



**NCUA**  
National Credit Union Administration

Office of Examination and Insurance  
Office of Consumer Financial  
Protection

# 2022 Supervisory Priorities Board Briefing

January 27, 2022

# 2022 Supervisory Priorities

- **Credit Risk Management**
- **Information Security (Cybersecurity)**
- **Payment Systems**
- **BSA/AML/Countering Terrorism Financing**
- **Capital Adequacy/Risk Based Capital Rule**
- **Loan Loss Reserving**

# 2022 Supervisory Priorities

- **Consumer Financial Protection**
- **Loan Participations**
- **Fraud**
- **London Inter-Bank Offered Rate (LIBOR) Transition**
- **Interest Rate Risk**

# Other Reminders

- **NCUA Connect & MERIT**
- **Recording of Official Meetings**
- **CAMELS Update**

# Credit Risk Management

## **NCUA will:**

- **Continue to focus on credit risk management and mitigation efforts**
- **Review adjustments credit unions made as a result of the COVID-19 pandemic and the CARES/Consolidated Appropriation Acts**
- **Consider credit union efforts to provide prudent relief due to COVID-19**

# Information Security (Cybersecurity)

- **Cybersecurity risks are a significant threat to the credit union system**
- **NCUA continues to update information security examination procedures**
- **The Automated Cybersecurity Evaluation Toolbox allows credit union to determine and measure cybersecurity preparedness**
  - **Toolbox is voluntary and establishes no new requirements or expectations for credit unions**

# Payment Systems

- **Credit union payment related products, services, and operations are a growing area of complexity and risk**
- **Increased consumer demand**
- **Heavy reliance on technology for transaction processing**
- **Increased risk of fraud, illicit use, and breaches of data security**

# BSA/AML/Terrorism Financing

- **The BSA was amended for the first time since 2001 by the AML and CTA Acts**
- **New requirements for credit unions to update their risk-based BSA and AML/CFT policies, procedures, and processes**
- **Requirements will be implemented incrementally throughout 2022**



# Capital Adequacy/Risk Based Capital Rule

- **Capital adequacy standards will be reviewed commensurate with:**
  - Risk Based Capital ratios
  - A credit union's efforts to evaluate impact of COVID-19 relief on financial and capital stability
- **Complex credit unions:**
  - Are subject to Risk Based Capital rule requirements effective Jan 1, 2022
  - Will need to make Call Report revisions based on the Risk Based Capital rule

# Loan Loss Reserving

- **Continued focus on reviewing ALLL accounts adequacy and reserve methodology**
- **CECL compliance effective January 2023**
  - Examiners will discuss preparations to implement CECL
  - CUs < \$10M are not required to follow GAAP or CECL unless required by the SSA
    - Reserve methodology will still be reviewed

# Consumer Financial Protection

- **Mortgage Loan Forbearance**
  - CARES Act Single-Family Mortgage Loans
  - Non-CARES Act Single-Family Mortgage Loans
- **Consumer Loan Forbearance/Accommodation**
- **CARES Act Amendments to the Fair Credit Reporting Act (FCRA)**
- **2021 Mortgage Servicing Final Rule (RESPA/Reg X)**
- **Servicemembers Civil Relief Act (SCRA)**
- **Fair Lending**
- **Overdraft Document Requests**

# Loan Participations

- **NCUA will evaluate loan participation portfolios for safe-and-sound practices, including:**
  - Loan participation transaction risks
  - Compliance with board approved policy limits
  - Credit union reconciliations of servicer records
  - Third party due diligence

# Fraud

- **Fraud risk has increased due to the offsite posture of many credit unions**
- **NCUA will focus on credit union efforts to detect and deter fraud and will perform transaction testing**
- **Reviews will include**
  - Internal controls
  - Separation of duties

# LIBOR Transition

- **The one-week and two-month USD LIBOR settings are no longer published as of December 31, 2021**
- **The overnight and one-, three-, six-, and 12-month USD LIBOR settings were extended through June 2023**
- **NCUA will focus on credit unions with significant LIBOR exposure or inadequate fallback mitigation measures**

# Interest Rate Risk

- **The credit union system experienced high share growth over the last two years**
- **IRR and sensitivity increased as a result of longer duration assets**
- **Earnings were strained with some short-term assets**
- **NCUA will evaluate credit union efforts to balance, model, and manage IRR**

# NCUA Connect & MERIT

- **NCUA and State examiners completed MERIT and associated systems training between August and November 2021**
- **These new systems provide important benefits**
- **Credit unions will use MERIT and related systems during examinations**
- **Examiners have time allocated to work with credit unions on using the new tools in 2022**



# Recording of Official Meetings

- **Federal credit unions may record exit meetings and joint conferences with examiner concurrence**
- **Examiners will normally agree to recordings**
- **Any disagreement may be addressed with regional management**
- **Credit unions should refer to local, state, and federal laws, especially re: obtaining consent**
- **Examiners may request a copy of the recording**

# CAMELS Update

- Final rule to add “S” to CAMELS approved October 2021; with an effective date of April 1, 2022
- CAMELS distinguishes liquidity risk from market sensitivity
- “S” component effective risk management includes comprehensive policies, risk limits, risk mitigation strategies, and governance framework
- “L” component considerations include current and prospective sources of liquidity

# QUESTIONS



# Office Contact Information

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