

Iowa Department of Commerce

Division of Credit Unions

2014 - 2018 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
 - Open communication within the Division, and with stakeholders in the financial services industry, as well as other regulators
 - Commitment to communicating with the public, including via technology such as 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 112 state-chartered credit unions whose principal place of business is located in Iowa. Oversight is provided by a 7-member Credit Union Review Board appointed by the Governor. The Division is not funded through the state's General Fund, but rather is funded entirely by annual fees assessed to state credit unions, based on a 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.

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, which trend is expected to continue in the near 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. Iowa credit unions led the nation in loan growth in 2013. 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, with roughly half of the credit unions regulated by the Division below \$23 million in asset size, the Division has the added challenge of making sure its supervision and regulations are as appropriate for these 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, to allow both small and large credit unions to thrive and provide appropriate service to their members. 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 goal is to complete an annual examination of each Iowa credit union, 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 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 sought by the private sector, and where the internal training provided through the Division takes time to produce a seasoned examiner. Especially in such a small agency as the Division, planning staff transitions, such as those necessitated by retirements or unexpected departures to the private sector, is also a challenge. State

approval of sufficient funding and expenditure limitations that permit the Division to hire and retain qualified examiners is key to continued quality examination and regulation of Iowa credit unions, which 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 has reduced its administrative staff by approximately 25% in the past three years, by restructuring and consolidating some functions and adding legal expertise to the administrative functions. The examination staff has recently experienced fluctuations due to retirement and loss of experienced examiners to positions in the private sector. The Division has worked 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 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 also 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 where necessary. The Division continues to plan for an updated 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.
2. Ensure consumer protection, while maintaining industry and public confidence in the Division's regulation.
3. Cultivate a working environment that fosters a diverse, well-trained, and motivated staff.
4. Respond to Governor's goals of creating 200,000 new jobs for Iowans; reducing the cost of government by 15%; restore Iowa's educational system to number one in the nation; increase Iowa family incomes by 25%.

ACTION PLAN FOR GOALS AND STRATEGIES

GOAL 1

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

Responsibility: Superintendent and Division Staff

Strategies	Actions	Responsibility	Time Frame
Increase ability to manage and identify risk through effective examination and supervision	<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	2014-2015

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 and Legal Counsel	
	Issue regulatory guidance where appropriate.	Superintendent	
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 and Legal Counsel, 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	
	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	2014
	Electronic Funds statute	Superintendent, Executive Officer	Ongoing
Enhance Division's public website.	Redesign website and add additional public information	Information Technology Specialist	2014-2015
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		

GOAL 3

Cultivate a working environment that fosters 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	2015-2016
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	2015-2017
	Enhance leadership training opportunities.		Ongoing

GOAL 4

Respond to Governor's goals of creating 200,000 new jobs for Iowans; reducing the cost of government by 15%; restore Iowa's educational system to number one in the nation; increase Iowa family incomes by 25%.

Responsibility: Superintendent and Division Staff

Strategies	Actions	Responsibility	Time Frame
Streamline Division administrative staff	Reorganize staff responsibilities and eliminate additional positions.	Superintendent	2012-2013
Work with Iowa credit unions on growth opportunities for expanding membership and creating additional jobs within the credit union and in the community through making member business loans.	Consult with credit unions regarding merger opportunities, and new financial products. Update laws and regulations annually and eliminate outdated provisions to minimize regulatory burden.	Superintendent, Staff Superintendent, Executive Officer	Ongoing
Support financial literacy education efforts in schools and communities so that consumers maximize the potential of their financial resources.	Support development of educational credit unions or in-school branches to further the credit union mission and expand financial literacy.	Superintendent	Ongoing