Alternating Examination Pilot Program
Questions and Answers

1. Why is the pilot program being conducted?

The NCUA-State Supervisor Working Group, which created the pilot program, and the pilot program itself are based on recommendations from the NCUA's 2016 Exam Flexibility Initiative Report. The pilot program will help the NCUA and state regulators determine how an alternating examination program could improve coordination and make the best use of federal and state resources dedicated to maintaining high quality supervision of federally insured, state-chartered credit unions. The pilot program will also explore potential improvements that can lead to better consistency and communication between the NCUA as the share insurer and the prudential state regulatory agency.

2. How were the six states participating in the pilot program selected?

Six state regulators volunteered to participate in the pilot program: the California Department of Business Oversight, the Florida Division of Financial Institutions, the New Hampshire Banking Department, the Oklahoma State Banking Department, the South Carolina Office of the Commissioner of Banking, and the Texas Credit Union Department. These state programs help ensure credit unions of various sizes are represented in the pilot program.

3. How long will the pilot program be in effect?

The pilot program will begin Jan. 1, 2019, and run for one full alternating cycle, approximately three years.

4. How will individual credit unions be selected?

The working group established general eligibility criteria—such as CAMEL ratings, asset size, workload, and timing of examination cycles—to ensure the pilot program can serve as an effective test of an alternating examination program, not conflict with statutory or regulatory requirements of either agency, and not lead to additional burden for affected credit unions. The regions and state regulatory agencies jointly determined which credit unions will be part of the pilot program.

5. Will FISCUs included in the pilot program experience similar examinations?

FISCUs included in the pilot program will experience one of the following variations of an alternating examination program:

- Alternating lead—the NCUA and state regulators conduct joint examinations of federally insured, state-chartered credit unions, alternating which agency serves as lead each cycle.

- Alternating with limited participation—the NCUA and state regulators alternate conducting examinations with some involvement from the other agency.
- Alternating—the NCUA and state regulators alternate conducting examinations independently.

The option selected will vary by state regulator to ensure compliance with both agencies' examination requirements.

6. Does the pilot program only include FISCUs?

Yes, the pilot program only includes FISCUs. Examination procedures for federal credit unions will remain unchanged.

7. How will the NCUA and participating state regulators communicate with the FISCUs included in the pilot program?

The NCUA and state regulators will coordinate on communications with FISCUs involved in the pilot program. The primary examination-related communications will generally come from the agency serving as the lead for the examination. Credit unions may continue to communicate with both agencies as needed, based on existing protocols.

8. How will the NCUA and the state regulators collect feedback from FISCUs participating in the pilot program?

At the conclusion of the examination, the examiner-in-charge will meet in person with the credit union's CEO to solicit feedback. The feedback will be forwarded to the NCUA-State Supervisor Working Group for compilation and review. The working group may also conduct additional outreach to credit unions.

9. Can my credit union volunteer to participate in the pilot program?

No. FISCUs have been jointly selected by the NCUA and state regulators for alternating examinations.

10. Could alternating examinations become the new approach to joint NCUA-state regulator supervision?

Whether an alternating examination program will be broadly adopted depends on a variety of factors, including the results of the pilot program and additional dialogue between the NCUA, state regulators, and the credit union community.