

# Iowa Department of Commerce Division of Credit Unions

## 2015 - 2019 Strategic Performance Plan

### **MISSION:**

To safeguard the interests of credit union depositors and shareholders through the effective administration and execution of the laws relating to credit unions.

### **VISION:**

To provide for a regulatory environment in which Iowa credit unions can prosper, operate in a safe and sound manner, and meet the financial service needs of their members.

### **GUIDING PRINCIPLES:**

- Professional Excellence
  - Commitment to training and continuous improvement
  - Long-range planning with attention to change and increased complexity in the financial services industry
    - Continued development of expertise in member business lending, information technology & cybersecurity, capital markets, interest rate risk, and other emerging areas of significance
  - Maintaining high reputation and trust with the public and the financial services industry
- Collaborative Leadership
  - Employee engagement and retention
  - Open communication within the Division, Board of Directors, and with stakeholders in the financial services industry, as well as other regulators
  - Commitment to communicating with the public, including via technology and an updated and expanded website
- Risk-focused regulation and regulatory independence
  - Data-based decision-making with results orientation
  - Customer focus
  - Annual comprehensive review of statutes and regulations

## **ASSESSMENT:**

### **Overview**

The Credit Union Division performs regulatory and supervisory functions for 87 state-chartered credit unions whose principal places of business are located in Iowa. Oversight is provided by a 7-member Credit Union Review Board appointed by the Governor. The Division is funded entirely by annual fees assessed to state credit unions, based on each credit union's assets. Expenditure limitations for the Division are set through the legislature's budget process, and only the Division's actual expenditures are assessed as fees twice per year.

### **Changes in the credit union industry**

The total number of state-chartered credit unions has decreased in the past decade, primarily due to mergers. As the industry adapts to increased federal financial regulation and market challenges involved with offering increased financial services to members, mergers of existing credit unions have continued at a steady pace, and this is expected to continue in the future. Over that same decade, however, while the overall number of credit unions has decreased, the assets managed by Iowa credit unions have increased and become more complex, and the total membership in Iowa credit unions has continued to grow. The net worth in Iowa's credit unions has continued to increase annually. The regulatory challenges have also increased, along with the size of certain credit unions and the complexity of the assets they manage and products they offer. However, the National Credit Union Administration now defines a small credit as one with assets less than \$100 million. In Iowa, that means 69 of our credit unions are considered small, with over half of the credit unions regulated by the Division below \$21 million in asset size. The Division has the added challenge of making certain its supervision and regulations are equally appropriate for smaller institutions as they are for those credit unions with assets in excess of \$1 billion. The challenge of right-sized regulation and appropriate supervision will continue in the future for the Division. It is a vibrant industry which continues to grow and adapt to the changing financial services marketplace.

### **Challenges for the Division**

The Division strives to adapt as needed, including providing the necessary level of expertise for proper supervision of both small and large credit unions, assuring that all Iowa credit unions operate in a safe and sound manner. The Division's annual goal is to complete an annual examination of 81% of Iowa credit unions, exceeding the statutory requirement of every 24 months, to ensure credit unions are operating in a safe and sound manner. Examiners utilize the Division's Red Flag Surveillance Program, which contains quarterly data and trends reported by credit unions, to assess emerging risk and as a basis for risk-based scheduling of examinations and contacts. Maintaining and retaining a sufficient staff of qualified credit union examiners is both a necessity and a challenge in a market where an examiner's experience and expertise is desirable in the private sector, and recognizing the training provided through the Division requires significant time to produce a seasoned examiner.

Planning staff transitions, such as those necessitated by retirements or unexpected departures to the private sector, is a continuing challenge. State approval of sufficient funding and expenditure limitations which permit the Division to hire and retain qualified examiners is key to continued quality examination and regulation of Iowa credit unions. This in turn, adequately protects the public and the security of credit union deposits. Specialized and continuing training for Division employees on new and complex financial products and regulations is necessary for adequate supervision and regulation of the industry in an evolving marketplace. This focus also requires increased attention to technology issues, including increasing cybersecurity threats, which follow from the expansion of online services and mobile account access at credit unions.

The Division works hard to recruit and retain highly-qualified examiners who share the Division's vision and commitment to excellence, and who find the Division a highly-desirable place to work.

The Division annually reviews and updates existing Iowa Code language and Administrative Rules to respond to the changes in the industry and the marketplace, and keeps abreast of new federal regulations affecting credit unions through multiple training opportunities.

The Division maintains a public face through its website and the consumer complaint process, in which the Division works with individual credit unions to resolve member complaints in a timely manner, taking regulatory action when necessary. The Division is currently updating the agency website, as it contemplates the potential role of new methods of communicating with credit unions and the public, such as those presented by social media, and consumer access to government websites via mobile devices and tablets.

## **GOALS**

1. Ensure a safe, sound, and sustainable credit union system in Iowa, facilitating a competitive business environment.
2. Ensure consumer protection, while maintaining industry and public confidence in the Division's regulation.
3. Cultivate a working environment fostering a diverse, well-trained, and motivated staff.

## **ACTION PLAN FOR GOALS AND STRATEGIES**

### **GOAL 1**

**Ensure a safe, sound, and sustainable credit union system in Iowa.**

Responsibility: Superintendent and Division Staff

<b>Strategies</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Time Frame</b>
Increase ability to manage and identify risk through effective examination and supervision with greater emphasis on internal controls for smaller institutions.	<p>Recruit and retain highly qualified examiners.</p> <p>Increase training opportunities for Division staff on new and complex financial products and services, and legal developments.</p> <p>Strive to perform annual examinations in each credit union, exceeding the statutory requirement of every 24 months.</p> <p>Greater utilization, maintenance, and development of the Red Flag system for offsite monitoring of emerging credit union risk, and for risk-based scheduling of examinations and contacts.</p>	<p>Superintendent and Supervisory Examiner</p> <p>All</p> <p>Supervisory Examiner, Examiners</p> <p>Superintendent, Supervisory Examiner, Examiners</p>	Ongoing
Be prepared for and promote awareness of critical risk issues, emerging technologies and related threats.	<p>Enhance communications with credit unions regarding federal and state regulations and guidance.</p> <p>Communicate information to credit unions regarding known or developing cybersecurity risks and threats.</p>	<p>Superintendent, Supervisory Examiner, Examiners, Executive Officer</p> <p>Superintendent, Information Technology Specialist</p>	<p>Ongoing</p> <p>Ongoing</p>
Enhance internal communication, staff effectiveness, and efficiency through available technology.	Modify functions of internal agency portal with updated user interface and applications to promote greater coordination among field staff and office staff	Information Technology Specialist, Examiners	Ongoing

## GOAL 2

### Ensure consumer protection, while maintaining industry and public confidence in the Division's regulation.

Responsibility: Superintendent and Division Staff

Strategies	Actions	Responsibility	Time Frame
Enhance the consumer complaint process.	Improve response times, utilizing email or phone where complaint is time-sensitive.	Superintendent, Executive Officer	Ongoing
	Explain the details of the investigation, and legal analysis, where appropriate.	Executive Officer	
	Issue regulatory guidance where appropriate.	Superintendent, Executive Officer	
Ensure Iowa credit unions comply with laws and regulations established to protect consumers.	Perform regular examinations including attention to compliance issues.	Supervisory Examiner, Examiners	Ongoing
	Educate credit unions about consumer compliance issues.	Executive Officer, Supervisory Examiner, Examiners	
Establish dialogue with credit unions, including open communication with the Division, regarding proposed regulations and/or emerging issues.	Hold roundtables for credit unions.	Superintendent, Supervisory Examiner	Ongoing
	Attendance at League meetings by the Division.	Superintendent, Executive Officer	
	Communication with League lobbyists during legislative session.	Superintendent, Executive Officer	
Collaborate with other regulators to discuss new or revised laws and regulations.	Consumer & mortgage law revisions.	Superintendent, Executive Officer	Ongoing
	Electronic Funds statute.	Superintendent, Executive Officer	Ongoing
Enhance Division's public website.	Redesign website and add additional public information.	Information Technology Specialist	Done
Work to meet the consumer protection needs of an increasingly diversified population.	Establish a dialogue with Coopera regarding the financial information needs of the Hispanic community.	Superintendent, Executive Officer, Information Technology Specialist	Ongoing

	Make consumer protection information available on the Division website in both English and Spanish.		
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### GOAL 3

#### **Cultivate a working environment fostering a diverse, well-trained, and motivated staff**

Responsibility: Superintendent and Division Staff

Strategies	Actions	Responsibility	Time Frame
Develop and maintain the optimal knowledge, skills, and abilities of the Division's staff to meet emerging needs and to foster professional growth.	Communicate with staff regarding new or updated laws, regulations, and guidance.	Executive Officer, Supervisory Examiner	Ongoing
	Schedule regular training on new issues and matters of cultivated expertise.	All	Ongoing
	Annually survey staff regarding work environment and professional growth.	Superintendent, Executive Officer, Supervisory Examiner	Ongoing
	Hold at least semi-annual all staff training meetings.	All	Ongoing
Explore flexible working arrangements to promote an optimal work environment. Arrangements are tailored to the requirements of specific job categories.	Work to develop a formal policy for specific positions.	Superintendent, Supervisory Examiner, Executive Officer	Ongoing
Plan for succession of key leadership roles to ensure continuity of Division operations during staff transitions.	Transfer institutional knowledge of retiring staff, including training replacements where possible.	All	Ongoing
	Enhance leadership training opportunities.		Ongoing