Meaningful

| | Units | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Income and Expense (Year-to-date, Annual Rate) | | | | | | | | | | | | |
| Federally insured credit unions | | | | | | | | | | | | |
| Gross income | $ Billions | 73.8 | 82.5 | 83.8 | 85.6 | 95.3 | 113.0 | 116.8 | 119.8 | 123.1 | 29.2 | 27.80 |
| Total interest income | $ Billions | 54.0 | 61.2 | 60.2 | 59.0 | 71.5 | 89.0 | 92.3 | 95.3 | 98.1 | 37.3 | 26.63 |
| Gross interest income | $ Billions | 47.1 | 52.9 | 53.8 | 53.4 | 61.5 | 74.2 | 76.6 | 79.4 | 81.8 | 33.0 | 20.27 |
| Less interest refunds | $ Billions | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | -2.0 | 0.00 |
| Investment income | $ Billions | 7.0 | 8.2 | 6.1 | 5.6 | 10.0 | 14.8 | 15.7 | 15.9 | 16.3 | 63.3 | 6.33 |
| Trading income | $ Billions | 0.0 | . | . | . | . | . | . | . | . | -- | -- |
| Unrealized gain (loss) due to change in fair value of equity and trading debt securities [1] | $ Billions | . | 0.1 | 0.3 | . | . | . | . | . | . | -- | -- |
| Other interest income [2] | $ Billions | . | . | . | . | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 160.2 | 0.03 |
| Total non-interest income | $ Billions | 19.8 | 21.2 | 23.6 | 26.6 | 23.8 | 24.0 | 24.5 | 24.4 | 25.0 | 4.9 | 1.17 |
| Fee income | $ Billions | 8.8 | 9.0 | 8.1 | 9.0 | 9.6 | 9.2 | 9.5 | 9.7 | 9.8 | 1.7 | 0.17 |
| Other income [3] | $ Billions | 10.7 | 11.4 | 14.4 | 16.3 | 13.8 | 13.5 | 13.6 | 13.6 | 13.9 | 0.1 | 0.02 |
| Gains, losses, and other non-interest income [4] | $ Billions | 0.3 | 0.7 | 1.0 | 1.3 | 0.4 | 1.3 | 1.4 | 1.1 | 1.4 | 267.9 | 0.99 |
| Total expense (with provision for loan and lease losses or credit loss expense) | $ Billions | 60.8 | 68.4 | 71.8 | 64.7 | 76.6 | 95.3 | 99.4 | 103.2 | 107.9 | 40.9 | 31.31 |
| Non-interest expense | $ Billions | 44.5 | 48.3 | 51.3 | 55.1 | 60.2 | 63.5 | 64.0 | 64.4 | 65.2 | 8.3 | 4.97 |
| Employee compensation and benefits | $ Billions | 22.6 | 24.9 | 26.8 | 28.6 | 31.1 | 33.4 | 33.4 | 33.5 | 33.8 | 8.4 | 2.62 |
| Office expense | $ Billions | 11.2 | 12.0 | 12.7 | 13.6 | 14.5 | 15.2 | 15.3 | 15.5 | 15.7 | 7.6 | 1.11 |
| Loan servicing expense | $ Billions | 3.1 | 3.2 | 3.4 | 3.8 | 4.2 | 4.2 | 4.3 | 4.4 | 4.4 | 5.5 | 0.23 |
| Other non-interest expense | $ Billions | 7.6 | 8.2 | 8.3 | 9.1 | 10.4 | 10.7 | 10.9 | 11.0 | 11.4 | 9.8 | 1.01 |
| Total interest expense | $ Billions | 9.8 | 13.5 | 12.0 | 8.4 | 10.9 | 23.1 | 26.2 | 28.9 | 31.4 | 188.3 | 20.54 |
| Interest on borrowed money | $ Billions | 1.5 | 1.5 | 1.2 | 0.9 | 2.1 | 4.6 | 5.1 | 5.5 | 5.8 | 176.4 | 3.70 |
| Share dividends | $ Billions | 7.4 | 10.7 | 9.5 | 6.7 | 7.9 | 16.4 | 18.6 | 20.5 | 22.4 | 182.8 | 14.48 |
| Interest on deposits | $ Billions | 0.9 | 1.3 | 1.3 | 0.9 | 0.9 | 2.1 | 2.5 | 2.9 | 3.3 | 265.8 | 2.36 |
| Provision for loan and lease losses or credit loss expense | $ Billions | 6.5 | 6.5 | 8.5 | 1.2 | 5.5 | 8.7 | 9.2 | 9.9 | 11.3 | 105.9 | 5.80 |
| Net income | $ Billions | 13.0 | 14.1 | 11.9 | 20.8 | 18.7 | 17.7 | 17.4 | 16.6 | 15.2 | -18.8 | -3.50 |
| Net income, percent of average assets | Percent | 0.92 | 0.93 | 0.70 | 1.07 | 0.88 | 0.81 | 0.79 | 0.76 | 0.69 | | -0.20 |
| Net interest margin | $ Billions | 44.3 | 47.7 | 48.1 | 50.6 | 60.6 | 65.9 | 66.1 | 66.5 | 66.6 | 10.1 | 6.09 |
| Net interest margin, percent of average assets | Percent | 3.13 | 3.16 | 2.82 | 2.59 | 2.86 | 3.01 | 3.02 | 3.02 | 3.01 | | 0.15 |
| Average assets | $ Billions | 1,416.1 | 1,510.0 | 1,705.6 | 1,952.4 | 2,114.0 | 2,189.4 | 2,193.1 | 2,198.5 | 2,211.8 | 4.6 | 97.73 |

[1] 2019q1-2019q4: Interest income on securities held in a trading account
[2] Account IS0005
[3] Quarters 2021q1 and later: Account IS0020. Quarters before 2021q1: Account 659.
[4] Other non-interest income: Account 440
N/M - Not Meaningful

| | | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Income and Expense (Year-to-date, Annual Rate, Percent of Average Assets) | | | | | | | | | | | | |
| Federally insured credit unions | | | | | | | | | | | | |
| Gross income | Percent | 5.21 | 5.46 | 4.91 | 4.38 | 4.51 | 5.16 | 5.33 | 5.45 | 5.56 | | 1.06 |
| Total interest income | Percent | 3.82 | 4.06 | 3.53 | 3.02 | 3.38 | 4.07 | 4.21 | 4.34 | 4.44 | | 1.05 |
| Gross interest income | Percent | 3.33 | 3.51 | 3.16 | 2.73 | 2.91 | 3.39 | 3.49 | 3.61 | 3.70 | | 0.79 |
| Less interest refunds | Percent | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Investment income | Percent | 0.50 | 0.55 | 0.36 | 0.29 | 0.47 | 0.68 | 0.72 | 0.72 | 0.74 | | 0.27 |
| Trading income | Percent | 0.00 | . | . | . | . | . | . | . | . | | -- |
| Unrealized gain (loss) due to change in fair value of equity and trading debt securities [1] | Percent | . | 0.01 | 0.02 | . | . | . | . | . | . | | -- |
| Other interest income [2] | Percent | . | . | . | . | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Total non-interest income | Percent | 1.40 | 1.40 | 1.38 | 1.36 | 1.13 | 1.10 | 1.12 | 1.11 | 1.13 | | 0.00 |
| Fee income | Percent | 0.62 | 0.60 | 0.48 | 0.46 | 0.45 | 0.42 | 0.43 | 0.44 | 0.44 | | -0.01 |
| Other income [3] | Percent | 0.76 | 0.76 | 0.84 | 0.83 | 0.65 | 0.62 | 0.62 | 0.62 | 0.63 | | -0.03 |
| Gains, losses, and other non-interest income [4] | Percent | 0.02 | 0.05 | 0.06 | 0.07 | 0.02 | 0.06 | 0.06 | 0.05 | 0.06 | | 0.04 |
| Total expense (with provision for loan and lease losses or credit loss expense) | Percent | 4.30 | 4.53 | 4.21 | 3.31 | 3.62 | 4.35 | 4.53 | 4.69 | 4.88 | | 1.26 |
| Non-interest expense | Percent | 3.14 | 3.20 | 3.01 | 2.82 | 2.85 | 2.90 | 2.92 | 2.93 | 2.95 | | 0.10 |
| Employee compensation and benefits | Percent | 1.60 | 1.65 | 1.57 | 1.47 | 1.47 | 1.53 | 1.52 | 1.52 | 1.53 | | 0.05 |
| Office expense | Percent | 0.79 | 0.79 | 0.74 | 0.69 | 0.69 | 0.70 | 0.70 | 0.70 | 0.71 | | 0.02 |
| Loan servicing expense | Percent | 0.22 | 0.21 | 0.20 | 0.19 | 0.20 | 0.19 | 0.20 | 0.20 | 0.20 | | 0.00 |
| Other non-interest expense | Percent | 0.54 | 0.55 | 0.49 | 0.47 | 0.49 | 0.49 | 0.50 | 0.50 | 0.51 | | 0.02 |
| Total interest expense | Percent | 0.69 | 0.90 | 0.71 | 0.43 | 0.52 | 1.06 | 1.19 | 1.31 | 1.42 | | 0.91 |
| Interest on borrowed money | Percent | 0.10 | 0.10 | 0.07 | 0.04 | 0.10 | 0.21 | 0.23 | 0.25 | 0.26 | | 0.16 |
| Share dividends | Percent | 0.52 | 0.71 | 0.55 | 0.34 | 0.37 | 0.75 | 0.85 | 0.93 | 1.01 | | 0.64 |
| Interest on deposits | Percent | 0.06 | 0.09 | 0.08 | 0.04 | 0.04 | 0.10 | 0.11 | 0.13 | 0.15 | | 0.10 |
| Provision for loan and lease losses or credit loss expense | Percent | 0.46 | 0.43 | 0.50 | 0.06 | 0.26 | 0.40 | 0.42 | 0.45 | 0.51 | | 0.25 |
| Net income | Percent | 0.92 | 0.93 | 0.70 | 1.07 | 0.88 | 0.81 | 0.79 | 0.76 | 0.69 | | -0.20 |
| Net interest margin | Percent | 3.13 | 3.16 | 2.82 | 2.59 | 2.86 | 3.01 | 3.02 | 3.02 | 3.01 | | 0.15 |

[1]2019q1-2019q4: Interest income on securities held in a trading account
[2]Account IS0005
[3]Quarters 2021q1 and later: Account IS0020. Quarters before 2021q1: Account 659.
[4]Other non-interest income: Account 440
N/M – Not Meaningful

| | Units | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Balance Sheet | | | | | | | | | | | | |
| Federally insured credit unions | | | | | | | | | | | | |
| Total assets | $ Billions | 1,453.4 | 1,566.7 | 1,844.5 | 2,060.3 | 2,167.7 | 2,211.1 | 2,218.5 | 2,229.3 | 2,255.8 | 4.1 | 88.13 |
| Cash | $ Billions | 88.3 | 115.4 | 232.8 | 255.0 | 130.3 | 162.1 | 147.7 | 145.7 | 160.4 | 23.1 | 30.05 |
| Cash on hand | $ Billions | 10.9 | 12.0 | 23.4 | 18.5 | 26.2 | 25.3 | 25.5 | 25.6 | 27.0 | 3.1 | 0.80 |
| Deposits: All other deposits [1] | $ Billions | . | . | . | . | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 8.1 | 0.03 |
| Investments | | | | | | | | | | | | |
| Total investments | $ Billions | 258.0 | 269.1 | 361.5 | 457.4 | 435.6 | 429.1 | 418.5 | 402.4 | 397.3 | -8.8 | -38.31 |
| Investments less than or equal to 1 year | $ Billions | 76.7 | 85.6 | 106.7 | 98.1 | 89.9 | 90.9 | 96.5 | 98.5 | 98.4 | 9.5 | 8.52 |
| Investments 1-3 years | $ Billions | 86.3 | 92.0 | 113.7 | 115.8 | 114.6 | 114.1 | 111.1 | 109.3 | 106.9 | -6.8 | -7.75 |
| Investments 3-10 years | $ Billions | 91.0 | 85.9 | 128.1 | 225.2 | 210.0 | 200.1 | 186.9 | 171.3 | 170.6 | -18.7 | -39.37 |
| Investments 3-5 years | $ Billions | 59.3 | 54.7 | 74.2 | 127.3 | 94.6 | 86.6 | 82.0 | 75.9 | 75.3 | -20.4 | -19.33 |
| Investments 5-10 years | $ Billions | 31.8 | 31.2 | 53.9 | 97.9 | 115.4 | 113.5 | 104.9 | 95.4 | 95.4 | -17.4 | -20.05 |
| Investments more than 10 years | $ Billions | 3.9 | 5.6 | 13.0 | 18.3 | 21.1 | 24.1 | 24.0 | 23.3 | 21.4 | 1.4 | 0.30 |
| Allowance for credit losses on held-to-maturity debt securities [2] | $ Billions | . | . | . | . | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,886.5 | 0.01 |
| Total loans | $ Billions | 1,043.6 | 1,108.0 | 1,162.6 | 1,255.2 | 1,506.6 | 1,530.3 | 1,561.6 | 1,589.7 | 1,602.7 | 6.4 | 96.15 |
| Loans secured by 1-4 family residential properties | $ Billions | 446.9 | 480.7 | 511.1 | 550.9 | 659.7 | 669.6 | 684.9 | 699.8 | 708.1 | 7.3 | 48.41 |
| Secured by first lien | $ Billions | 367.5 | 397.8 | 435.1 | 475.4 | 554.5 | 559.7 | 568.0 | 575.5 | 577.1 | 4.1 | 22.58 |
| Secured by junior lien | $ Billions | 79.4 | 82.9 | 76.0 | 75.6 | 105.2 | 109.9 | 116.9 | 124.4 | 131.1 | 24.5 | 25.83 |
| All other real estate loans | $ Billions | 3.8 | 2.8 | 2.5 | 2.3 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 2.0 | 0.04 |
| Credit cards | $ Billions | 61.8 | 66.0 | 61.8 | 64.2 | 74.2 | 74.2 | 76.6 | 78.7 | 82.0 | 10.5 | 7.76 |
| Auto loans | $ Billions | 365.9 | 375.1 | 380.0 | 404.5 | 485.5 | 493.1 | 497.8 | 501.1 | 498.2 | 2.6 | 12.69 |
| New autos | $ Billions | 147.2 | 147.6 | 142.1 | 142.0 | 173.4 | 175.6 | 176.5 | 176.7 | 175.4 | 1.1 | 1.99 |
| Used autos | $ Billions | 218.7 | 227.5 | 238.0 | 262.5 | 312.1 | 317.5 | 321.3 | 324.4 | 322.8 | 3.4 | 10.70 |
| Non-federally guaranteed student loans | $ Billions | 5.1 | 5.5 | 6.0 | 6.5 | 7.5 | 7.5 | 7.4 | 7.4 | 7.3 | -2.2 | -0.16 |
| Commercial loans (excludes unfunded commitments) | $ Billions | 71.0 | 81.8 | 94.3 | 111.7 | 139.0 | 143.6 | 148.5 | 152.9 | 157.2 | 13.1 | 18.18 |
| Secured by real estate | $ Billions | 63.8 | 74.5 | 86.6 | 103.2 | 128.6 | 133.0 | 137.4 | 141.5 | 145.5 | 13.2 | 16.91 |
| Not secured by real estate | $ Billions | 7.1 | 7.4 | 7.7 | 8.5 | 10.4 | 10.6 | 11.2 | 11.4 | 11.7 | 12.2 | 1.27 |
| Other loans | $ Billions | 89.0 | 96.0 | 106.9 | 115.1 | 138.7 | 140.3 | 144.6 | 147.9 | 148.0 | 6.7 | 9.24 |
| Unfunded commitments for commercial loans | $ Billions | 5.7 | 7.1 | 8.1 | 10.6 | 14.5 | 14.2 | 14.2 | 14.4 | 14.4 | -0.3 | -0.05 |
| Other assets | $ Billions | 63.5 | 74.3 | 87.6 | 92.7 | 94.9 | 89.5 | 90.4 | 91.2 | 95.1 | 0.2 | 0.22 |

[1] Account AS0008

[2] Account AS0041. Quarters 2022q1-2023q2: Allowance for credit losses on investments.

N/M – Not Meaningful

| | | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Total liabilities and net worth | $ Billions | 1,453.4 | 1,566.7 | 1,844.5 | 2,060.3 | 2,167.7 | 2,211.1 | 2,218.5 | 2,229.3 | 2,255.8 | 4.1 | 88.13 |
| Total deposits | $ Billions | 1,219.7 | 1,319.8 | 1,587.6 | 1,788.6 | 1,849.9 | 1,889.3 | 1,877.6 | 1,875.7 | 1,881.1 | 1.7 | 31.22 |
| Share drafts | $ Billions | 192.8 | 208.0 | 291.5 | 367.1 | 382.1 | 393.0 | 383.6 | 377.1 | 369.5 | -3.3 | -12.56 |
| Regular shares | $ Billions | 426.9 | 444.5 | 568.1 | 655.9 | 656.8 | 642.3 | 614.1 | 588.0 | 569.0 | -13.4 | -87.84 |
| Other deposits | $ Billions | 600.1 | 667.2 | 728.0 | 765.6 | 811.0 | 853.9 | 879.9 | 910.5 | 942.6 | 16.2 | 131.62 |
| Money market accounts | $ Billions | 261.9 | 274.8 | 341.9 | 407.3 | 394.6 | 369.4 | 351.4 | 340.0 | 331.7 | -15.9 | -62.85 |
| Share certificate accounts | $ Billions | 238.2 | 287.1 | 276.0 | 247.6 | 296.8 | 362.1 | 404.5 | 444.3 | 483.9 | 63.1 | 187.14 |
| IRA/Keogh accounts | $ Billions | 77.6 | 81.0 | 83.9 | 83.2 | 82.4 | 82.8 | 83.7 | 84.3 | 84.8 | 2.9 | 2.39 |
| Non-member deposits | $ Billions | 11.9 | 12.9 | 11.7 | 11.3 | 21.5 | 23.5 | 24.2 | 26.2 | 27.6 | 28.4 | 6.11 |
| All other shares | $ Billions | 10.6 | 11.5 | 14.6 | 16.2 | 15.8 | 16.1 | 16.2 | 15.8 | 14.6 | -7.4 | -1.16 |
| Net worth [3] | $ Billions | 164.2 | 178.2 | 190.4 | 211.6 | 232.7 | 231.7 | 235.7 | 239.1 | 241.5 | 3.8 | 8.74 |
| Net worth, percent of assets [3] | Percent | 11.30 | 11.37 | 10.32 | 10.26 | 10.74 | 10.48 | 10.63 | 10.72 | 10.70 | | -0.04 |
| Addenda | | | | | | | | | | | | |
| Real estate loans | $ Billions | 514.5 | 558.0 | 600.2 | 656.4 | 790.2 | 804.5 | 824.1 | 843.2 | 855.5 | 8.3 | 65.36 |
| Real estate fixed rate, first mortgage (includes commercial) | $ Billions | 308.0 | 345.0 | 396.9 | 460.4 | . | . | . | . | . | -- | -- |
| Real estate fixed rate, first mortgage (excludes commercial) | $ Billions | . | . | . | . | 470.8 | 472.6 | 476.6 | 479.0 | 475.6 | 1.0 | 4.74 |
| Business loans | | | | | | | | | | | | |
| Net member business loan balance for regulatory reporting, Part 723 [4] | $ Billions | 67.8 | 77.7 | 90.1 | 107.1 | 133.2 | 137.6 | 142.4 | 146.4 | 150.5 | 13.0 | 17.36 |

[3] Quarters 2023q1 and later: Excludes the CECL transition provision (Account NW0004)
[4] Account 400A
N/M – Not Meaningful

| | | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Balance Sheet (Percent of Assets) | | | | | | | | | | | | |
| Federally insured credit unions | | | | | | | | | | | | |
| Total assets | Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | | |
| Cash | Percent | 6.1 | 7.4 | 12.6 | 12.4 | 6.0 | 7.3 | 6.7 | 6.5 | 7.1 | | 1.10 |
| Cash on hand | Percent | 0.8 | 0.8 | 1.3 | 0.9 | 1.2 | 1.1 | 1.2 | 1.1 | 1.2 | | -0.01 |
| Deposits: All other deposits [1] | Percent | . | . | . | . | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.00 |
| Investments | | | | | | | | | | | | |
| Total investments | Percent | 17.7 | 17.2 | 19.6 | 22.2 | 20.1 | 19.4 | 18.9 | 18.0 | 17.6 | | -2.48 |
| Investments less than or equal to 1 year | Percent | 5.3 | 5.5 | 5.8 | 4.8 | 4.1 | 4.1 | 4.4 | 4.4 | 4.4 | | 0.22 |
| Investments 1-3 years | Percent | 5.9 | 5.9 | 6.2 | 5.6 | 5.3 | 5.2 | 5.0 | 4.9 | 4.7 | | -0.55 |
| Investments 3-10 years | Percent | 6.3 | 5.5 | 6.9 | 10.9 | 9.7 | 9.0 | 8.4 | 7.7 | 7.6 | | -2.12 |
| Investments 3-5 years | Percent | 4.1 | 3.5 | 4.0 | 6.2 | 4.4 | 3.9 | 3.7 | 3.4 | 3.3 | | -1.03 |
| Investments 5-10 years | Percent | 2.2 | 2.0 | 2.9 | 4.8 | 5.3 | 5.1 | 4.7 | 4.3 | 4.2 | | -1.10 |
| Investments more than 10 years | Percent | 0.3 | 0.4 | 0.7 | 0.9 | 1.0 | 1.1 | 1.1 | 1.0 | 0.9 | | -0.02 |
| Allowance for credit losses on held-to-maturity debt securities [2] | Percent | . | . | . | . | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.00 |
| Total loans | Percent | 71.8 | 70.7 | 63.0 | 60.9 | 69.5 | 69.2 | 70.4 | 71.3 | 71.0 | | 1.55 |
| Loans secured by 1-4 family residential properties | Percent | 30.7 | 30.7 | 27.7 | 26.7 | 30.4 | 30.3 | 30.9 | 31.4 | 31.4 | | 0.96 |
| Secured by first lien | Percent | 25.3 | 25.4 | 23.6 | 23.1 | 25.6 | 25.3 | 25.6 | 25.8 | 25.6 | | 0.00 |
| Secured by junior lien | Percent | 5.5 | 5.3 | 4.1 | 3.7 | 4.9 | 5.0 | 5.3 | 5.6 | 5.8 | | 0.96 |
| All other real estate loans | Percent | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | | 0.00 |
| Credit cards | Percent | 4.3 | 4.2 | 3.4 | 3.1 | 3.4 | 3.4 | 3.5 | 3.5 | 3.6 | | 0.21 |
| Auto loans | Percent | 25.2 | 23.9 | 20.6 | 19.6 | 22.4 | 22.3 | 22.4 | 22.5 | 22.1 | | -0.31 |
| New autos | Percent | 10.1 | 9.4 | 7.7 | 6.9 | 8.0 | 7.9 | 8.0 | 7.9 | 7.8 | | -0.22 |
| Used autos | Percent | 15.0 | 14.5 | 12.9 | 12.7 | 14.4 | 14.4 | 14.5 | 14.6 | 14.3 | | -0.09 |
| Non-federally guaranteed student loans | Percent | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | | -0.02 |
| Commercial loans (excludes unfunded commitments) | Percent | 4.9 | 5.2 | 5.1 | 5.4 | 6.4 | 6.5 | 6.7 | 6.9 | 7.0 | | 0.56 |
| Secured by real estate | Percent | 4.4 | 4.8 | 4.7 | 5.0 | 5.9 | 6.0 | 6.2 | 6.3 | 6.4 | | 0.52 |
| Not secured by real estate | Percent | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | | 0.04 |
| Other loans | Percent | 6.1 | 6.1 | 5.8 | 5.6 | 6.4 | 6.3 | 6.5 | 6.6 | 6.6 | | 0.16 |
| Unfunded commitments for commercial loans | Percent | 0.4 | 0.5 | 0.4 | 0.5 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | | -0.03 |
| Other assets | Percent | 4.4 | 4.7 | 4.7 | 4.5 | 4.4 | 4.0 | 4.1 | 4.1 | 4.2 | | -0.16 |

[1] Account AS0008
[2] Account AS0041. Quarters 2022q1-2023q2: Allowance for credit losses on investments.
N/M – Not Meaningful

| | | Same quarter as current, previous years | | | | | Most recent four quarters | | | | Most Recent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | 2018.4 | 2019.4 | 2020.4 | 2021.4 | 2022.4 | 2023.1 | 2023.2 | 2023.3 | 2023.4 | 4 Quarter % change | 4 Quarter change |
| Total liabilities and net worth | Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | | |
| Total deposits | Percent | 83.9 | 84.2 | 86.1 | 86.8 | 85.3 | 85.4 | 84.6 | 84.1 | 83.4 | | -1.95 |
| Share drafts | Percent | 13.3 | 13.3 | 15.8 | 17.8 | 17.6 | 17.8 | 17.3 | 16.9 | 16.4 | | -1.25 |
| Regular shares | Percent | 29.4 | 28.4 | 30.8 | 31.8 | 30.3 | 29.1 | 27.7 | 26.4 | 25.2 | | -5.08 |
| Other deposits | Percent | 41.3 | 42.6 | 39.5 | 37.2 | 37.4 | 38.6 | 39.7 | 40.8 | 41.8 | | 4.37 |
| Money market accounts | Percent | 18.0 | 17.5 | 18.5 | 19.8 | 18.2 | 16.7 | 15.8 | 15.3 | 14.7 | | -3.50 |
| Share certificate accounts | Percent | 16.4 | 18.3 | 15.0 | 12.0 | 13.7 | 16.4 | 18.2 | 19.9 | 21.5 | | 7.76 |
| IRA/Keogh accounts | Percent | 5.3 | 5.2 | 4.5 | 4.0 | 3.8 | 3.7 | 3.8 | 3.8 | 3.8 | | -0.04 |
| Non-member deposits | Percent | 0.8 | 0.8 | 0.6 | 0.5 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | | 0.23 |
| All other shares | Percent | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | | -0.08 |
| Net worth [3] | Percent | 11.30 | 11.37 | 10.32 | 10.26 | 10.73 | 10.48 | 10.62 | 10.72 | 10.70 | | -0.03 |
| Addenda | | | | | | | | | | | | |
| Real estate loans | Percent | 35.4 | 35.6 | 32.5 | 31.9 | 36.5 | 36.4 | 37.1 | 37.8 | 37.9 | | 1.47 |
| Real estate fixed rate, first mortgage (includes commercial) | Percent | 21.2 | 22.0 | 21.5 | 22.3 | . | . | . | . | . | | -- |
| Real estate fixed rate, first mortgage (excludes commercial) | Percent | . | . | . | . | 21.7 | 21.4 | 21.5 | 21.5 | 21.1 | | -0.64 |
| Business loans | | | | | | | | | | | | |
| Net member business loan balance for regulatory reporting, Part 723 [4] | Percent | 4.7 | 5.0 | 4.9 | 5.2 | 6.1 | 6.2 | 6.4 | 6.6 | 6.7 | | 0.53 |

[3] Quarters 2023q1 and later: Excludes the CECL transition provision (Account NW0004)
[4] Account 400A
N/M - Not Meaningful

# Summary of Performance for Federally Insured Credit Unions

| | Asset Categories | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Less than $10 million | $10 to $50 million | $50 to $100 million | $100 to $500 million | $500 million to $1 billion | Greater than $1 billion | Federal Credit Unions | Federally Insured State-Chartered Credit Unions | Small Credit Unions (Assets less than $100 million) | Credit Unions with Low-Income Designation in 2023Q4 | Credit Unions with Minority Depository Institution Designation in 2023Q4 |
| Current Quarter: 2023Q4 | | | | | | | | | | | |
| Number of credit unions | 927 | 1,275 | 629 | 1,059 | 282 | 432 | 2,880 | 1,724 | 2,831 | 2,483 | 492 |
| Number of members (millions) | 0.6 | 3.2 | 3.8 | 17.2 | 13.3 | 101.1 | 73.7 | 65.6 | 7.7 | 73.6 | 6.5 |
| Total assets ($ billions) | 3.9 | 33.6 | 45.5 | 241.7 | 204.9 | 1,726.2 | 1,131.3 | 1,124.5 | 83.0 | 1,135.3 | 88.8 |
| Total loans ($ billions) | 2.1 | 17.9 | 26.0 | 159.1 | 144.9 | 1,252.8 | 802.7 | 800.0 | 46.0 | 829.4 | 59.3 |
| Total deposits ($ billions) | 3.2 | 29.0 | 39.5 | 209.3 | 173.9 | 1,426.2 | 946.9 | 934.2 | 71.7 | 949.7 | 73.3 |
| Key ratios (percent) | | | | | | | | | | | |
| Return on average assets | 0.38 | 0.62 | 0.73 | 0.68 | 0.59 | 0.70 | 0.69 | 0.68 | 0.67 | 0.73 | 0.75 |
| Net worth ratio [1] | 17.66 | 13.01 | 12.54 | 11.27 | 10.69 | 10.52 | 10.82 | 10.59 | 12.97 | 10.61 | 11.58 |
| Loan to share ratio | 64.9 | 61.8 | 65.8 | 76.0 | 83.3 | 87.8 | 84.8 | 85.6 | 64.1 | 87.3 | 80.9 |
| Net interest margin (median) | 3.61 | 3.32 | 3.18 | 3.20 | 3.06 | 2.88 | 3.25 | 3.20 | 3.37 | 3.38 | 3.62 |
| Cost of funds / average assets (median) | 0.34 | 0.45 | 0.54 | 0.86 | 1.12 | 1.41 | 0.58 | 0.81 | 0.44 | 0.66 | 0.35 |
| Delinquency rate | 1.52 | 1.03 | 0.84 | 0.71 | 0.77 | 0.85 | 0.93 | 0.73 | 0.95 | 0.78 | 0.91 |
| Net charge-offs to average loans | 0.48 | 0.38 | 0.38 | 0.38 | 0.43 | 0.67 | 0.76 | 0.46 | 0.38 | 0.50 | 0.61 |
| Growth from a year earlier (percent) | | | | | | | | | | | |
| Shares (total deposits) | -5.4 | -7.5 | -6.3 | -2.4 | -3.3 | 3.4 | 2.7 | 0.7 | -6.8 | 2.8 | -0.1 |
| Total loans | 8.2 | 2.9 | 0.3 | 3.6 | -0.3 | 7.8 | 7.1 | 5.6 | 1.7 | 6.6 | 7.1 |
| Total assets | -3.5 | -6.2 | -5.0 | -0.5 | -1.4 | 6.0 | 4.4 | 3.7 | -5.4 | 4.9 | 4.9 |
| Members | -2.0 | -5.2 | -3.5 | -0.5 | -3.8 | 5.2 | 3.4 | 2.5 | -4.1 | 3.0 | 1.6 |
| Net worth [1] | 5.2 | 0.6 | 2.8 | 4.1 | -1.5 | 4.5 | 3.1 | 4.5 | 2.1 | 5.5 | 4.0 |

[1] Quarters 2023q1 and later: Excludes the CECL transition provision (Account NW0004)

| | Asset Categories | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Less than $10 million | $10 to $50 million | $50 to $100 million | $100 to $500 million | $500 million to $1 billion | Greater than $1 billion | Federal Credit Unions | Federally Insured State-Chartered Credit Unions | Small Credit Unions (Assets less than $100 million) | Credit Unions with Low-Income Designation in 2023Q4 | Credit Unions with Minority Depository Institution Designation in 2023Q4 |
| Historical Data (same quarter) | | | | | | | | | | | |
| Return on average assets (percent) | | | | | | | | | | | |
| 2023 | 0.38 | 0.62 | 0.73 | 0.68 | 0.59 | 0.70 | 0.69 | 0.68 | 0.67 | 0.73 | 0.75 |
| 2022 | 0.13 | 0.41 | 0.61 | 0.71 | 0.82 | 0.94 | 0.89 | 0.87 | 0.51 | 0.92 | 0.90 |
| 2021 | 0.20 | 0.41 | 0.60 | 0.72 | 0.83 | 1.20 | 1.11 | 1.02 | 0.50 | 1.08 | 0.97 |
| 2020 | 0.06 | 0.32 | 0.43 | 0.50 | 0.60 | 0.78 | 0.67 | 0.73 | 0.36 | 0.74 | 0.57 |
| 2019 | 0.29 | 0.56 | 0.63 | 0.72 | 0.79 | 1.04 | 0.95 | 0.92 | 0.58 | 0.92 | 0.62 |
| Net worth ratio (percent) [1] | | | | | | | | | | | |
| 2023 | 17.66 | 13.01 | 12.54 | 11.27 | 10.69 | 10.52 | 10.82 | 10.59 | 12.97 | 10.61 | 11.58 |
| 2022 | 16.20 | 12.12 | 11.59 | 10.77 | 10.70 | 10.67 | 10.96 | 10.52 | 12.02 | 10.56 | 11.68 |
| 2021 | 15.52 | 11.72 | 11.07 | 10.22 | 10.18 | 10.20 | 10.44 | 10.08 | 11.55 | 10.07 | 10.20 |
| 2020 | 15.66 | 12.08 | 11.32 | 10.44 | 10.24 | 10.20 | 10.44 | 10.19 | 11.87 | 10.15 | 10.16 |
| 2019 | 16.49 | 13.20 | 12.31 | 11.57 | 11.27 | 11.21 | 11.50 | 11.23 | 12.94 | 11.20 | 11.34 |
| Loan to Share Ratio (percent) | | | | | | | | | | | |
| 2023 | 64.92 | 61.79 | 65.78 | 76.02 | 83.31 | 87.84 | 84.77 | 85.64 | 64.13 | 87.33 | 80.89 |
| 2022 | 56.75 | 55.54 | 61.42 | 71.63 | 80.84 | 84.31 | 81.28 | 81.61 | 58.82 | 84.24 | 75.46 |
| 2021 | 50.96 | 49.74 | 55.77 | 63.72 | 70.88 | 72.20 | 70.74 | 69.62 | 53.08 | 72.74 | 63.47 |
| 2020 | 53.97 | 52.69 | 58.37 | 67.33 | 74.95 | 75.34 | 73.38 | 73.09 | 55.76 | 75.89 | 66.96 |
| 2019 | 62.74 | 62.57 | 67.62 | 78.16 | 84.23 | 86.91 | 83.65 | 84.27 | 65.16 | 86.20 | 78.62 |

[1] Quarters 2023q1 and later: Excludes the CECL transition provision (Account NW0004)

# Appendix

## NCUA Board Members

### Chairman Todd M. Harper

Todd M. Harper was nominated to serve on the NCUA Board on February 6, 2019. The U.S. Senate confirmed him on March 14, 2019, and he was sworn in as a member of the NCUA Board on April 8, 2019. President Joseph R. Biden, Jr., designated him as the NCUA's twelfth Chairman on January 20, 2021.

On August 6, 2021, President Biden renominated Chairman Harper for another term on the NCUA Board. On June 8, 2022, Chairman Harper was confirmed by the Senate for a term expiring on April 10, 2027.

As NCUA Board Chairman, Mr. Harper serves as a voting member of the Financial Stability Oversight Council and represents the NCUA on the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee.

Prior to joining the NCUA Board, Mr. Harper served as director of the agency's Office of Public and Congressional Affairs and chief policy advisor to former Chairmen Debbie Matz and Rick Metsger. He is the first member of the NCUA's staff to become an NCUA Board Member and Chairman.

Mr. Harper previously worked for the U.S. House of Representatives as staff director for the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises and as legislative director and senior legislative assistant to former Rep. Paul Kanjorski (D-Pennsylvania). In these roles, he contributed to every major financial services law, from the enactment of the Gramm-Leach-Bliley Financial Services Modernization Act in 1999 through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010.

During the Great Recession, Mr. Harper coordinated the first congressional hearing to explore the creation of a Temporary Corporate Credit Union Stabilization Fund. He also spearheaded staff efforts in the U.S. House to secure enactment of a law to lower the costs of managing both the Corporate Stabilization Fund and the National Credit Union Share Insurance Fund.

Mr. Harper led staff negotiations over several sections of the Dodd-Frank Act, including the Kanjorski amendment to empower regulators to preemptively rein in and break up "too-big-to-fail" institutions and proposals to enhance the powers of the Securities and Exchange Commission. He also developed the legislative framework for the bill that created the Federal Insurance Office to monitor domestic and international insurance issues.

Mr. Harper holds an undergraduate degree in business analysis from Indiana University's Kelley School of Business and a graduate degree in public policy from Harvard University's Kennedy School of Government.

## Vice Chairman Kyle S. Hauptman

Kyle S. Hauptman was nominated to serve on the NCUA Board on June 15, 2020. The U.S. Senate confirmed him on December 2, 2020, and he was sworn in as the 24th member of the NCUA Board on December 14, 2020. The NCUA Board approved his designation as Vice Chairman of the NCUA on December 18, 2020.

Prior to his joining the NCUA Board, Mr. Hauptman served as Senator Tom Cotton's (R-Arkansas) advisor on economic policy, as well as Staff Director of the Senate Banking Committee's Subcommittee on Economic Policy.

Previously, Mr. Hauptman held the position of Executive Director of the Main Street Growth Project and Senior Vice President at Jefferies & Co. He worked at Lehman Brothers as a bond trader in New York City as well as in their international offices in Tokyo and Sydney, and served as a voting member on the U.S. Securities and Exchange Commission Advisory Committee on Small and Emerging Companies.

Mr. Hauptman served on President Donald J. Trump's transition team in 2016 and was Senator Mitt Romney's (R-Utah) policy advisor for financial services during the 2012 presidential campaign.

Mr. Hauptman holds a master's in business administration from Columbia Business School and a bachelor of arts from University of California, Los Angeles.

## Board Member Tanya F. Otsuka

Tanya F. Otsuka was nominated by the President to serve on the NCUA Board on September 21, 2023. The U.S. Senate unanimously confirmed her by voice vote on December 20, 2023, and she was sworn in as a member of the NCUA Board on January 8, 2024.

Prior to joining the NCUA Board, Tanya served as Senior Counsel for the majority staff of the U.S. Senate Banking, Housing, and Urban Affairs Committee under Chairman Sherrod Brown (D-OH), where she has handled the Committee's work on banking and credit union issues since March 2020. In 2019, she also served on the Committee staff through the Government Affairs Institute at Georgetown University's Capitol Hill Fellowship Program, on detail from the Federal Deposit Insurance Corporation (FDIC).

Prior to her time with the Banking, Housing, and Urban Affairs Committee, Otsuka was a staff attorney and counsel at FDIC where she worked on a broad range of banking issues. She began her career at the FDIC as a law clerk in 2010 and an Honors Attorney in 2011.

Otsuka earned her J.D. from Boston College Law School and B.A. with distinction from the University of Virginia.

# Senior Staff Reporting to the NCUA Board

- **Catherine D. Galicia**
  Chief of Staff to the NCUA
- **Sarah Bang**
  Senior Advisor to Vice Chairman Hauptman
- **Larry Fazio**
  Executive Director
- **Rendell L. Jones**
  Deputy Executive Director
- **Frank Kressman**
  General Counsel
- **James Hagen**
  Inspector General
- **Katherine Easmunt**
  Acting Chief Ethics Counsel
- **Miguel Polanco**
  Director, Office of Minority and Women Inclusion
- **Elizabeth A. Eurgubian**
  Director, Office of External Affairs and Communications
- **Samuel J. Schumach**
  Deputy Director, Office of External Affairs and Communications

# NCUA Offices and Regions

**Miguel Polanco**
Director, Office of Minority and Women Inclusion

The **Office of Minority and Women Inclusion** oversees issues related to diversity in the agency's management, employment, and business activities. The office works to ensure equal opportunities for everyone in NCUA's workforce, programs, and contracts. The office also assesses the diversity policies and practices of credit unions regulated by the NCUA. The Director of the Office of Minority and Women Inclusion reports directly to the NCUA Chairman in compliance with section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

**Elizabeth A. Eurgubian**
Director of External Affairs and Communications

The **Office of External Affairs & Communications** handles public relations, including communications with the media and trade associations, and serves as NCUA's liaison with Capitol Hill and other government agencies, and monitoring federal legislative issues. The office also manages the NCUA's social and digital media platforms, including NCUA.gov and

MyCreditUnion.gov. Additionally, the office manages the agency's Section 508 compliance efforts. The Director of the Office of External Affairs & Communications reports directly to the NCUA Chairman.

**Frank Kressman**
General Counsel

The **Office of General Counsel** addresses legal matters affecting NCUA. The duties of the office include representing the agency in litigation, executing administrative actions, interpreting the Federal Credit Union Act and NCUA rules and regulations, processing Freedom of Information Act requests and advising the Board and the agency on general legal matters, and maintaining the agency's records management program. The General Counsel's office also drafts regulations designed to ensure the safety and soundness of credit unions.

**Larry Fazio**
Executive Director

The **Office of the Executive Director** is responsible for the agency's daily operations. The executive director reports directly to the NCUA Chairman. All regional directors and most central office directors report to the executive director.

**James Hagen**
Inspector General

The **Office of Inspector General** promotes the economy, efficiency, and effectiveness of NCUA programs and operations. The office also detects and deters fraud, waste, and abuse in support of NCUA's mission of monitoring and promoting safe and sound federally insured credit unions. Additionally, it conducts independent audits, investigations and other activities and keeps the NCUA Board and Congress fully informed.

**Katherine Easmunt**
Acting Chief Ethics Counsel

The **Office of Ethics Counsel** certifies the agency's compliance with relevant federal ethics laws and regulations, promotes accountability and ethical conduct, and helps ensure the success of the NCUA's ethics programs, including programs designed to prevent harassment and misconduct in the workplace.

**Shameka Sutton**
Acting Ombudsman

The **Ombudsman** assists with resolving problems by helping to define options and recommending solutions to involved parties. The Ombudsman is a neutral party to ensure a fair, equitable, and transparent interaction with the NCUA. The Ombudsman reports to the NCUA Board and is independent from the agency's operational programs.

**Anthony Cappetta**
CLF President

The **Central Liquidity Facility** is an NCUA-operated, mixed-ownership government corporation that was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. Member credit unions own the CLF, which exists within the NCUA. The CLF's President manages the facility under the oversight of the NCUA Board.

**Kelly Lay**
Director, Office of Examination and Insurance

The **Office of Examination and Insurance** is responsible for NCUA's supervision programs that ensure the safety and soundness of federally insured credit unions. Within the Office of Examination and Insurance, the Division of Supervision oversees NCUA's examination and supervision program, including resource management and allocation, and oversees the development and maintenance of exam and supervision policy manuals. The Division of Risk Management oversees the agency's problem resolution program and manages risk to the National Credit Union Share Insurance Fund. The Division of Analytics and Surveillance manages the agency's data gathering, surveillance and national risk assessment programs. It also supports NCUA's supervision of technology risk in credit unions. The Division of Capital and Credit Markets evaluates and develops policies and procedures related to credit union loans and investments and asset-liability management. The division also oversees the day-to-day operations of the Central Liquidity Facility.

**Andrew Leventis**
Chief Economist

The **Office of the Chief Economist** supports NCUA's safety and soundness goals by developing and distributing economic intelligence. The office also enhances NCUA's understanding of emerging microeconomic and macroeconomic risks by producing modeling and risk identification tools and participating in agency and interagency policy development.

**Eugene Schied**
Chief Financial Officer

The **Office of the Chief Financial Officer** oversees the agency's budget preparation and management, ongoing finance and accounting functions, facilities management, and procurement. The office also handles billing and collection of credit union Share Insurance Fund premiums and deposit adjustments, and federal credit union operating fees. NCUA's strategic planning process is also housed here.

**David Tillman**
Acting Chief Information Officer

The **Office of the Chief Information Officer** manages NCUA's automated information resources. The office's work includes collecting, validating and securely storing electronic agency information; developing, implementing and maintaining computer hardware, software, and data communications infrastructure; and ensuring related security and integrity risks are recognized and controlled.

**Matthew J. Biliouris**
Director, Office of Consumer Financial Protection

The **Office of Consumer Financial Protection** is responsible for the agency's consumer financial protection program. Within the office, the Division of Consumer Affairs is responsible for NCUA's Consumer Assistance Center, which handles consumer inquiries and complaints. The Division of Consumer Compliance Policy and Outreach is responsible for consumer financial protection compliance policy and rulemaking, fair lending examinations, interagency coordination on consumer financial protection compliance matters, and outreach.

**Towanda Brooks**
Chief Human Capital Officer

The **Office of Human Resources** provides a full range of human resources functions to all NCUA employees. The office administers recruitment and merit promotion, position classification, compensation, employee records, employee and labor relations, training, employee benefits, performance appraisals, incentive awards, adverse actions, and grievance programs.

**Martha Ninichuk**
Director, Credit Union Resources and Expansion

The **Office of Credit Union Resources and Expansion** is responsible for chartering and field-of-membership matters, low-income designations, charter conversions, and bylaw amendments. The office also provides online training to credit union board members, management and staff, and technical assistance through grants and loans funded by the Community Development Revolving Loan Fund. Additionally, the office is responsible for the agency's minority depository institutions preservation program.

**Kelly Gibbs**
Director, Office of Continuity and Security Management

The **Office of Continuity and Security Management** evaluates and manages security and continuity programs across NCUA and its regional offices. The office is responsible for continuity of operations, emergency planning and response, critical infrastructure and resource protection, cybersecurity and intelligence threat warning, and the security of agency personnel and facilities.

**Amber Gravius**
Director, Office of Business Innovation

The **Office of Business Innovation** is responsible for the NCUA's information technology modernization and business-process optimization efforts, as well as information security support, data management, and data governance for the agency.

**Melane Conyers-Ausbrooks**
Secretary of the Board

The **Secretary of the Board** is responsible for the secretarial functions of the Board. The Secretary's responsibilities include preparing agendas for meetings of the Board, preparing and maintaining the minutes for all official actions taken by the Board, and executing and maintaining all documents adopted by the Board or under its direction. The Secretary also serves as the Secretary of the CLF.

## Field Program Offices

**Scott Hunt**
Director, National Examinations and Supervision

The **Office of National Examinations and Supervision** supervises the corporate credit union system and consumer credit unions with $15 billion or more in assets.

**John Kutchey**
Director, Eastern Region

The NCUA's **Eastern Region** is headquartered in Alexandria, Virginia. The region covers Delaware, the District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island, and Vermont.

**Keith Morton**
Director, Southern Region

The NCUA's **Southern Region** is headquartered in Austin, Texas. The region covers Texas, Oklahoma, Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, Ohio, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands.

**Cory Phariss**
AMAC President

The **Asset Management and Assistance Center (AMAC)** conducts credit union liquidations and performs asset management and recovery. AMAC also helps the NCUA's regional offices review large, complex loan portfolios and actual or potential bond claims. AMAC staff participate extensively in the operational phases of credit union conservatorships and record reconstruction.

**Cherie Freed**
Director, Western Region

The NCUA's **Western Region** is headquartered in Tempe, Arizona. The region covers Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wyoming, Alaska, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Utah, Washington, and Wisconsin.

# Key Terms and List of Acronyms

**ACCESS or Advancing Communities through Credit, Education, Stability and Support:** NCUA's initiative to foster greater financial inclusion, accessibility, and opportunity for all Americans by:

- Expanding access to credit to give more Americans the opportunity to build businesses, afford higher education, achieve the dream of homeownership, and create strong, vibrant communities.
- Expanding access to financial literacy education to help consumers start on the right path financially and make smart financial decisions that improve their financial well-being.
- Ensuring financial stability to allow credit unions that serve minority and underserved areas to thrive and meet the evolving financial needs of their members and by extension, their communities.
- Supporting new employment opportunities for minorities, women, the disabled, and the underserved to allow these individuals to join the financial mainstream and benefit from greater economic opportunity.

**ACET:** Automated Cybersecurity Examination Tool

**AI:** Artificial intelligence

**AIRES or Automated Integrated Regulatory Examination System:** This is the computer program that the NCUA and nearly all state supervisory authorities use to document and complete their examinations of federal and state-chartered credit unions. The program uses a series of workbooks and questionnaires to guide examiners through their reviews of credit unions' financial performance, compliance with regulations and relevant laws, and potential risks.

**AMAC:** Asset Management and Assistance Center

**AME:** Asset Management Estate

**ASC:** Accounting Standards Codification

**ASU:** Accounting Standards Update

**Auto Loans:** Loans made by credit unions for which the recipient uses to purchase a vehicle.

**AVM or Automated Valuation Model:** A software-based tool that's used in residential and commercial real estate to determine property value.

**BSA:** Bank Secrecy Act

**Call Report:** A Call Report is a report that must be filed by credit unions with the NCUA on a quarterly basis. The NCUA uses the Call Report and Profile to collect financial and nonfinancial information from federally insured credit unions. The resulting data are integral to risk supervision at institution and industry levels, which is central to safeguarding the integrity of the Share Insurance Fund.

**CAMELS Rating:** NCUA's composite CAMELS rating consists of an assessment of a credit union's Capital adequacy, Asset quality, Management, Earnings, Liquidity risk, and Sensitivity to market risk. The CAMELS rating system is designed to take into account and reflect all significant financial, operational and management factors field staff assess in their evaluation of credit unions' performance and risk profiles.

- CAMELS ratings range from 1 to 5, with 1 being the best rating. Credit unions with a composite CAMELS rating of 3 exhibit some degree of supervisory concern in one or more components. CAMELS 4 credit unions generally exhibit unsafe or unsound practices, and CAMELS 5 institutions demonstrate extremely unsafe or unsound practices and conditions. NCUA collectively refers to CAMELS 4 and 5 credit unions as "troubled credit unions."

**CARES Act:** The Coronavirus Aid, Relief and Economic Security Act

**CBA:** Collective bargaining agreement

**CCU or Corporate Credit Union:** These are member-owned and controlled, not-for-profit cooperative financial institutions that act as "credit unions for credit unions" and provide a number of critical financial services to credit unions, such as payment processing. Most federally insured credit unions are members of at least one corporate credit union.

**CECL:** Current expected credit losses

**CDRLF or Community Development Revolving Loan Fund:** Congress created this fund in 1979 to stimulate economic development in low-income communities. Congress provides funding for the CDRLF through the yearly appropriations process. NCUA administers the fund and uses it to provide eligible low-income credit unions with technical assistance grants and low-interest loans. Credit unions use these funds to develop new products and services, train staff, and weather disasters or disruptions in their operations. This support helps these credit unions continue to serve low- to moderate-income populations throughout the country.

**C.F.R.:** Code of Federal Regulations

**CLF or Central Liquidity Facility:** This is a mixed-ownership government corporation that serves as an important source for emergency funding for credit unions and corporate credit unions that join the facility. Membership is voluntary and open to all credit unions that purchase a prescribed amount of stock. The NCUA Board has direct oversight of the fund's operations. In situations where a credit union may be experiencing a shortage of liquidity (essentially a shortage of cash or assets that can be easily converted into cash), a credit union can borrow funds from the Central Liquidity Facility for a period not to exceed one year, though the typical period is 90 days.

**Consumer Credit Union:** See natural person credit union.

**CSRP or Corporate System Resolution Program:** A multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed corporate credit unions, and establishing a new regulatory framework for corporate credit unions.

**CSRS:** Civil Service Retirement System

**CUMAA:** Credit Union Membership Access Act of 1998, Public Law 105–219

**CURE:** NCUA Office of Credit Union Resources & Expansion

**CUSO or Credit Union Service Organization:** These are corporate entities owned by federally chartered or federally insured, state-chartered credit unions. These institutions provide a number of services to credit unions, including loan underwriting, payment services and back-office functions like human resources and payroll, among others.

**DATA Act:** The Digital Accountability and Transparency Act

**DEI:** Diversity, Equity and Inclusion

**DEIA:** Diversity, Equity, Inclusion, and Accessibility

**Delinquency Rate:** The percentage of loans for which one or more payments is late.

**DCS:** Data Collection & Sharing

**DEXA:** Data Exchange Application

**DOL:** U.S. Department of Labor

**DRS:** Enterprise Data Reporting Solution

**E&I:** NCUA Office of Examination and Insurance

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

**Equity Ratio:** A comparison of contributed capital and total insurance shares in all insured credit unions. NCUA calculates this for the Share Insurance Fund by dividing contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, by the aggregate amount of insured shares in all federally insured credit unions.

**ESM:** Enterprise Solution Modernization

**ERM:** Enterprise Risk Management

**ERMC:** Enterprise Risk Management Council

**FASAB:** Federal Accounting Standards Advisory Board

**FASB:** Financial Accounting Standards Board

**FBIIC:** Financial and Banking Information Infrastructure Committee

**FBWT:** Fund Balance with Treasury

**FCU:** Federal Credit Union

**FDIC:** The Federal Deposit Insurance Corporation

**FECA:** Federal Employees' Compensation Act

**Federal Credit Union Act:** Signed into law in 1934, the Federal Credit Union Act establishes the legal framework for federally chartered credit unions in the U.S. The act also defines the coverage and terms of federal share insurance at all federally insured credit unions, and it outlines the structure, duties and authority of the NCUA.

**FERS:** Federal Employees Retirement System

**FEVS:** Federal Employee Viewpoint Survey

**FFB:** Federal Financing Bank

**FFIEC:** Federal Financial Institutions Examination Council

**Field of Membership:** A credit union's field of membership defines who is eligible to join the credit union. Depending on the credit union's charter, a field of membership can include individuals who:

- Are members of an association like a civic association or religious institution;
- Are part of a community, like a county or town;
- Are employed in a particular occupation, like a firefighter or teacher;
- Are a part of an underserved area, like a rural county; or
- Who share a common bond, such as those that work at a factory and those that work for the factory's suppliers.

**FIRREA:** Financial Institutions Reform, Recovery, and Enforcement Act

**FISCU:** Federally Insured, State-chartered Credit Union

**FISMA:** Federal Information Security Management Act, Public Law 107-347

**FMFIA:** Federal Managers' Financial Integrity Act of 1982, Public Law 97–255

**FOMC:** The Federal Open Market Committee

**FSOC:** The Financial Stability Oversight Council

**GAAP:** U.S. generally accepted accounting principles

**GAAS:** U.S. generally accepted auditing standards

**GAO:** U.S. Government Accountability Office

**HHS:** U.S Department of Health and Human Services

**IPERA:** The Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204

**IPERIA:** The Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248

**IPIA:** The Improper Payments Information Act of 2002, Public Law 107-300

**ISE:** Information Security Examination

**IUS:** Internal Use Software

**KPMG:** KPMG LLP

**LICU or Low-income Designated Credit Union:** The Federal Credit Union Act allows the NCUA to designate a credit union as low-income if it meets certain criteria. This designation gives these credit unions a greater ability to help stimulate economic growth and provide affordable financial services in communities that have been historically underserved.

- To qualify as a low-income credit union, a majority of a credit union's membership must meet certain low-income thresholds based on data from the U.S. Census Bureau.
- The designation offers several benefits for credit unions that qualify, including the ability to accept non-member deposits, an exemption from the member business lending cap, eligibility for technical assistance grants and loans, and the ability to obtain supplemental capital from organizations, such as banks or outside investors.

**Loan-to-Share Ratio:** A comparison of the total amount of outstanding loans by the total amount of share deposits. This is a measure of liquidity.

**MDI or Minority Depository Institution:** This term is used to describe a credit union that has a majority of its current or potential membership composed of minorities (in this case Black American, Hispanic American, Asian American, Native American or Multi-cultural) and a majority of minority members on its board of directors.

**Member:** A person who uses a credit union is referred to as a member rather than a customer. This is because a credit union member actually owns a portion, or share, of their credit union. This differs from a bank, which is owned by its shareholders, not its customers. A credit union member also has the ability to determine the credit union's board of directors through a democratic election.

**MERIT or Modern Examination and Risk Identification Tool:** This is a new examination platform that replaced AIRES. Through MERIT, credit unions will be able to securely exchange documents with examiners.

**Mortgage/Real Estate:** Loans that are secured by a mortgage, deed of trust, or similar lien on real estate.

**NCUA:** National Credit Union Administration

**NCUSIF or The National Credit Union Share Insurance Fund:** This fund provides deposit insurance for member accounts at all credit unions that are federally insured. The Share Insurance Fund is funded by premiums paid by credit unions, which is one percent of the shares or deposits at credit

unions. It is backed by the full faith and credit of the United States.
The Share Insurance Fund insures individual accounts up to $250,000, and a member's interest in all joint accounts combined is insured up to $250,000. The fund separately protects IRA and KEOGH retirement accounts up to $250,000.

**Net Worth Ratio:** A comparison of retained earnings and total assets, which measures the financial strength of the industry or an individual credit union.

**NPCU or Natural-Person Credit Union:** More commonly known as consumer credit unions, natural-person credit unions provide financial services primarily to individual people, as opposed to corporate credit unions which provide financial services to natural-person credit unions.

**NOL or Normal Operating Level:** The Share Insurance Fund's normal operating level is the desired equity level for the Share Insurance Fund that is set by the NCUA Board. The Federal Credit Union Act allows the NCUA Board to set the normal operating level between 1.20 percent and 1.50 percent. If the equity ratio of the Share Insurance Fund is above normal operating level at the end of the calendar year, a dividend is triggered and paid to federally insured credit unions. The normal operating level set by the NCUA Board in December 2021 is 1.33 percent.

**NTEU:** National Treasury Employees Union

**OBI:** Office of Business Innovation

**OCIO:** Office of the Chief Information Officer

**OCSM:** Office of Continuity and Security Management

**OEAC:** Office of External Affairs & Communications

**OF:** Operating Fund

**OIG:** Office of the Inspector General

**OMB:** Office of Management and Budget

**OMWI:** Office of Minority and Women Inclusion

**ONES:** Office of National Examinations and Supervision

**OPM:** U.S. Office of Personnel Management

**OTR:** Overhead transfer rate

**OTTI:** Other-than temporary impairment

**PIIA:** Payment Integrity Information Act

**Return on Average Assets:** A comparison of net income and average total assets; a measure of how much income credit unions are able to generate from each dollar's worth of a credit union's assets.

**ROV or Reconsiderations of Value:** Requests from a financial institution to an appraiser or other preparer of a valuation report to reassess the value of residential real estate.

**Safety and Soundness:** Federal and state supervision of credit unions is designed to provide for a financially stable system that meets the financial needs of credit union members, as well as to prevent runs and panics by providing assurances that funds deposited will be protected from loss. A credit union is considered to be safe and sound if it is being run effectively and is compliant with all applicable laws and regulations.

**SFFAS:** Statement of Federal Financial Accounting Standards

**Share Insurance Fund Equity Ratio:** The equity ratio approximates the overall heath and financial position of the Share Insurance Fund. The equity ratio is calculated as the ratio and consists of the contributed 1-percent deposit that all federally insured credit unions must make, plus the cumulative results of operations, excluding net cumulative unrealized gains and losses on the fund's investments, divided by the aggregate amount of the insured shares in all federally insured credit unions.

- By law, the equity ratio of the Share Insurance Fund cannot decline below 1.20 percent. When the NCUA Board projects that the equity ratio will fall below 1.20 percent within six months, the NCUA Board must establish and implement a restoration plan to rebuild the equity ratio, which may include a premium assessment to each insured credit union.

**the "Fund":** National Credit Union Administration Operating Fund

**Unsecured Credit Cards:** Loans held as unsecured credit card loans.

# List of Hyperlinks to Additional Information by Report Section

## Industry At A Glance

- NCUA Call Report Data
  https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data

## About this Report

- NCUA Annual Reports
  https://www.ncua.gov/news/annual-reports

## About the Management's Discussion and Analysis

- NCUA Annual Reports
  https://www.ncua.gov/files/annual-reports/annual-report-2023.pdf

## NCUA in Brief

- 2022–2026 *Strategic Plan*
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

- NCUA Historical Timeline
  https://ncua.gov/about/historical-timeline

- NCUA History, YouTube
  https://www.youtube.com/watch?v=Q7uBLWseqq4

## Year in Review

- 2022–2026 *Strategic Plan*
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

- Letter to Credit Unions, 23-CU-01, "NCUA's 2023 Supervisory Priorities
  https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncuas-2023-supervisory-priorities

- Press Release, January 20, 2023, "Valwood Park Federal Credit Union Conserved
  https://ncua.gov/newsroom/press-release/2023/valwood-park-federal-credit-union-conserved

- NCUA's consumer website, MyCreditUnion.gov
  www.mycreditunion.gov

- NCUA's Proposed, Pending and Recently Final Regulations
  https://www.ncua.gov/regulation-supervision/rules-regulations/proposed-pending-and-recently-final-regulations

- NCUA Consumer Assistance Center
https://www.mycreditunion.gov/consumer-assistance-center/Pages/default.aspx

- Press Release, February 9, 2023, "NCUA Charters For Members Only Federal Credit Union
https://ncua.gov/newsroom/press-release/2023/ncua-charters-members-only-federal-credit-union

- Press Release, April 25, 2023, "NCUA Charters Generations United Federal Credit Union
https://ncua.gov/newsroom/press-release/2023/ncua-charters-generations-united-federal-credit-union

- Press Release, November 8, 2023, "NCUA Charters Young Community Federal Credit Union
https://ncua.gov/newsroom/press-release/2023/ncua-charters-young-community-federal-credit-union

- Enterprise Solution Modernization Program
https://ncua.gov/regulation-supervision/examination-modernization-initiatives/enterprise-solution-modernization-program

- Federal Register Notice, The NCUA Staff Draft 2024-2025 Budget Justification, October 5, 2022
https://www.regulations.gov/document/NCUA-2023-0117-0001

- 2024-2025 Budget Justification: Staff Draft, October 26, 2023
https://ncua.gov/files/publications/budget/budget-justification-proposed-2024-2025.pdf

## Looking Forward

- The Financial Stability Oversight Council 2023 Annual Report
https://home.treasury.gov/system/files/261/FSOC2023AnnualReport.pdf

- *2024-2026 Diversity, Equity, Inclusion, and Accessibility Strategic Plan*
https://ncua.gov/files/agenda-items/deia-strategic-plan-2024-2026-20240118.pdf

## Performance Highlights

- 2022–2026 *Strategic Plan*
https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

## Financial Highlights

- NCUA Mid-session Presentation to the NCUA Board
https://ncua.gov/files/agenda-items/midsession-budget-review-20230720.pdf

## Management Assurances and Compliance

- Section 901(b) of title 31 of the United States Code
  https://www.govinfo.gov/content/pkg/USCODE-2011-title31/pdf/USCODE- 2011-title31-subtitleI-chap9-sec901.pdf

- Office of Inspector General Reports
  https://www.ncua.gov/About/Pages/inspector-general/reports.aspx

- USASpending.gov
  https://www.usaspending.gov/

## Performance Results

- 2022–2026 *Strategic Plan*
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

- 2023 *Annual Performance Plan*
  https://ncua.gov/files/agenda-items/2023-annual-performance-plan-20230126.pdf

- NCUA Risk Appetite Statement
  https://ncua.gov/files/agenda-items/risk-appetite-statement-20221020.pdf

- NCUA Minority Depository Institution Preservation
  https://ncua.gov/support-services/credit-union-resources-expansion/resources/minority-depository-institution-preservation

## Payment Integrity

- Paymentaccuracy.gov
  https://www.paymentaccuracy.gov/

## Civil Monetary Penalty Adjustment for Inflation

- Final Rule, Part 747, Civil Monetary Penalty Inflation Adjustment, The Federal Register, January 10, 2024
  https://www.federalregister.gov/documents/2024/01/10/2024-00316/civil-monetary-penalty-inflation-adjustment

## Statistical Data

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

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| General Counsel Fraud Hotline: | (800) 827-9650 | ogcmail@ncua.gov |
| Credit Union Investments: | (800) 755-5999 | ocmpmail@ncua.gov |
| NCUA Consumer Assistance Center: | (800) 755-1030 | https://www.mycreditunion.gov/consumer-assistance-center |
| Office of Credit Union Resources and Expansion | (703) 518-6610 | curemail@ncua.gov |
| Report Improper or Illegal Activities: | (800) 778-4806 | oigmail@ncua.gov |
| Technical Support: | (800) 827-3255 | onestop@ncua.gov |

Thank you for your interest in NCUA's 2023 *Annual Report*. This report and prior annual reports are available on NCUA's website at https://www.ncua.gov/news/annual-reports.

Please send any comments or suggestions about this report to oeacmail@ncua.gov.

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NCUA's 2023 *Annual Report* was produced through the energies and talents of NCUA staff, to whom we offer our most sincere thanks and acknowledgment. We would also like to acknowledge NCUA's Office of Inspector General for the professional manner in which they conducted the audit of the 2023 financial statements.

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# National Credit Union Administration

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