

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

DATE: August 2011 **LETTER NO.:** 11-CU-12

TO: Federally Insured State Credit Unions

SUBJ: Disclosing CAMEL Ratings to Federally Insured State Credit Unions (FISCUs)

ENCL: (1) CAMEL Evaluation Form
(2) Cover Letter for Enclosure 1 Delivery to FISCUs

Dear Board of Directors:

To provide greater transparency to FISCUs and share risk perspectives from NCUA as each credit union's insurer, NCUA examiners were recently instructed to begin sharing CAMEL ratings with FISCUs. NCUA determined best practices would be to disclose NCUA CAMEL ratings to FISCUs during all insurance reviews and supervision contacts in which NCUA examiners are on-site.

The FISCU review is an integral component of risk assessment and loss mitigation to the National Credit Union Share Insurance Fund. Thus NCUA recognizes the need to more effectively communicate and document weaknesses and concerns related to insurance risk at each credit union and with the appropriate State Supervisory Authority (SSA).

NCUA examiners will disclose their CAMEL component and composite ratings using guidance published in Letter to Credit Unions No. 07-CU-12 dated December 2007, along with sufficient information supporting the basis for the assignment of individual component and composite ratings.

When NCUA examiners are performing joint contacts with SSA examiners, they will discuss differences in CAMEL conclusions with the SSA staff in an attempt to resolve them. If differences cannot be resolved, NCUA examiners will proceed to disclose NCUA's CAMEL simultaneously and on schedule with the SSA – but in no case later than the final meeting with credit union management and officials.

If the SSA does not disclose a CAMEL rating either onsite or in time for the final meeting, NCUA will still disclose its rating no later than the final meeting.

The NCUA examiner will document the NCUA CAMEL rating using Enclosure 1. This document will be presented to the credit union with Enclosure 2.

While NCUA is now communicating its CAMEL ratings to all FISCUs and SSAs, this information remains sensitive and confidential. This policy change does not change the fact that NCUA's CAMEL ratings remain the property of NCUA and should not be shared with third parties other than the examined credit union and the appropriate SSA.

If you have any questions related to this letter, contact your NCUA regional office, district examiner, or SSA.

Sincerely,

/s/

Debbie Matz
Chairman

Enclosures