

## **Questions and Answers about NCUA's Office of National Examinations and Supervision**

### **1. What is the Office of National Examinations and Supervision?**

The NCUA Board has created a new office—the Office of National Examinations and Supervision (ONES)—and assigned the office the responsibility for supervising consumer credit unions with \$10 billion or more in assets and all corporate credit unions. The reorganization reallocates existing resources to focus on the largest credit unions and protect the Share Insurance Fund from losses.

ONES will open its doors on January 1, 2013, but will not be assigned responsibility for consumer credit unions with \$10 billion or more in assets until January 1, 2014. NCUA will use 2013 as a transition year to facilitate a smooth realignment of oversight from the currently assigned regions to this new office. ONES will assume supervision of all corporate credit unions on January 1, 2013. Scott Hunt, one of NCUA's current office directors, will head ONES.

### **2. Who will be affected by this change? Will my credit union be affected?**

Federally insured consumer credit unions under \$10 billion in assets are not affected by the creation of ONES. Starting in 2014, ONES will supervise federally insured consumer credit unions with assets of \$10 billion or more, as determined on March 31 of the preceding year. ONES will assume supervision of all corporate credit unions on January 1, 2013.

### **3. Why is NCUA creating this new office?**

NCUA is reorganizing existing resources to create ONES to enhance oversight of the nation's largest consumer credit unions—those with more than \$10 billion in assets—and assume supervision of corporate credit unions. The new office will be dedicated to the challenges of supervising the largest credit unions, promoting consistency of exam practices. In addition, ONES will leverage national and regional expertise to promote high-quality evaluations of risk and risk management practices.

By assigning these large credit unions to one office, NCUA can create efficiencies by leveraging a pooled resource budget rather than having resources spread throughout the regions. A single office also provides one point of contact with the Consumer Financial Protection Bureau (CFPB) for coordinating joint examinations for credit unions over \$10 billion.

### **4. Do other federal banking agencies have separate examination and supervision efforts for their largest institutions?**

Yes. While the criteria to assign institutions may differ, each federal banking agency has a program that specifically focuses on their largest depository institutions.

### **5. Why did NCUA choose an asset threshold of \$10 billion?**

NCUA considered a variety of factors, such as potential exposure to the Share Insurance Fund under failure or stress scenarios, and asset thresholds found in various legislative and regulatory areas. The \$10 billion threshold correlates to an asset threshold identified in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Specifically, credit unions with assets greater than \$10 billion are subject to compliance examinations by the Consumer Financial Protection Bureau and must comply with the prohibition on incentive-based compensation arrangements.

**6. What will this cost? Will this mean an increase in NCUA's overall 2013 or 2014 budget?**

This reorganization will reallocate existing resources to focus on the largest credit unions and protect the Share Insurance Fund from losses. The creation of the new office and realignment of supervision should not require new agency resources, nor any net increase to NCUA's financial operating budget. ONES will be using current and future vacancies to recruit and retain staff with specialized knowledge sets and subject matter expertise, combined with redeployment and retraining of some incumbent staff. All staff in ONES will be cross-trained to examine and supervise both covered consumer credit unions and corporate credit unions.

**7. There are no corporate credit unions that are currently over \$10 billion. Why are they being assigned to the same office as consumer credit unions over \$10 billion?**

Corporate credit unions are complex and have national fields of membership. They are also interconnected within the industry. For example, some corporates serve more than 1,000 consumer credit unions. Additionally, 73 percent of consumer credit unions report using a corporate credit union as their primary settlement agent.